

Sustainable contractor development

Informing transformation and change

Infrastructure delivery

Construction Health and Safety

Strategic partnerships

Improving industry performance

Industry regulation

Procurement reform

Register of Contractors







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<b>A-G</b>	Auditor-General	<b>CETA</b>	Construction Education Training Authority
<b>BAC</b>	Bid Adjudication Committee	<b>cidb</b>	Construction Industry Development Board
<b>BEC</b>	Bid Evaluation Committee	<b>CIOB</b>	Chartered Institute of Building
<b>BER</b>	Bureau for Economic Research	<b>CIP</b>	Construction Industry Performance (cidb programme)
<b>BPCRS</b>	Best Practice Contractor Recognition Scheme	<b>CMS</b>	Construction Management System
<b>BRT</b>	Bus Rapid Transit	<b>CRS</b>	Contractor Registers Services (cidb programme)
<b>CCC</b>	Construction Contact Centres	<b>DBSA</b>	Development Bank of Southern Africa
<b>CD</b>	Contractor Development	<b>DPW</b>	Department of Public Works
<b>CDP</b>	Contractor Development Programme	<b>EDMS</b>	Electronic Document Management System
<b>CE</b>	Civil Engineering	<b>FHU</b>	Fort Hare University
<b>CEO</b>	Chief Executive Officer		

# List of Abbreviations

<b>FIDIC</b>	Fédération Internationale Des Ingénieurs-Conseils (International Federation of Consulting Engineers)	<b>JBCC</b>	Joint Building Committee Contract	<b>RoC</b>	Register of Contractors
<b>GB</b>	General Building	<b>MoU</b>	Memorandum of Understanding	<b>RoPSP</b>	Register of Professional Service Providers
<b>GCC</b>	General Conditions of Contract	<b>NCDP</b>	National Contractor Development Programme	<b>PPC</b>	Pretoria Portland Cement
<b>GCD</b>	Growth and Contractor Development (cidb programme)	<b>NEC</b>	New Engineering Contract	<b>SABS</b>	South African Bureau of Standards
<b>GDP</b>	Gross Domestic Product	<b>NEF</b>	National Empowerment Fund	<b>SAWIC</b>	South African Women in Construction
<b>HR</b>	Human Resources	<b>NSF</b>	National Stakeholder Forum	<b>SBSA</b>	Standard Bank of South Africa
<b>IDC</b>	Industrial Development Corporation	<b>OHS</b>	Occupational Health and Safety	<b>SCM</b>	Supply Chain Management
<b>IDIP</b>	Infrastructure Delivery Improvement Programme	<b>OHSA</b>	Occupational Health and Safety Act	<b>SEDA</b>	Small Enterprise Development Agency
<b>ILO</b>	International Labour Organisation	<b>OHSC</b>	Occupational Health and Safety Committee		
		<b>PCDF</b>	Provincial Contractor Development Forum		
		<b>PDM</b>	Procurement and Delivery Management (cidb programme)		







## Foreword by Minister



South Africa has just hosted a successful 2010 FIFA World Cup, a first for the country and the continent of Africa. We have demonstrated that it is possible to work together and showcase our ability to unite and deliver what others thought was impossible. We did it. It was here! We felt it! The legacy remains with us.

The fans enjoyed the football. Government and the people of South Africa delivered a spectacular tournament. The built environment, professionals and contractors delivered the required infrastructure for the fans to enjoy. It has been long years of planning, construction, mixed feelings and doubts of

disappointing the nation and the world. We always believed in our ability to achieve the set objectives on time.

The South African economy has just gone through a global financial crisis which culminated in an economic recession between 2008 and 2009. This predicament followed a number of years of positive growth in the construction industry, specifically between 2004 and 2007. The boom in the construction sector was supported, to a large extent, by the 2010 FIFA World Cup stadia, airports, road networks and other related infrastructure. The momentum of the boom supported the construction industry through the economic recession.



There is a growing concern that the industry is not responding fast enough to the slowdown of new projects now that the FIFA World Cup infrastructure projects have been completed. This is a serious concern as we have witnessed a decline in the rollout of new projects on the ground. While the practical situation should be analysed and understood, government has committed R846 billion to infrastructure development in the medium term. This is a huge commitment and one which requires immediate response to ensure timeous expenditure on relevant projects. We therefore make a call to all public sector clients to bring forward their projects to keep the industry buoyant. In this way we will reduce job losses and impact the profitability of construction companies to a practical and reasonable level.

The Construction Industry Development Board (cidb) is in its ninth year of post establishment and has developed various instruments that are aimed at supporting the industry. It has, for example, established and maintained the Register of Contractors which currently stands at more than 100 000 registrations. The challenge posed by the register is that many contractors may not have the opportunity to be appointed on sizable projects as the supply outstrips demand. This is true in the context of a declining business confidence index and slowdown in future project allocations. Many contractors are going to compete for the available projects and some may close business if there is no proper support from government. The cidb is currently looking at various ways of supporting contractors, especially the emerging sector.

The cidb, in conjunction with the National and provincial departments of Public Works, has established the Construction Contact Centres in all provinces. With only the North West province operating from temporary premises and is still to finalise its permanent office, there is now support in all the provinces for contractors for cidb registration and other services. These provincial offices have already made positive

impact in facilitating access to cidb services at provincial level. Contractor development is also, supported through these offices as one of the benefits to contractors.

The cidb is currently reviewing the registration criteria to deal with unnecessary bottlenecks in the registration process while also improving efficiency and integrity of the Register of Contractors. The proposed amendments will be communicated to all stakeholders through a consultative process before implementation.

I wish to commend management and staff of the cidb for their continued support in the construction sector and for achieving an unqualified audit opinion. There is still more work to be done to ensure an unqualified audit opinion going forward.

I also wish thank the Board for providing guidance and strategic leadership. The current Board is on the last lap of its term and I congratulate all the members for serving the construction industry in a commendable manner. A new Board will be appointed by December 2010.

GQM Doidge, MP  
Minister of Public Works  
July 2010



# Chairperson's Statement



It is always uplifting to deliver good news, which emphasises the positive outcomes deriving from our strengths as a nation. The time that we have all been waiting for has come and gone, leaving a lasting legacy for the citizens of our country and the continent. The 2010 FIFA World Cup tournament brought us unity beyond just the entertainment of football. Widespread opinion is that the hosting of the tournament was a tremendous success.

The construction industry rose to the challenge of delivering the FIFA World Cup for the first time on the African continent,

including planning and delivering the infrastructure before the arrival of teeming fans. Although the process started some years back, all eyes were on the South Africa to see whether we could deliver a successful tournament. The venues for all the scheduled games were delivered before the commencement of the international tournament. Contractors and their workforce made us proud by ensuring that we should only worry about the performance of the teams and not about the physical infrastructure. The support of these projects to the performance of the economy of South Africa over the last five years and likely into the future should be applauded.



The quality jobs that were provided for many workers have ensured that new skills were developed in people who would have been unemployed during this time or those who would have worked elsewhere, sometimes far from their loved ones. The availability of sustainable jobs is a fundamental requirement for all of us to enjoy decent livelihoods.

The construction industry is cyclical in nature. The multiyear projects have assisted construction companies that were able to secure such long-term projects to improve their financial performance and provide training and skills for their employees. The geographical spread of these projects in the country should also be commended. The stadiums were built in all major cities and provided an opportunity for local communities in these areas to have access to some kind of employment. Owners of these companies have gained financially and their gain is being ploughed back into the economy in one way or another.

The downside of this exciting event is that many of the workers who were formally or informally employed may no longer have the continuity of jobs and contractors may struggle to secure other sustainable projects. Workers who were employed in one company may fail to keep their jobs and lose a track record of employment history, medical aid and other benefits. We sincerely hope that it will not take long before the downturn in construction activity is turned around.

Government has committed R846 billion for infrastructure development, which should spur the advent of new opportunities for those who are ready and able to perform. The programmes of expenditure by clients should be communicated to contractors and other stakeholders soon to ensure that we avert unnecessary loss of critical skills and frustration particularly among newly established construction enterprises.

The cidb has encountered numerous challenges as the developer and regulator of the construction industry. We believe that these challenges will be resolved but it will take time and effort, working together with stakeholders and experts in the industry. The emerging sector requires our support through sustainable development programmes and work opportunities. In response, the cidb has prioritised contractor training and development. The Board has formed a task team to work with management in prioritising this critical area. Another strategic area, research and development, is expected to support the industry and is receiving the attention of the Board. These challenges require a focused, inclusive approach based on transparency. There are numerous examples of successful programmes that have assisted emerging contractors. We need to study these programmes and share them with clients and other stakeholders in order to improve delivery and performance.

We also need to collaborate with organisations and institutions that either have similar challenges or have used successful solutions to improve delivery, performance and transformation. In so doing, we will save money and time. The cidb has made substantial strides in this area and will continue to work towards strengthening the relationships already established as well as look at new strategic partnerships. There are numerous areas where local, regional and international collaborations have been used successfully by the cidb but the new focus will support prioritised areas like research and development, enterprise development and training.

The cidb cannot do all this work alone. We need all levels of government, the built environment professionals, and established and emerging contractors to work together with us to deliver on our mandate. The annual Stakeholder Forum meeting is an excellent medium to receive direct feedback from our stakeholders. While we are committed to

appropriate and timely review of the registration criteria, we need to continue to support those programmes that are fully aligned to our mandate.

The current Board will reach the end of its term in December 2010. This is therefore the last annual report published under the oversight of this Board. I wish to thank my fellow Board members for their unwavering support during interesting and sometimes difficult periods over the past three years. I believe the Board has done well in providing leadership to the cidb and the industry. It is in this context that I wish to congratulate members of the third Board on their individual contribution on Board plenary and committee matters. I take this opportunity to also wish them well in their future business and private pursuits.

I also wish to thank the Minister of Public Works, the Deputy Minister and the provincial departments of Public Works for their support during our tenure as accounting authority at the cidb. I trust they will continue to give the required support to the next Board of the cidb.

Professor Raymond Nkado  
Chairperson



## CEO's Report



*"Partnering for Sustainable Growth and Development, Raising the Bar in the Business of Construction"*

The year 2010 has arrived. To most South Africans 2010 symbolises not just another calendar year, but a year that has kept them waiting for a momentous occasion – to host the first and successful FIFA World Cup tournament on the African continent.

The tournament has come and gone. It was played over a short and intensive period of just one month as a spectacular event. In addition to this, South Africans had promised to deliver to the world a spectacular tournament, and they did! This sense of pride and commitment was not new in 2010 – it had been with us since the famous announcement by Mr

Sepp Blatter almost six years ago that South Africa would host the 2010 FIFA World Cup. That announcement brought about an instant sense of anxiety among many citizens of this country, some understandably pessimistic while others were optimistic.

The pessimists doubted the ability of South Africa to deliver such a big event, citing the poor quality of stadia, poor public transport, capacity and experience to run a tournament of this magnitude. Yet, others complained about the level of crime. Apart from the concerns about the existing stadia not being up to the required standard, many even doubted the capacity of the construction industry to deliver the required infrastructure for the FIFA Soccer World Cup. It is this point that the cidb wishes to celebrate with fellow South Africans and the nations of the world.



The cidb was established in 2001 and, in hindsight, in time to assist South Africa with a regulated approach for the construction industry and in time for the FIFA Soccer World Cup. Before the cidb was established, procurement of construction services was not streamlined and resulted in undue administrative burden. It was difficult to administer it as a transparent, fair and equitable public tender system that addressed the imbalances of the past while upholding efficiencies and standards in the construction industry. The cidb was able to assist the host cities with appropriate procurement advice to ensure timely delivery of the stadia and related infrastructure. The context of the celebration is justified through the strategic commitment by the South African Government, the innovative designs of the stadia, the airports and related infrastructure. We also have to feel proud that all the 2010 FIFA World Cup stadia and related infrastructure were delivered on time against extremely tight deadlines.

The construction industry has seen good performance and impressive infrastructure growth between 2004 and 2007. Medium term estimates show that at least 9% contribution will be maintained in the medium term. These contributions have been possible due in part, to the 2010 infrastructure expenditure. In addition to the stadia, numerous other multi-year projects supported the construction industry and the economy of South Africa to perform well.

The timing and flow of strategic projects such as the 2010 FIFA World Cup stadia, the Gautrain Rapid Rail Link, the Gauteng Highway Improvement Project, the upgrading of existing airports and the construction of the new King Shaka International Airport in Durban, the BRT (Bus Rapid Transit) System, private sector projects and many others, gave us a successful model of development.

While the pressure was on the country to deliver such infrastructure against tight deadlines, leading to challenges

of capacity, skills and energy shortage, the new challenge is: where will the next jobs and projects come from, and when?

We must appreciate that the 2010 FIFA World Cup gave us an opportunity of a lifetime to develop large scale infrastructure for the tournament, under time and budget pressure. It is not likely that the momentum of this development will be repeated for many decades to come. The tournament also marked a critical turning point in the flow and the volume of big projects and jobs as the stadia have now been completed. We now have to deal with the reality of a gap between the 2010 FIFA World Cup infrastructure and the new projects in the pipeline. We need to reduce the impact of job losses and improve on skills development.

The years 2008 and 2009 were affected by the global financial crisis and saw a slowdown in the flow of big projects. The building and construction sectors are currently projected to face downward trends for the next year or two. The energy shortage has already prompted another obvious growth point in power plants, with water expected to lead to some future projects. The World Bank has granted Eskom a USD 3.75 billion loan to support Eskom to fund the construction of the Medupi Power Station and new generation power stations. Employment doubled in the period between 2000 and 2007. This loan would not have come at a better time.

### TRAINING AND CONTRACTOR DEVELOPMENT

The progress of contractors on the cidb Register of Contractors (RoC) depends on various stakeholders partnering to play their different but complimentary roles. After a number of years of developing and implementing the framework for the National Contractor Development Programme (NCDP), most clients have not provided structured support towards contractor development. There is an expectation that the

cidb would train and develop contractors and improve their grades. While this is not possible as the cidb does not have a mandate to train and develop contractors directly, a decision has been taken to facilitate training and fast track contractor development in a different way.

Training and contractor development have therefore been prioritised by the cidb. This change in focus will require careful planning and allocation of funding to ensure sustainability. The cidb has already consulted with various stakeholders in South Africa and overseas. The cidb and representatives of EPIN International visited Germany in November 2009 to explore the opportunity of training institutions in Germany providing training to South African contractors.

### REVIEW OF THE REGISTRATION CRITERIA

The cidb was established by a forward looking Act of Parliament at a time when the future conditions of the construction industry were still difficult to predict. Since 2004 when the contractors were registered for the first time on the RoC, numerous improvements are being introduced progressively to respond to the changing business landscape. The time has come for the registration criteria to be reviewed holistically to be in line with government's strategic priorities.

Many Black emerging contractors have expressed a discomfort that the registration criteria do not give favourable consideration of their historical plight. We are careful in our approach to introduce changes that support transformation while avoiding options that will not support the standards that both government and industry must uphold.

All stakeholders should be consulted to ensure that the integrity of the register is maintained. We have therefore started a consultative process to educate stakeholders about the registration process and obtain their views on possible



changes. The requirement for professionally registered employees from the middle grades and up, among other requirements, is being considered for this review. Some contractors have raised the issues of financial turnover and guarantees as hampering their growth and opportunities to do projects of higher value.

While the cidb is fully committed to transformation of the industry, we need to work together to ensure that these requests support quality delivery of infrastructure, that they are considered as reasonable options rather than an attempt to accommodate those who are not able to perform.

### IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF THE REGISTER OF CONTRACTORS

The Register of Contractors has reached more than 100 000 registrations by the end of March 2010. The registration system now requires a major overhaul to assist with efficiencies and management against fraud and corruption. Linked to this development will be the Electronic Document Management System (EDMS). The costing for both systems has been done and the implementation will be carried out from the 2010/11 financial year.

### INDUSTRY PERFORMANCE AND BEST PRACTICE

The improvement of the performance of the construction industry had reached a critical stage of development to support Best Practice. The piloting of various components of the Best Practice Contractor Recognition Scheme and Best Practice Project Assessment Scheme gained momentum during the year under review. It is planned that the regulations will be gazetted in the financial year 2010/11, depending on the outcome of the pilot phase. The rollout of the regulations will then be effected in 2011/12.

### RESEARCH AND DEVELOPMENT

The construction industry has suffered a downward trend in growth for almost two decades before the exponential growth witnessed between 2004 and 2007. Research and development became a victim of the period of negative growth. Naturally, with clients feeling that they had to prioritise their investment for survival, research and development was sacrificed. Over the years we have seen research being prioritised only for company specific products and processes.

Over some time now we have been planning to refocus the industry's attention to this critical area by looking at funding options and developing a strategy to kick-start a special programme for research and development. I am happy to report that the cidb has set aside a sum of R5 million as seed funding for research and development. This fund will be used to pilot a research and development programme to complement the cidb's Post Graduate Conference. Envisaged to run in parallel with the strategy to retain post graduate students, this programme will be piloted for sustainability with selected tertiary and research institutions in the country. Other participants will be involved progressively once the fund has demonstrated growth and sustainability to warrant this.

### IMPROVING COMMUNICATION WITH STAKEHOLDERS

It has been noted that since the first regulations were gazetted in 2004 the level of communication through the commercial media was somehow constrained. While this has been improved over the years it is not at the right level. In fact, the cidb has relied on direct communication through consultative forums, workshops, breakfast sessions and seminars as well as industry publications. While these are powerful and effective instruments for the literate and established segments of the

industry, some of the mediums may be inadequate in dealing with the new players, specifically the emerging sector.



The cidb has achieved a milestone by holding its first Construction Summit in May 2010. Co-hosted with the CIOB (Chartered Institute of Building) and boasting an impressive line-up of local and international speakers who are experts in their professions, this event marked the beginning of a series of events planned for the international construction community. This will now be an annual event.



*Honourable Minister Doidge addressing forum members at the NSF 2009.*



In October 2009 we successfully held the annual national Stakeholder Forum as required by the cidb Act. We also decided to host provincial stakeholder workshops to improve our outreach to stakeholders who would normally not have the opportunity to attend the national Stakeholder Forum. Seven provincial stakeholder workshops were conducted by the end of March, with Limpopo and Kwazulu- Natal only able to participate in June and July 2010, respectively.

Communication with stakeholders has been prioritised to improve understanding of the cidb mandate, role and function in the construction industry.

### SOCIAL RESPONSIBILITY AND STAFF MOTIVATION

The cidb has participated in various social responsibilities for staff as well as specific communities. For the past few years we have adopted the "Take a Girl Child to Work Day" and hosted girl children, informing them of the role of the cidb and motivating them to consider a career in construction or the built environment.

We recognise Women in Construction through the provincial and national Women in Construction Excellence Awards, which profiles women who are performing in the construction industry. Again this is an opportunity to encourage women to be more involved in the industry while also highlighting the challenges they face, the improvements that have been introduced and all that is still required to be done.



*Kabelo Ntiisa, cidb Manager with girl children attending the Take a Girl Child to Work Day.*



The National Construction Week, an initiative of the Department of Public Works, has been given more focus through the "Youth in Construction" programme where the cidb works with various stakeholders in coordinating various activities that expose the secondary school learners to the construction careers. We also execute awareness campaigns and participate in commemoration of the following: World Aids Day, June 16, Madiba Day, National Women's Day, among others.

### REPORTING ON THE 2009/10 AUDIT PROCESS AND PERFORMANCE SUMMARY

We are pleased that the recent audit process has resulted in an unqualified opinion. On behalf of the management and the Board of the cidb, I would like to thank all managers and staff who participated in making sure that we achieve this status.

The cidb has embarked on improving reporting procedures on performance information and targets. Based on the cross-



*DPW Dep. Minister, Chairperson of the cidb board, Eunice Forbes of MBSA, cidb leadership and the 2009 WiC Award winners*



*cidb employees with children from Bramley Children's home during Mandela Day.*





cutting nature of Programme activities, the targets for the year under review were improved during the course of the year. The third and fourth quarter reports were based on the revised targets, which were also submitted to the Auditor-General for auditing. Unfortunately, due to the late finalisation and submission of these targets for approval, it was decided to revert to the old targets that were reflected in the original Strategic Plan and Business Plan for audit purposes. The audit report is therefore based on historical information which had to be used for compliance purposes while the actual targets have been improved.

Improvements were also made for the 2010/11 financial year and these will be assessed critically from next year.

### EXPENDITURE RELATING TO THE 2010 FIFA WORLD CUP CLOTHING AND TICKETS

The cidb did not purchase FIFA World Cup tickets. Instead, management decided to show support to the national team, Bafana Bafana, by adapting this event for internal team building through purchasing 214 Bafana Bafana shirts printed with the cidb logo and the names of employees, Board and Audit Committee members. The total cost of these shirts was R78 190, including VAT at 14%. A cheaper range of Bafana Bafana shirts was selected to save on costs while pledging patriotic support to the national team and building cidb staff morale. This expenditure was effected in the financial year 2010/11 and, as such, was not subjected to the recent audit exercise.

### ESTABLISHMENT OF THE CONSTRUCTION CONTACT CENTRES

The cidb successfully launched the last but one Construction Contact Centre, in Limpopo, during the year under review. This leaves us with only one CCC to still launch, in North

West. We are hoping that this CCC will be established and launched in the year 2010/11. The temporary office in North West continues to operate with a full complement of cidb employees and the services provided there are similar to the rest of the country.



*National Manager: CCC, Nithabi Mehale; Limpopo Honourable Premier: Carsel Mathule with MEC: G Phaolagi.*

### REGISTER OF PROFESSIONAL SERVICES PROVIDERS

The process of renewed consultation with stakeholders supported the phased approach of this register. Management has been mandated to investigate the phased approach to establish a basic database as phase one of the project while establishing the criteria for phase two, which is envisaged to consider various value adding components. Progress has been made in the preparatory work, which will be presented to the Board for a decision once this process has been finalised. The Act will be reviewed where appropriate to support this phased approach as it was not envisaged at the time of promulgating the Act. The cidb has posted a report, which will be updated regularly, on the website.

### SPECIAL ACKNOWLEDGEMENTS

I wish to congratulate South Africans for hosting a successful 2010 FIFA World Cup, the contractors, consultants and clients for rising to the occasion to provide the required infrastructure under tremendous pressure. This is your celebration!

On behalf of the cidb Management, I wish to acknowledge the solid support of the Board, under the leadership of Chairperson, Professor Nkado. The term of the Board ends in December 2010 and this may be the last time for some members to be part of the Board, at least for the next term. To those who will not be returning we wish to thank them for their guidance and wish them good success in their future endeavours.

I also wish to thank the Minister of Public Works, Minister Geoff Doidge, his Deputy, Ms Hendrietta Bogopane Zulu, their staff and Senior Management and staff in the Department for their unwavering support.

**Ronnie Khoza**  
Chief Executive Officer



ciCb BOARD MEMBERS



Marten Govender



Mandla Mabuza



Nyeleti Makhubele



Nazir Alli



Sisa Ngebulana



Lwandile Kona



Cecil Rose



Cannon Noyana



Gavin Strydom



Shereen Bogosing



Lungile Mchunu

cidb LEADERSHIP TEAM



Ronnie Khoza



Inba Thumbiran



Greg Steele



Dr Rodney Milford



Gerard Naidoo

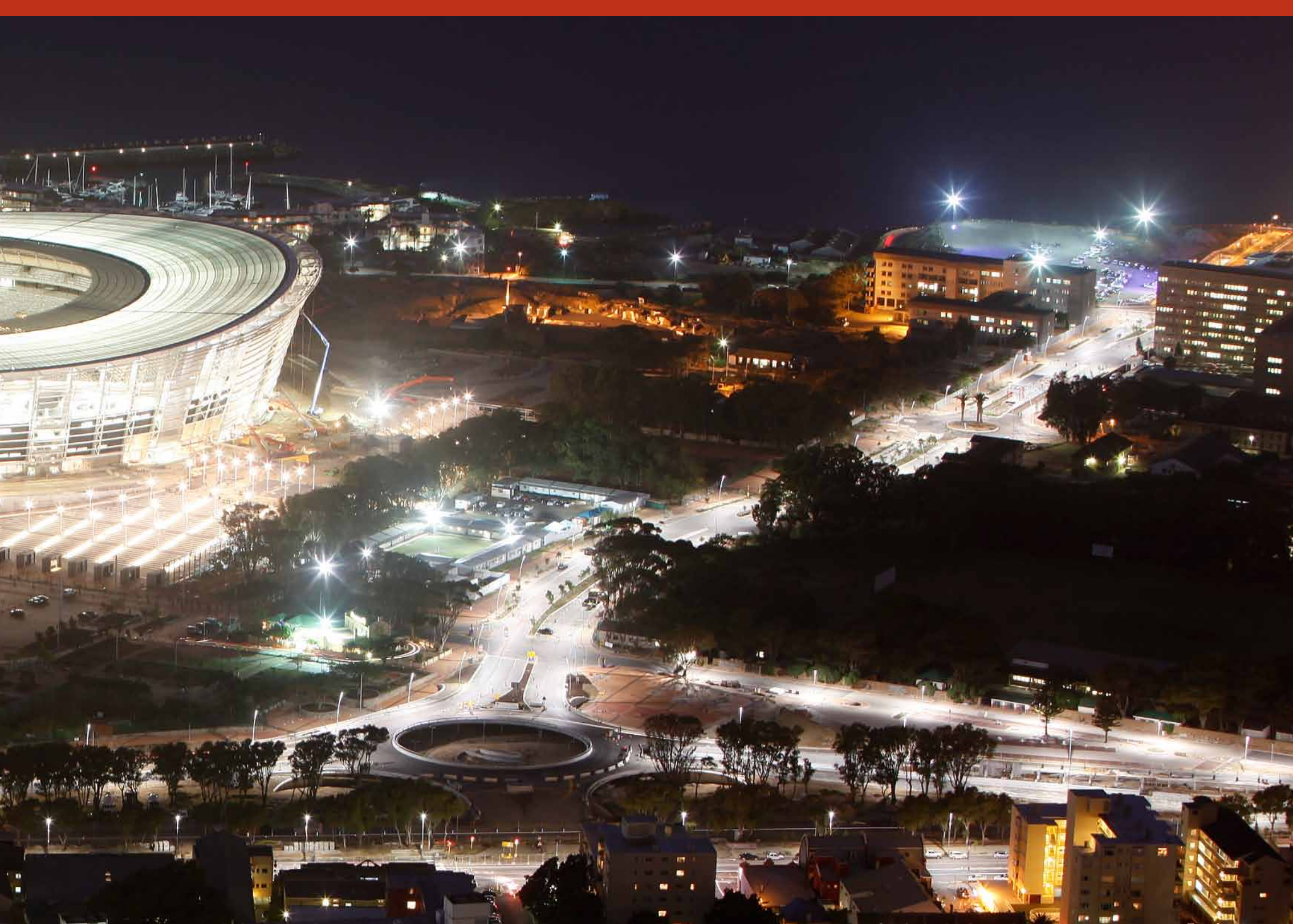


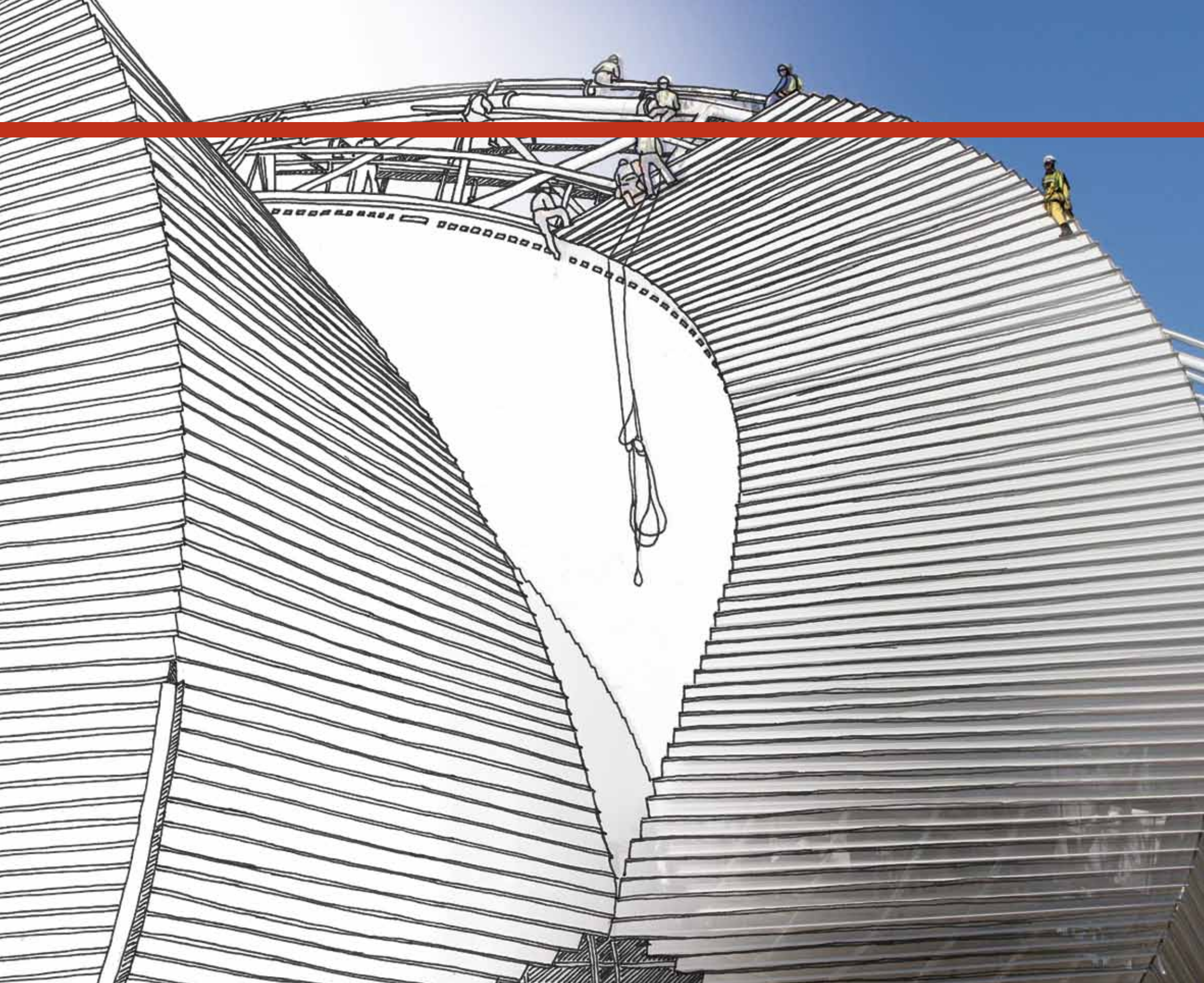
Ebrahim Moola



Peter Mongwenyana







# 2009/10 PERFORMANCE SUMMARY





Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
Growth and Contractor Development (G&CD)	Contractor Development (CD) Interventions	Focussed and targeted implementation of the National Contractor Development Programme (NCDP), monitoring and evaluation (M&E) of targets (e.g. development of 10 000 contractors by clients by 2010).	Information and statistics provided to provinces quarterly to enable targeted and focused programme implementation; (M&E) every quarter.	The Programme facilitated the quarterly dissemination of information regarding CIs, Quarterly Monitor and SME Survey. Statistics from the Register of Contractors for targeting of contractors was disseminated through the provincial Contractor Development Forums. Workshops were held in various provinces on the targeting strategies for contractor development.
		Mobilise private sector participation.	MOUs signed with at least two more banks by Sep 2009.	MoUs (memoranda of understanding) were previously signed with FNB and ABSA. Signed with SBSA by Sept 2009. MoU with Nedbank was delayed due their legal department postponing meetings. Blue Financial Services is another finance intermediary signed in September 2009.
		Facilitate programme monitoring and evaluation.	Monitoring framework developed and rolled out to all provinces by March 2010.  Quarterly reports from participating programmes starting June 2009. Packaging of best practice contractor development models.	Scoping for the Monitoring and Evaluation framework was completed. Workshops were conducted with key stakeholders to introduce the concept of NCDP, to determine the basis for measuring the NCDP and to obtain inputs for the Monitoring and Evaluation framework.  The reports from CD participating programmes such as Vukuzakhe, Incubator Programme, Sakhasonke and other programmes in various provinces were collated and added to the Quarterly CCC Reports.
		Best practice contractor development models.	A manual for best practice models published by end December 2009.	The proposed manual could not be published. Service provider was only appointed in December 2009 due to Procurement Framework appointment process delays. Deliverables were phased for achievement by 31 March and 30 June 2010. The packaging of best practice contractor development models, guidelines and NCDP information was still to be completed by the end of the financial year 2009/10. The deadline has been revised to June 2010, when the proposed manual will be availed to the industry.
		Strategy for integrating CD with the Construction Industry Charter.	Strategy developed and implemented by June 2009.	The process of developing the strategy for integrating CD with the Construction Industry Charter was delayed by the sluggish process of establishing the Construction Charter Councils.  Provincial Workshops on the Construction Charter Codes were facilitated in various provinces.





Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
		Rollout of the Contractor Tips and Advice brochure.	Publish one brochure per quarter.	<p>Due to budget revision from original submission for approval, certain deliverables were streamlined and consolidated. Rather than publishing 4 brochures, Contractor Competency assessment was viewed as an appropriate identifier for training and manuals. Achieved was 3 partnerings on OHS, Tender Contracting, and Contract Management.</p> <p>Service providers devised appropriate material (brochures) and piloted in various provinces/ through the CCC's.</p>
		Rollout of training of contractors.	Facilitate the development of relevant and appropriate training products. At least 4 products by end 2010.	Four training products were not achieved due to budget revisions. It was decided to merge the brochures with training material and 3 partnerings were achieved with related training service providers. Products for training were identified via competency assessments and pilot training was facilitated in the CCC's.
		Ongoing technical support to provinces.	Provinces receive adequate support. (feedback from provinces)	Provincial CD Forum meetings were held in all provinces:
		Ongoing communication and provincial NCDP launches.	NCDP launched in all provinces by September 2009.	NCDP was launched in all provinces and there were ongoing interactions with the stakeholders through the regular CD Forum meetings.
Construction Contact Centres (CCC)		Develop Monitoring and Evaluation strategy for CCC.	Implementation by May 2009: Monitoring and Evaluation strategy will assist in determining reporting systems, timeframes and generate management reports.	<p>The development of Monitoring and Evaluation strategy was completed and the project team strategy workshop on indicators and M&amp;E system was held.</p> <p>The target was wrongly set and interpreted in that the intention was to develop a strategy and the implementation was to follow.</p> <p>The strategy templates for CCC Monitoring and Evaluation reports were only finalised end March 2010. The templates were planned to be rolled out and implemented in April 2010.</p>
		Conduct impact assessments of CCC towards clients and contractors.	CCC were established to assist with growing contracting capacity, but from inception to June 2009, the impact to clients and contractors are not yet known.	<p>The internal assessment of the CCC's and the survey on contractors and clients were completed.</p> <p>The Online Customer Survey system was finalised. The survey system generates information reports linked to the impact assessment and the recommendations on the proposed improvements. The impact analysis forms part of the final report on M&amp;E.</p>



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
		Conducting customer surveys on performance of CCC.	May 2009: In order to get information on remote CCC's, there is a need to have feedback on perceptions of our customer service to inform improvement so that adherence to Batho Pele is achieved.	Used the internal assessment survey of CCC's as Phase 1 of CCC M&E.  Ongoing feedback from CCC's on customer satisfaction is now benchmarked and monthly reported upon based on a touch pad system for conducting customer satisfaction/ perception surveys on the performance of the CCC's - system installed in all CCC's.
		Develop strategies based on surveys conducted on women, youth and disabled contractors.	June 2009: In order to grow contractors, the cidb needs specific strategies to address specific issues relevant to women, the youth and the disabled.	The targeting guidelines were developed in conjunction with the CIP programme and were piloted via EC – CCC and clients in terms of specific Provincial statistics and targets.  Women were recognised through Women in Construction Excellence Awards hosted in July and August 2009.
		Commit to provincial contractor development through supporting their initiatives.	CCC's have indicated the support to existing contractor development programmes initiatives as vital as it serves to improve the partnership with primary partners being provincial DPW.	All the Provincial CCC Managers held regular meetings with client Task Teams and established Provincial CD Forums.  Head Office offered on-going assistance to CCC's/ clients for specialist expertise or input requirements.
		Determine SMME strategies relevant for construction.	Implementation by April 2010: Lesson learnt from other countries may be used in the roll out of SMME programmes.	The lessons from international good practice eg. Korea, Singapore, Malaysia, Tanzania, Zambia informed the existing NCDP, SMME policies, cidb studies, recommendations as well as operations.  A relevant strategy was identified and a 'road map' was developed and implemented through the CCC's by May 2009.  SMME programme identified was 'Managing for business excellence'. The programme entails cost management which was realised through facilitated training on finance.
		Develop communication/ marketing strategy.	Implementation by April 2010: Integrated communication strategy is vital for contractor development and therefore its development cannot be understated.	The implementation of this objective was delayed due to the cidb Corporate Organisational Communication Strategy still being developed. The strategy is expected to be ready in early 2010/11. Adoption and rollout is target for end 2010.



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
		Finalisation and launch of any CCC that fell out of the financial year 2008/09.	Establishment: Expect only Limpopo CCC to launch: Limpopo and perhaps NW- targets to be confirmed with provincial departments.	Limpopo CCC office was established during the year under review and launched on 30 March 2010 and the new offices are in operation.  North West CCC office construction was delayed due to the procurement processes within the provincial DPW. The office is now expected to be launched in the 2010/11 financial year.
Construction Industry Performance (CIP)	Institutional Support	Participation in national and international structures: <ul style="list-style-type: none"> <li>• CIB Board</li> <li>• Green Building Council of South Africa (GBSA)</li> <li>• UNEP Sustainable Building and Construction Initiative (UNEP-SBCI)</li> </ul>	Continuing annual participation	The <i>cidb</i> has participated in national and international structures, a critical link should be maintained with construction related bodies. Membership of CIB, GBCSA and UNEP – SBCI was maintained through the CIP programme. The following meetings were attended: <ul style="list-style-type: none"> <li>• 2 x CIB Board meetings</li> <li>• 2 x GBCSA Board meetings</li> <li>• 2 X GBCSA Exco meetings</li> <li>• 3 x UNEP SBCI meetings</li> </ul>
		Participation in and support to national structures: <ul style="list-style-type: none"> <li>• DME/DEAT</li> <li>• MBSA</li> <li>• SAFCEC</li> <li>• CETA</li> <li>• CBE</li> </ul>	3 by March 2010	Ongoing interactions and meetings took place with DME/DEAT, SANS, MBSA (Electric forum meetings), SAFCEC (youth in construction).
	Status Reports & CIs	Development of relevant status reports: <ul style="list-style-type: none"> <li>• H&amp;S (in progress)</li> <li>• Green Buildings</li> <li>• Quality</li> <li>• Cost of non-conformance</li> <li>• Workplace conditions</li> </ul>	3 by March 2009	2 reports were published, namely: <ul style="list-style-type: none"> <li>• Green Buildings report which was published and printed with United Nations Environmental Programme (UNEP).</li> <li>• Health &amp; Safety Report which was published and launched in June 2009.</li> </ul> 1 report was delayed due to resource constraints, namely: <ul style="list-style-type: none"> <li>• Quality in construction - report is in progress.</li> </ul> An exhibition stand at GBCSA Congress was hosted in October 2009.
		Ongoing monitoring of industry performance and dissemination (including "breakfast launches"), including: <ul style="list-style-type: none"> <li>• Construction Industry Indicators (CIs)</li> <li>• Quarterly Monitor small Contractor Business</li> <li>• Confidence Index (BCI)</li> </ul>	CIs annually Quarterly Monitor & BCI quarterly	The ongoing monitoring of the industry's performance was achieved through the <i>cidb</i> Quarterly Monitor, which were published during the year; the CIs summary report which was published in March 2010 as well as the 4 quarterly BCI.



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
	Performance Improvement	Further development and pilot implementation of cidb Best Practice Contractor Recognition Scheme: Competence Assessment Scheme Construction Management Systems.	2 pilots by Dec 2009	One pilot of Construction Management Systems was established and the Western Cape pilot commenced in February 2010.  The piloting of the Competence Assessment Scheme was delayed and put on hold due to poor response.  A consultant was appointed to undertake the skills profiling interviews.
		Further development and pilot implementation of cidb Best Practice Project Assessment Scheme: <ul style="list-style-type: none"> <li>close-out reports</li> <li>compliance with statutory requirements / minimum standards</li> <li>4 Star GBCSA environmental standards</li> </ul>	2 pilots by Dec 2009	One pilot for close-out reports was established at WC Public Works. Exploratory meetings were also held with eThekweni, DPW, and Eastern Cape, but additional pilot projects were not initiated due to client capacity constraints.  In addition, the following activities progressed during the year: <ul style="list-style-type: none"> <li>4 Star GBCSA environmental Standard Focus Group meetings were held and policy recommendations were endorsed.</li> <li>Building Skills Policy is in hand and the one-on-one discussions with SAFCEC to finalise framework took place.</li> <li>Integrated H&amp;S plans under development.</li> </ul>
		Development of relevant practice guides: <ul style="list-style-type: none"> <li>publication of "CMG 101" contractor manual</li> <li>H&amp;S practice guides</li> </ul>	CMG 101 published by July 2009	Partially Achieved: Parts I and II of CMG 101 were submitted for printing and ready for publishing early in 2010. Part III was delayed due to resource constraints. Work is progressing well on H&S Practice Guides.
		Development and rollout of Best Practice Clubs and benchmarking through CCC's.	4 by March 2010	Meetings were held with MBSA and GMBA to discuss concept – rollout delayed due to lack of interest from contractors.
		Facilitating focused promotion, awareness, information and advice, and promotion of research in key areas: <ul style="list-style-type: none"> <li>development of concept plan</li> <li>ongoing support</li> </ul>	Key focus by Dec 2009	The concept plan was approved by Board. Implementation planned for 2010/11. A sum of R5 million has been set aside to kick-start a fund for R&D.



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
	ESDA / Infrastructure Delivery Skills	Establishment of pilot ESDA	Pilot by Dec. 2009	Funding submissions were made to the DoL and NSF, but were unsuccessful. The pilot was therefore put on hold.
		Ongoing development of learning material and Unit Standards required for the ESDA and the cidb competence model.	2 Unit Standards written by Dec. 2009	The project was delayed due to procurement constraints. A service provider has been appointed to review Unit Standards for Business Courses, which is progressing well. (the cidb applied for external funding).
NIMS		Programme Management of NIMS.	Continuing involvement	There was no involvement in the Programme Management of NIMS due to the delays in obtaining funding from DPVW.
		Project Management of "Task Team 3", Non-Financial Resources.	Continuing involvement	Project management of the report on Norms and Standards was undertaken.
		Packaging and publication of guides: Norms and Standards NIMS newsletter re-packaging of cidb guides for NIMS.	3 Guidelines published by March 2010	Draft report on Norms and Standards was completed. Other deliverables were not achieved due to lack of funding.
R&D & Academic Excellence		Ongoing support to the cidb Post Graduate (PG) Conference series.	PG Conference held	A Post Graduate Conference was successfully held in September 2009.
		Incremental implementation of Centres of Excellence.	1 CoE established by March 2010	The concept plan was approved by Board. Implementation planned for 2010/11. A sum of R5 million has been set aside to kick-start a fund for R&D. (See CEO's Office report.)
Knowledge Centre		Ongoing provision of library management services.	Continuing involvement	The provision of library management services was maintained and kept up to date.
		Dissemination of relevant cidb and external publications and information via the cidb web.	Continuing involvement	The relevant cidb and external publications were successfully disseminated and the beneficial information was made available via the cidb website.  The Knowledge Centre was maintained well and kept up to date.
		Ongoing development of cidb Knowledge Centre intranet: cidb library cidb publications CCC database	Continuing involvement	The Knowledge Centre intranet was rolled out to 3 CCC's: FS, NC, WC, and the feedback was monitored closely.
		Support cidb endorsed quarterly magazine ISIZA.	4 by March 2010	4 issues of ISIZA magazine were published in each quarter of the year.



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
<p>Procurement and Delivery Management (PDM)</p>	<p>Improvement of Public Sector Infrastructure Delivery.</p>	<p>Participation and contribution as a partner on Infrastructure Development Improvement Programme(IDIP) initiatives; IDIP roll-out and toolkit enhancements/customising for various sectors e.g. NDPW and Municipalities; Alignment with NIMS for the maintenance delivery requirements.</p>	<p>Ongoing rollout for departments and Municipalities; targets set in consultation with IDIP partners- to be determined during the year/as and when required; improved infrastructure spending; alignment with NIMS when targets set.</p>	<p>The following training / presentations were provided during the year:</p> <ul style="list-style-type: none"> <li>• Strengthening the infrastructure SCM in the province,</li> <li>• IDIP processes and outputs to the departments of Roads and Transport, Public Works, Agriculture, Human Settlements, Education and Treasury.</li> <li>• Construction Procurement in KZN as a follow up from the training session held in September 2009.</li> </ul> <p>Task orders for Toolkit Revision were completed and approved in November 2009.</p> <p>Three service providers from the framework agreement were appointed to commence work in December 2009.</p> <p>A planning workshop for the revision was held where the framework for the revision was reviewed and approved by team members.</p> <p>Meetings and workshops were held to monitor and track progress within the IDIP Program and the development of procurement documentation in support of NIMS.</p> <p>A new module on Operation and Maintenance was introduced into the Toolkit in support of NIMS.</p> <p>Practice Note 19 on streamlined payment processes has been completed and published. A service provider to be engaged to develop a strategy for prompt payment for public sector infrastructure projects in April 2010.</p>
<p>Inputs to the Grant Framework and the DORA were provided regarding the plans (GIAMA-aligned) that have to be submitted to National Treasury for allocation of funds. The Toolkit / GIAMA alignment was achieved through Toolkit revision.</p>				
<p>The IDIP brochure was completed and printed for distribution.</p>				
<p>The alignment of IDIP with NDPW Initiatives has been achieved.</p>				
<p>The task teams have been established to look at the challenging aspects of infrastructure delivery such as the Education Norms and Standards.</p>				



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
	Procurement Reform	Client and contractor outreach regarding procurement reform and new contractor registration requirements.	As and when required as ongoing support to stakeholders.	<p>The following documents were approved by cidb Board for inclusion in the cidb Standard for Uniformity:</p> <ul style="list-style-type: none"> <li>• GCC 2010</li> <li>• FIDIC Gold Book for Design, Build and Operate projects</li> <li>• NEC3 Term Services Short Contract;</li> <li>• NEC3 Supply Contract</li> <li>• NEC3 Supply Short Contract</li> </ul> <p>Gazetting of the Board's decision was to be finalised and published in April 2010.</p>
	Practice Notes	Development and publication of Practice Notes to guide on public sector construction procurement and other related topics.	As and when requested by stakeholders.	<p>Practice Note 18 was issued to guide Clients on the procedures that must be followed for cancellation of tenders.</p> <p>Practice Note 19 was championed through IDIP and is based on streamlining payment processes.</p>
	Register of Professional Service Providers (RoPSP)	Development and implementation of Register of Professional Service Providers; (database to be explored and introduced later after due consultation).	Regulations by May 2009; Piloting by end of September 2009. Consultations to explore rotating database by end March 2010.	<p>The RoPSP Framework initially proposed an electronic database of information for built environment professional, which would rotate on the basis of service areas and geographic location. This became a major point of contention with differing views from clients and industry stakeholders. The cidb Management Team met in December 2009 to review feedback from consultations with stakeholders, the provisions of the cidb Act and presented its proposal to the Board. The final decision taken was to implement the RoPSP in phases as follows:</p> <ul style="list-style-type: none"> <li>• Phase 1: Investigate the development of, and establish, a database of information, which called for all professional service Providers (PSPs) to be registered on the RoPSP in order to qualify for work in the public sector. This would reduce the administrative burden currently placed on the public sector during the procurement phase for competitive bidding for professionals.</li> <li>• Phase 2: Investigate the possibility and implementation of grading PSPs based on performance criteria as an improved value add to the procurement process.</li> </ul>



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
	Compliance Enforcement	Enforcement of Compliance (related to procurement); <ul style="list-style-type: none"> <li>• Development and maintenance of adequate procurement documentation in support of regulations and subsequent amendments;</li> <li>• Administer robust communication methods to inform and educate clients on legislation and subsequent amendments;</li> <li>• Administer robust communication methods to inform and educate clients on legislation and subsequent amendments;</li> </ul>	Compliance Officer appointed by April 2009;  Monitoring tool by end March 2010 with progressive improvements in the interim.	<p>The Compliance Officer was appointed in June 2009. The delay in appointment of the Compliance Officer was due to the unavailability of the appropriate skill therefore the post was re-advertised. A database was developed to monitor and report progress on cases of non-compliance.</p> <p>The training on construction procurement regulations was conducted for the Office of the Auditor-General in March 2010. The vetting of cases for investigation progressed well throughout the year and regular meetings were held to discuss the progress and improvements to deliverables.</p> <p>New cases were signed off and sanctions issued by the Investigations Committee and were published on the <i>cidb</i> website. The complaints database was updated and the administration flow on reports has improved. The contract for forensic services expired on 31 March 2010. A tender for the appointment of a new service provider was issued and the appointment will be concluded early in the 2010/11 financial year.</p> <p>The contract for members of the Investigation Committee ended on 31 March 2010. A new panel of members was appointed. Induction and training of the new panel was concluded in March 2010.</p> <p>The <i>cidb</i> has provided draft MoU's to SAFCEC and CESA to align the management and monitoring of forensic cases and reports of non-compliance referred to the <i>cidb</i>. The MoU are intended to define roles and responsibilities that will align each organisation's effort to control fraud and corruption in the construction sector.</p>
	International benchmarking	Contribution and access to annual reviews.	Participation in international conferences; alignment of systems with international organisations;	The international research is progressive on all current and new initiatives. The <i>cidb</i> presented a paper at the ASOCSA 4 <sup>th</sup> Built Environment Conference in May 2009, in Zambia.





Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
Construction Registers Service (CRS)	Service Excellence	Using Business Process Management (BPM) best practice to deliver sustained, measurable service excellence. Service areas include head office registrations processing, call centre and internal query resolutions unit.	31 Mar 2010	<p>The internal query resolutions function was reviewed to determine the root causes of non conformities and customer complaints.</p> <p>The review of the administrative receiving function was done and detailed work instructions were provided for the administration of contractor applications, file management and preparation of reminder letters. The duplication of processes regarding the administrative receiving functions was eliminated.</p> <p>Improvements to registration suspensions, de-registrations and expiries were implemented.</p> <p>The SysAid software was piloted for efficient query administration and effective reporting on the sources of problems.</p> <p>BPM staff attended the Business Management Workshop.</p> <p>BPM staff was trained on Quality Management Systems.</p> <p>The "end-to-end" business processes document was revised.</p>
			31 Dec 2010.	<p>The appointment of a service provider was delayed in order to conduct a crucial, independent review of the software systems and architecture in place before going out to tender.</p> <p>The independent reviewer's project definition report was expected in May 2010. The project will be appropriately structured after consideration of the review recommendations.</p>
			31 Mar 2010	<p>The development of the EDMS is dependent on the review of the current software systems and architecture hence it was included in the independent reviewer's project.</p>
			31 Dec 2009	<p>The design of the simplified and short guideline for contractor registration was completed by 31 March 2010.</p> <p>The comprehensive registration guideline was reviewed and there were no amendments made as the version was relevant.</p>
Enhancement of software systems		Software systems to support flexible business processes, work flow integration and performance monitoring. Software to support integration of registration services across head office and CCC's.		
Efficient Document Handling		Efficient document handling through Electronic Document Management System (EDMS) implemented at Registers head office and integrated with CCC's.		
Stakeholder Communications		Contractors and clients receive adequate communication on registration requirements and processes.		



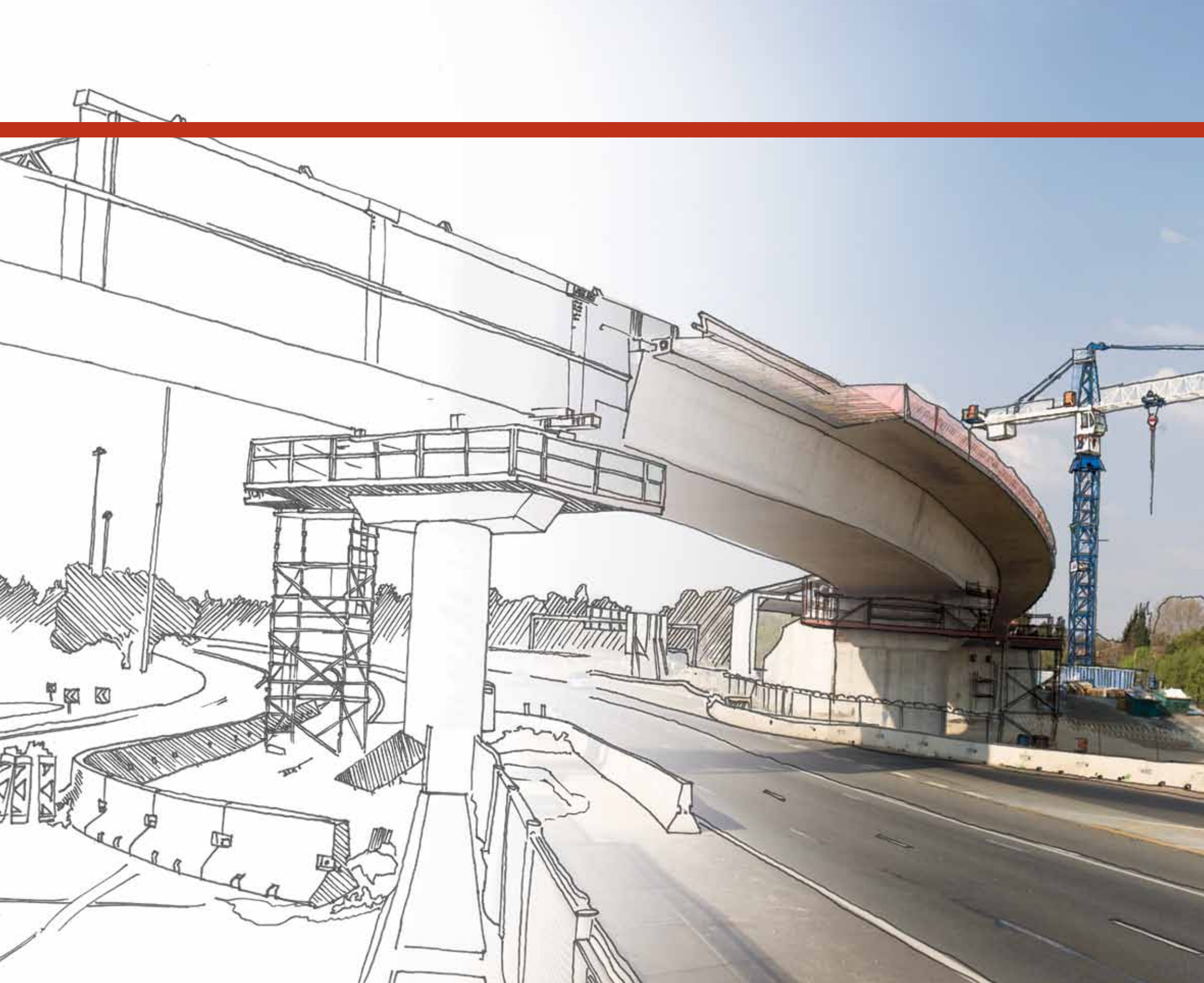
Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
Corporate Services (CS)	Risk Management (to migrate to Office of the CEO later)	Ensuring compliance with the established risk management plan. Ensuring internal and external audit processes are given full support.	Compliance with scheduled Audit Committee and internal audit process meetings.	The risk assessment exercise was completed and the top ten risks were identified.  A total of 7 Audit Committee meetings were held in the current period. Three of those meetings were special meetings and four were normal meetings.
	Financial Management and Corporate Governance	Ensuring good governance and compliance with legislative and other requirements e.g. PFMA, GAAP, GRAP, etc.	Quarterly reporting and end of FY reporting; submission of Business Plan and Budget end of September 2009 and end of February 2010.	All the current year's quarterly reports were submitted timeously.  2008/09 FY reporting was submitted timeously.  The 2010/11 Business Plan and Budget were submitted timeously in September 2009 and February 2010.
	Reconciliations between CRS and Accounting System	Timeous and accurate monthly account reconciliations between accounting system and CRS and reporting as well as quarterly reporting.	Daily and monthly.	All the reconciliations (daily & monthly) between CRS and Pastel have been performed and checked.
	Information/Communication Technology	Continuous improvement of ICT infrastructure, regular and timeous backups of data, continuous access of databases by stakeholders, New IT infrastructure at CCC's. Explore and implement up-to-date and relevant ICT systems.	IT infrastructure at CCC's as and when required.	The cidb website was reworked into a shared point and the intranet pilot was implemented.  The IT Infrastructure was setup at the Limpopo CCC.
	Human Resource Management	HR Development and training; Retention strategy of cidb. Ensuring HR policies are up-to-date and relevant to the organisational operations.  HIV/AIDS awareness to staff.	Annual Review of HR policies by September 2009.  To reach all staff at HQ and CCC's.	HR policies were reviewed and new ones drafted and approved by Remcom.  Research concluded into the establishment of a cidb retirement fund. The implementation will take place in the 2010/11 FY.  Protective material distributed and placed at strategic points throughout the period.
Office of the CEO (Leadership, stakeholder relations and communication)	Stakeholder Management	Coordination of SF meetings and implementation of recommendations; Identification and maintenance of healthy stakeholder relations.	New SF established by June 2009; SF meeting by end of September 2009-dependending on Minister's availability;	The new Stakeholder Forum was established as per target set.  7 Provincial Stakeholder Workshops were held between February and March 2010 to compliment the National SF.



Programme	Strategic Project	Operational Objective/Output	Target	Performance Achievement
	Presidential / National Government Projects	Participation in the "Eradication of mud/inappropriate infrastructure schools" project; National skills development strategy in support of JIPSA; promotion of non-conventional construction technologies.	Timelines jointly determined with other participants; Ongoing.	The "Eradication of mud /inappropriate infrastructure Schools project" was achieved through the application of cidb requirements without special requests; There was no further activity on the National Skills Development Strategy during the year under review; Promotion of non-conventional construction materials was done through strategic meetings like the Agreement SA's 40 <sup>th</sup> anniversary; PG Conference.
	Publications (cidb's and others endorsed by cidb.)	Communications publications (internal newsletter, Practice Notes, CID quarterly and engagement of print and electronic media on registration issues, etc.) and knowledge sharing; Corporate Communication Strategy.	As and when required. Internal newsletter produced bi-monthly.	The revival of the newsletter commenced but could not be completed as some of the articles to be covered were only completed at the end of March 2010.  ISIZA Magazine was driven through the CIP Programme. (See CIP report). The authorisation of the distribution costs was bourn by the Office of the CEO.  Communication Policy was developed and the draft Communication strategy was revised for approval scheduled for 2010/11 financial year. A new cidb Business Guide was endorsed and released in the third quarter.
	R&D	Promotion of a Research and Development Agenda through research institutions in support of CIP Programme.	Determine seed funding needs by April 2009 and commit; establish and launch R & D Fund by end June 2009.	Capacity constraints lead to the delay in meeting the target set. A sum of R5 million was put aside at the end of March 2010 for the establishment and launch of R&D.
	Fraud and Corruption	Participation in regional and global campaigns for reduction of fraud and corruption in the construction industry.	Collaboration with regional and international bodies; attending and contributing to locally and internationally hosted conferences.	The Fraud and Corruption issue was discussed in various provincial stakeholder workshops held between February and March 2010.  There was no participation in international industry conferences on fraud and corruption until the end of the 2009/10 financial year.
	Corporate Social Investment(CSI)	Collaborate with stakeholders from private sector to donate in cash or in kind towards community upliftment projects.  cidb staff to donate their time in support of community projects.	Irene Farm School – feeding kitchen/hall.  Involvement of cidb management and staff in the HABITAT community housing project.	The school indicated that it did not need this facility anymore. Instead it needed a laboratory.  This project could not be implemented due to time constraints on normal cidb activities. There were no financial implications on the cidb.

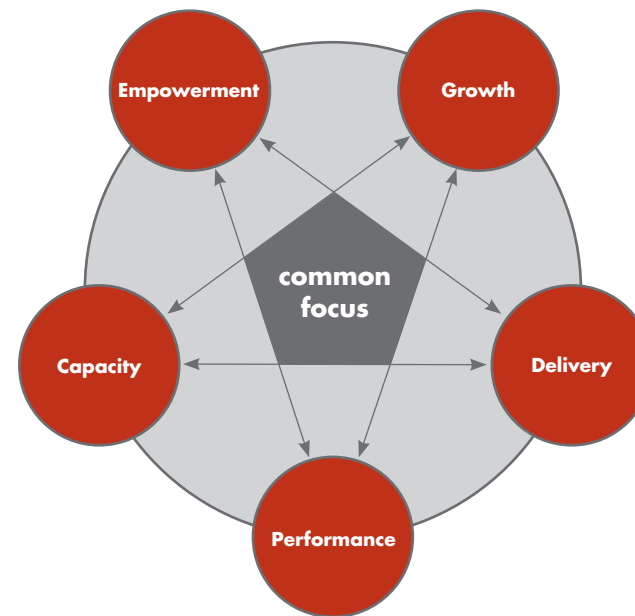








# Unit Inputs



CONSTRUCTION REGISTERS SERVICES  
PUBLIC SECTOR PROCUREMENT AND DELIVERY MANAGEMENT  
DEVELOPING CONTRACTING AND ENTERPRISE CAPACITY IN SOUTH AFRICA  
MONITORING INDUSTRY PERFORMANCE  
CORPORATE SERVICES



# Construction Registers Services

The Construction Registers Service (CRS) has been established in terms of the Construction Industry Development Board Act, Act 38 of 2000 and currently comprises two national registers i.e. the Register of Contractors (CoR) and the Register of Projects (RoP). The Register of Contractors grades and categorises contractors according to financial and works capability. It is mandatory for public sector clients to apply the register when considering construction works tenders.

The RoC facilitates public sector procurement and promotes contractor development. It will form the basis for the Best Practice Contractor Recognition Scheme in order to drive performance improvement.

The Register of Projects gathers information on the nature, value and distribution of projects and will also form the basis for driving performance improvement through the Best Practice Project Assessment Scheme. Public sector clients are required to register projects above R200,000 while private sector clients and large state owned entities are required to register projects above R10 million.

The cidb 's i-Tender service enables clients to advertise tenders on the cidb website. The i-Tender service automatically alerts registered contractors of tender opportunities by e-mail and SMS. The same tenders are also made available on the cidb website. Compliance with legislative requirements to register projects is made easy for clients who convert the same tender information after award, and uploads basic additional 'post award' information; e.g. the details of the successful tenderer.

Registration of awarded projects on the i-Tender by clients also results in the updating of the contractors' track records. The i-Tender information is also available and assists other clients when evaluating tenders. 4,850 projects were registered and 7,445 tenders advertised by 31 March 2010. The number of distributed tender notifications increased to 1,933,944 by the end of March 2010 and a total of 77,291 contractors have received notifications of tender opportunities through the i-Tender service.





The growth in the Register of Contractors has continued in the year under review with 104,481 registrations by 31 March 2010. Chart 1 on the right indicates the growth in the total number of registrations across Grades 2 to 9 from December 2004 to December 2009.

The growth in the number of registrations has required the registrations processing unit to continually improve business processes in order to deliver exceptional customer service so that turnaround times and the necessary quality levels are met. A focus on Business Process Management (BPM) best practice methodologies, tools and techniques that complement the existing registrations Quality Management System have been intensified in order to achieve turnaround time and quality of the registration's objectives. This approach is yielding the necessary benefits.

There is a noticeable reduction in the number of queries related to registration which can be attributed to the improved processing efficiency, faster turnaround times and improved understanding of the cidb registration requirements by contractors enabled by registration guidelines and a well trained staff complement. Staff training is an essential aspect that enables the delivery of improved customer service. Continuous training of our Registration staff is essential and is effected for staff based at head office and at the provincial Construction Contact Centre's. Chart 2 provides information on the number of queries received from February 2009 to March 2010, demonstrating the impact of training and improved systems.

Chart 2 depicts a steady decline in queries from February 2009 to August 2009. The months of November and December are normally associated with decreased registration activity and a resultant decrease in queries. From the month of August onwards the number of queries received has stayed below one hundred.

Chart 1: Register of Contractors

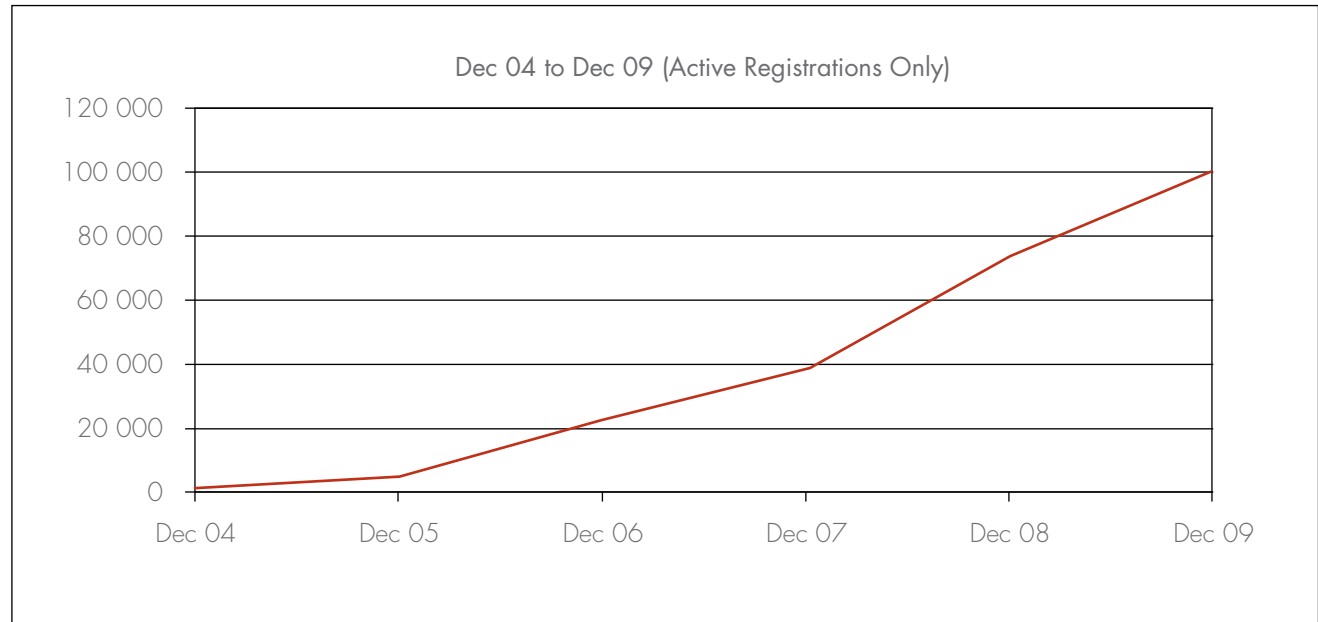
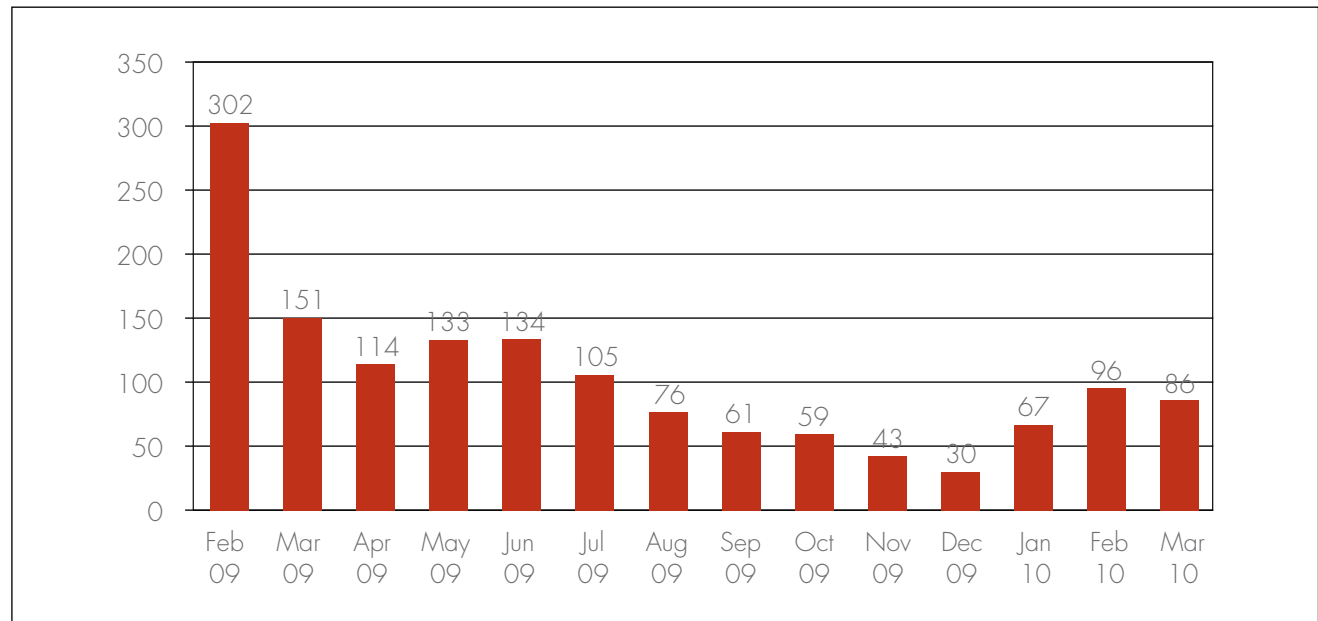


Chart 2: No. of Queries

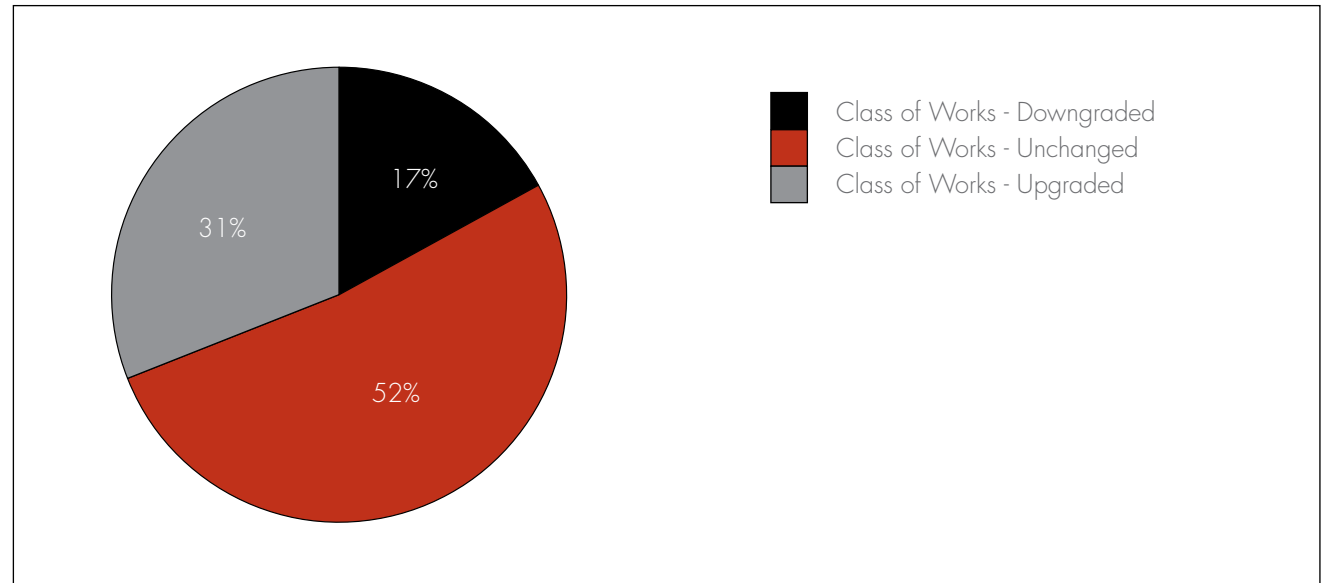




Submission of incorrect information and supporting documentation by contractors when applying for registration leads to either a rejection of the application or awarding of a lower grade and also contributes to quantity of queries lodged with the cidb. The abovementioned results are followed up with a written explanation from the cidb to the contractor, stating reasons for granting the particular grade or the rejection of the application.

Comprehensive registration guidelines for contractors have been developed as an endeavour to ensure that contractors are well informed on the registration requirements and processes. This has been supplemented with the 'Quick Guide for Contractor Registration' and 'The Quick Guide' which serve as easy reference and includes detailed explanation of the registration cycle and supporting documents required to register.

Chart 3: Total Grades Affected

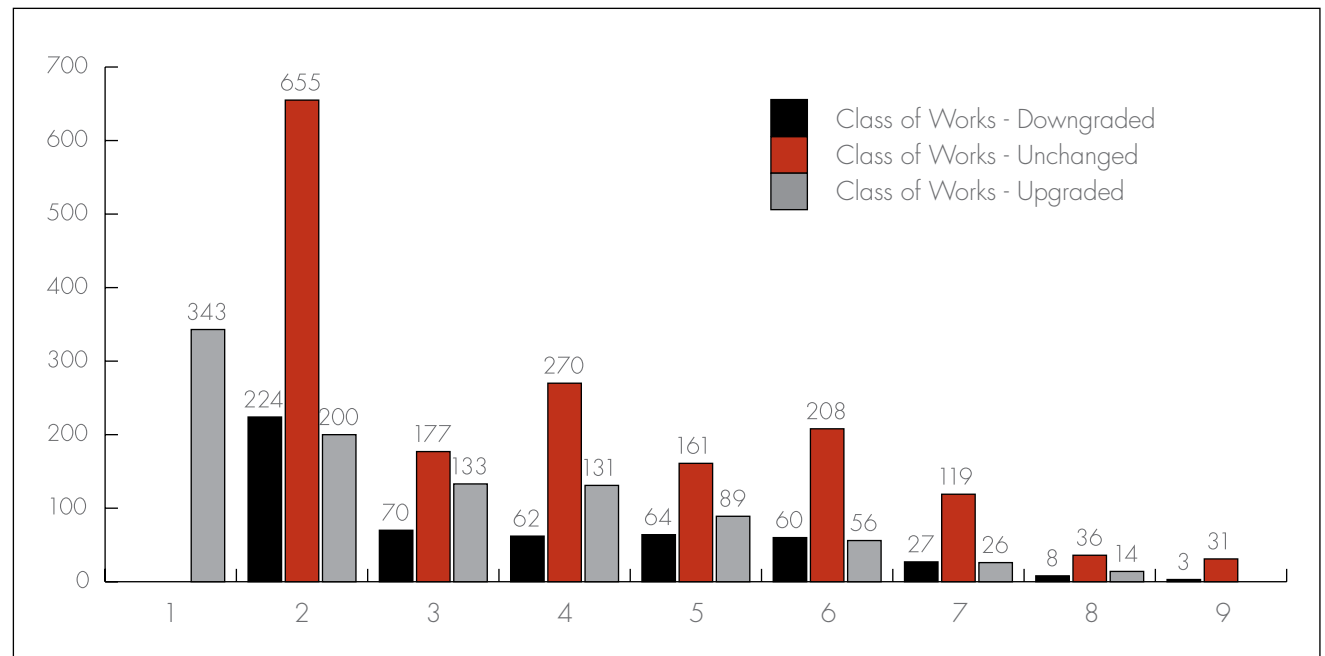


### IMPROVEMENTS TO THE CONSTRUCTION REGISTERS SERVICE – REGISTRATION CRITERIA

cidb contractors registration is valid for a three year period as per the cidb Act, subject to an annual confirmation of particulars. Contractors are reassessed as part of the three year registration renewal process. The assessment may result in one of the three possible outcomes; namely; an upgrade, maintaining same grade/s held prior to renewal or registration at a lower grade. Some of the reasons that lead to registration at a lower grade include failure to maintain the level of financial capacity required and/or failure to meet the works capability required by the grade and submission of non-compliant applications by the contractor.

The information gathered from the three year renewal application analysis informs potential improvements to registration criteria. The cidb analysis indicates that 21% of all contractors that apply for the three year renewal fail

Chart 4: Renewals by Grade





to maintain their grade/s. It must be noted that when non-compliant applications are excluded from the analysis; the actual percentage of contractors that fail to maintain their grade/s falls to 17%, as indicated in chart 3.

Chart 4 provides an analysis of renewals by contractor grading level. The y-axis represents the numbers of three year renewals and the x-axis represents grades 1 to 9, with Grade 1 being the lowest grade and grade 9 the highest, in terms of tender value range. The front row of bars reflects both the number of contractors that failed to maintain the grade as well as the proportion of the total number of contractors in that particular grade. The second row of bars reflects those that have remained unchanged and the last row reflects those that have upgraded. Observations from the chart indicate that there is a gradual decline in the failure rate from Grades 2 to 4. This trend follows through from Grades 5 to 9.

A step change from Grade 4 to 5 is because contractors at Grade 5 start accessing bigger and more complex projects where an increased financial capacity is required. From Grade 6 the requirement to employ registered professionals is gradually introduced.

It is to be noted that there is a higher proportion of contractors improving to higher grades than those that fail to maintain their grade/s. The role of good business management practices together with the forces of supply and demand need to be considered. The cidb notes that companies that diligently manage their affairs and comply with the relevant legislation, e.g. Companies Act with regard to the compilation of financial statements stand a better chance of maintaining and improving their grades. However, difficult economic conditions with irregular access to project opportunities have an impact on the ability of contractors to maintain their capacity.

The cidb is in the process of analysing the specific registration criteria relevant to the grades, where contractors are experiencing difficulty when applying. Preliminary analysis indicates that at Grades 3 and 4 the failure to meet track record (largest contract completed) requirement as the main reason. At Grades 5 and 6 the reasons shifts to Available Capital which is proportionally higher than the other factors. At grades 7, 8 and 9 the main reason is the employment of registered persons but it is to be noted that the other factors are also prominent. Information gathered from the Register of Contractors serves as the basis for analysing the registration criteria.

Some of the factors under consideration are:

- Requirement to employ registered professionals
- Consideration of cumulative track record
- Financial requirements (Available Capital)
- Inability of contractors to commence projects, or failing to deliver on a project at early phases of the project due to insufficient financial capability. It must also be noted that the current available capital requirements are set at 10% of the maximum tender value range of the grade. This has been reduced to 5 % at lower grades and grades 1 and 2 do not require Available Capital
- Assessing whether more weight could be placed on projects completed at Grades 2 to 4 as opposed to financials due to the developmental phase that Grade 2 to 4 contractors are in
- Financial Requirements (Annual Turnover)
- The effects of cessions, where contractors cede the contract to third parties e.g. material suppliers. The turnover in such cases, does not reflect in the financial statement of the contractor. This issue is

linked to the cumulative track record issue, where an alternate measure of turnover may be derived

- Reassessing the current registration option (Method B) where only financial capacity is measured, without the contractor having any experience in construction.

## STATISTICS FROM THE REGISTER OF CONTRACTORS

Information from the Construction Registers Service is used to inform contractor development interventions and inform the procurement strategy. This information is accessible to the public on the cidb website, [www.cidb.org.za](http://www.cidb.org.za). The statistics below are as at the end of the financial year, 31 Mar 2010.

Table 1: Tender Value Ranges

Grade	Maximum Value of Contract that a Contractor is Considered Capable of Performing
1	R200 000
2	R650 000
3	R2 000 000
4	R4 000 000
5	R6 500 000
6	R13 000 000
7	R40 000 000
8	R130 000 000
9	> R130 000 000

*(Indicates the maximum value of a contract that a contractor is considered capable of performing)*



Table 2 shows the total number of registrations in the various grades and classes of works at national level. There are no substantive requirements for Grade 1 registration, the actual available contracting capacity is therefore reflected in the registrations at Grades 2 to 9. The low numbers of registrations in the specialist classes of works such as Mechanical Engineering (ME) indicates the need to accelerate skills development in these areas. There have been a total of 5, 943 upgrades on the Register of Contractors of which 84% were black owned enterprises.

Table 2: Contractor Grading by Class of Works

Grade	Class of works						TOTAL
	GB	CE	ME	EP	EB	SW	
1	58 302	19 822	2480	1668	959	9 871	93 102
2	2 091	1 536	191	88	178	449	4 533
3	533	495	81	43	96	88	1 336
4	736	742	129	105	173	102	1 987
5	449	490	136	123	136	138	1 472
6	463	551	68	51	50	46	1 229
7	187	210	39	33	21	28	518
8	58	73	16	9	2	7	165
9	33	49	21	17	6	10	136
Total	62 852	23 968	3 161	2137	1621	10 739	104 478

Table 3 reflects the percentage of black owned enterprises (with at least 50% of the enterprise is black owned). It is evident that there is a low level of black ownership at higher grades. It is to be noted that there are many public listed enterprises at Grade 9; however the 8% indicated at Grade 9 is not an accurate reflection of the actual level of black ownership.

Table 3: Black Owned by Grade

Grade	Total	Black Owned	% of the Year
1	93 102	89 725	96
2	4 533	4 122	91
3	1 336	1 144	86
4	1 987	1 525	77
5	1 472	1 045	71
6	1 229	811	66
7	518	255	49
8	165	43	26
9	136	11	8
Total	104 478	98 681	94



Table 4: Women Owned by Grading

Designation	Total	Women Owned	% of the Year
1	93 105	44 444	48
2	4 533	2 157	48
3	1 336	640	48
4	1 987	829	42
5	1 472	532	36
6	1 229	403	33
7	518	115	22
8	165	17	10
9	136	2	1
Total	104 481	49 139	47

Table 4 reflects the percentage of women owned enterprises (where at least 50% of an enterprise is women owned). There is a low level of women ownership at the higher grades.

Table 5: Grading by Province

Region	1	2	3	4	5	6	7	8	9	Total
Eastern Cape	11 424	407	173	179	131	92	41	10	4	12 461
Free State	4 581	247	50	81	60	55	19	8	3	5 104
Gauteng	22 306	1 034	249	511	458	378	212	91	98	25 337
Foreign	5	2	0	0	3	0	6	1	5	22
KwaZulu-Natal	26 218	12 58	381	465	267	248	80	23	13	28 953
Limpopo	8 919	488	152	225	209	172	50	1	1	10 217
Mpumalanga	7 785	411	127	194	137	117	28	4	2	8 805
North West	4 931	208	51	96	62	44	15	3	0	5 410
Northern Cape	940	60	14	37	24	12	4	2	0	1 093
Western Cape	5 995	417	139	199	121	111	63	22	10	7 077

Table 5 shows the registrations by regional breakdown. It is interesting to note that the KwaZulu-Natal Province has the highest number of registrations, and a particularly high proportion of Grade 1 registrations. While the Gauteng Province displays the highest number of registrations at the higher grades, it should be noted that most of the larger contractors establish their head offices in the Gauteng Province but operate across the country.

Table 6: Number of Clients registered to use the iTender Register of Projects

Registered Clients	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010
National Departments	13	15	15
Provincial Departments	24	31	33
District and Local Municipalities	69	162	174
State Owned Entities	32	38	41
NGO's	7	15	20
Private Sector Clients	52	58	58
Total	197	319	341

#### STATISTICS FROM THE iTENDER REGISTER OF PROJECTS

By 31 March 2010 there were 4 850 projects registered on the Register of Projects and 7 445 tenders advertised through the iTender service. The number of tender notifications distributed increased to 1 933 944 with a total of 77 291 contractors receiving notifications of tender opportunities through the iTender service.



# Public Sector Procurement and Delivery Management

## CONSTRUCTION PROCUREMENT REFORM

### Improvements to cidb legislation

The Procurement and Delivery Management Programme is custodian to the development, maintenance and implementation of the cidb Act, Regulations and supporting prescripts. Whilst a major review of the cidb legislation is planned for the 2010/11 financial year, adjustments and amendments continue where necessary.

The following amendments to the cidb Standard for Uniformity have been recorded for the 2009/10 financial year.

- Inclusion of the \*FIDIC Gold Book for Design, Build and Operate projects;
- Inclusion of the \*\*NEC3 Term Services Short Contract;
- Replacement of the cidb Supply Contract and the cidb Supply of Goods (Short) Contract with the NEC3 Supply Contract and the NEC3 Supply Short Contract respectively; and
- Replace \*\*\*GCC 2004 with GCC 2010 version.

*\*FIDIC – Fédération Internationale Des Ingénieurs-  
Conseils (International Federation of Consulting Engineers)*

*\*\*NEC – New Engineering Contract*

*\*\*\*GCC – General Conditions of Contract*

## PROVIDING AN ENABLING ENVIRONMENT TO STAKEHOLDER

The cidb continues to engage stakeholders through its outreach programmes by hosting and participating in seminars and conferences to further communicate the cidb mandate with specific reference to cidb Regulations, Procurement and Delivery prescripts. The Procurement and Delivery Management Programme also provides a much needed advisory service to public sector clients, especially when the cidb legislation poses challenges in implementation.

In November 2009, Eskom and the World Bank approached the cidb for consultation on the then pending loan from the World Bank to Eskom as well as on the challenges posed by the timelines of Eskom's Power Programme Projects and the alignment of World Bank procurement rules to the requirements of the cidb legislation. A Task Team was established with representation from all the three organisations to ensure a seamless integration of procurement and legislative requirements for the Power Programme Projects.

The process was successfully concluded by February 2010, and Eskom's procurement policy was revised accordingly. The cidb has firmly committed to providing immediate



assistance and support to ensure that timelines for Eskom's Power Programme Projects were not impacted negatively and that the cidb requirements were not compromised.

## COMPLIANCE AND ENFORCEMENT OF cidb LEGISLATION

The cidb Regulations are mandatory for all public sector infrastructure clients. However, low levels of compliance have been detected through the establishment of a database to record, investigate and monitor reports of non-compliance to the cidb Regulations. The most common issues relating to non-compliance are:

- Non-application of the i-Tender System to advertise tenders;
- Non-application of the Register of Projects (RoP) to record data relevant to the award, construction and close out of a project;
- Poor application of the cidb Standard for Uniformity;
- Changing the layout of the tender specification
- Incorrect identification of the cidb grade of contractors required for the level and complexity of construction works to be performed. This is mainly as the result of a poorly written scope to describe the work to be performed and / or incorrect estimates
- Poorly developed eligibility criteria and project specific quality criteria
- Applying generic criteria for preferencing as opposed to a well-constructed procurement strategy to promote government's social agendas
- Non-adherence to the requirements of the Preferential Procurement Policy Framework Act and the Supply Chain Management Guidelines as prescribed by the National Treasury.

Due to the high levels of non-compliance, the cidb has implemented a strategy to monitor and enforce compliance to the legislation. The fundamental principles of this initiative are to educate public sector clients on the legislative requirements by hosting structured training and awareness campaigns.

The cidb has partnered with the office of the Auditor-General (A-G) to include the relevant aspects of the cidb legislation during the Regulatory and Performance Audits on Public Sector Infrastructure Clients. A training session was hosted for the A-G where key elements for compliance were thoroughly work-shopped. The Office of the A-G will include the requirements for compliance with the cidb Regulations as part of their Regulatory and Performance Auditing functions for the public sector from the current financial year. Those public sector bodies that fail to provide proof of compliance with the cidb Regulations may receive a qualified audit report.

The cidb has identified partners to assist and promote the compliance agenda. A Memorandum of Understanding (MoU) has been developed to define roles and responsibilities aligned to each partner's effort in terms of commitment and resources to monitor and report on compliance.

The cidb's commitment to its zero tolerance policy on fraud, corruption and unethical behavior is further re-enforced by the successful implementation of its forensic investigations since 2007. The cidb employs the services of an external forensics service provider to carry out such investigations, and appoints a panel of experts to serve as members of the Investigating Committee, to give effect to Regulation 29(6) of the cidb Regulations.

The statistics in the tables below show the figures of the forensic investigation project as at the end of the financial year, 31 March 2010.

Table 1 : Investigations Categories

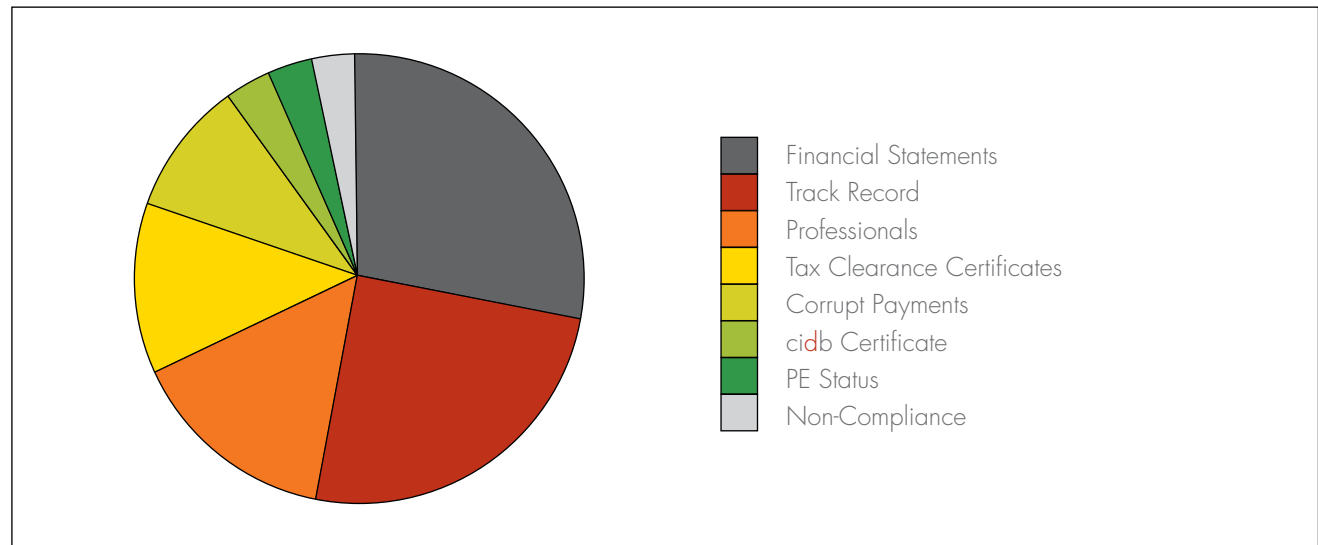


Table 2: Categories of Cases

Categories of finalised hearings / convicted contractors	76
Tax Clearance Certificate	17
Financial statements	24
Professional persons	4
Track record	4
Corrupt payments (to cidb employees)	15
Forged cidb certificates	10
Unauthorised use of the cidb logo / letterhead	2

Table 3: Formal Enquiries

Overall number of investigations earmarked for hearings	102
Hearings pending as at 31 March 2010	13
Hearings finalised as at 31 March 2010	89
Of the finalised cases, the number of contractors convicted	76
Of the finalised cases, the number of cases withdrawn	7
Of the finalised cases, the number of cases removed	1
Of the finalised cases, the number of contractors acquitted	5

The names of all successfully prosecuted contractors are published in the government gazette and are posted on cidb website.

Table 4: Consolidated sectoral provincial infrastructure budgets and expenditure trends - Y/Y comparisons

Sector	2008/09			2009/10			Budget growth Y/Y	Spending growth Y/Y
	Adjusted budget	Total payments as at 31 March 2009	Spending as % of adjusted budget	Adjusted budget	Total payments as at 31 March 2009	Spending as % of adjusted budget		
	R'000	R'000	%	R'000	R'000	%		
Education	5 102 058	4 965 316	97.3	5 613 613	5 641 925	100.5	10.0	13.6
Health	6 511 325	5 347 283	82.1	7 781 057	6 359 500	81.7	19.5	18.9
Roads & Transport	13 113 532	13 328 381	101.6	13 698 657	12 832 765	93.7	4.5	(3.7)
Total	24 726 915	23 640 980	95.6	27 093 327	24 834 190	91.7	9.6	5.0

Source: Infrastructure Reporting Model (IRM)

## DELIVERY MANAGEMENT

### Infrastructure Delivery Improvement Programme

The Infrastructure Delivery Improvement Programme (IDIP) is a partnership programme championed by the National Treasury as the lead partner, the Department of Public Works, the cidb, and the Development Bank of Southern Africa (DBSA). The programme is primarily aimed at improving performance and the rate of delivery of infrastructure projects at a provincial level, whilst facilitating the accurate spending of allocated infrastructure budgets by provincial clients. A key focus is on improving infrastructure planning, aligning infrastructure delivery and budgeting cycles, and refining roles and responsibilities of the Client and Implementing Agents.

Table 4 compares the consolidated sectoral provincial infrastructure budgets and expenditure trends for the third quarter of 2008/09 and 2009/10.

The budget growth trends per sector show that the Health sector's budget has grown by 19.5% between 2008/09 and 2009/10 financial years, followed by the Education sector at 10% and the Roads and Transport sector at 4.5%. The Health and Education sectors reflect growth in expenditure of 18.9% and 13.6% respectively across the 2008/09 and 2009/10 financial years. Spending growth in the Roads and Transport sectors declined by 3.7%. Comparative analysis across sectors shows that the Education sector spent just over 100% of its allocated budget by the end of the 2009/10 financial year. Over the same period the remaining two sectors, Health and Roads and Transport, spent 81.7% and 93.7% of their infrastructure budgets respectively.

IDIP has continued to make a positive impact in the delivery of infrastructure in the provincial departments of Education, Health and Public Works. Phase II of IDIP ended on 31 March 2010. The Assessment and Design phase for IDIP Phase III





took place in February and March 2010. The Assessment and Design was based on IDIP reviews, lessons learnt, quarterly reports from the Infrastructure Reporting Model, risk and change scoping assessments as well as close out reports of phase II. A multi-year budget has been approved for the roll out of Phase III over the next three years.

The following challenges from IDIP Phase II will be carried forward in the next phase:

- Lack of decision on the delivery models undermines evolution of appropriate organisational structures both in the Public Works and Client departments;
- Roles and responsibilities of Departments in relation to infrastructure delivery are not defined, resulting in silo/ inconsistent approaches;
- Forward planning is undermined by ad-hoc changes in priorities which, in turn, undermines the achievement of the Infrastructure/Budget cycle Alignment Model;
- Lack of standard costing models across provinces; and
- Weaknesses in procurement processes results in leakages and inefficiencies in the system.

**The Infrastructure Delivery Improvement Program (IDIP) Toolkit**  
In 2006, the cidb in partnership with the National Treasury, the Development Bank South Africa (DBSA) and the National Department of Public Works, developed an IDIP Toolkit to contribute to the Provincial Infrastructure Departments intention to accelerate infrastructure delivery. The IDIP Toolkit provided much needed guidance to the Technical Units established by the National Treasury in key infrastructure departments.

In 2009, the partners to the IDIP Programme initiated improvements to the cidb Toolkit to respond to changing imperatives, constraints and challenges faced by public sector clients in the effective delivery of infrastructure. The improvements are based on:

- Alignment to current legislation governing infrastructure budgeting, delivery and operation e.g. Government Immovable Asset Management Act 19 of 2007(GIAMA);
- Internationally accepted best practices that result in projects being delivered on time and within budget;
- Alternative delivery models and procurement strategies to mitigate project risks due to depleting professional resources within organs of state.

In response to the national imperatives for infrastructure delivery, the cidb has developed a Gateway process, which will be embedded in the revised Toolkit. The Gateway process is an internationally accepted practice that provides for a number of control points in the life cycle of an asset where a decision is required before proceeding from one phase or sub-phase to the next. An informed decision at each gate will provide the assurance that a project remains within agreed mandates, aligns with the purpose for which it was conceived and can seamlessly progress successfully from one phase to the next.

More importantly, the approval gates minimise the project risk to the limitations of the capability within an organ of state to control its risk, whilst improving governance, accountability and oversight in the infrastructure delivery process. The cidb Gateway process has therefore been introduced throughout the entire infrastructure delivery chain.

The revision and improvement to the cidb Toolkit will be completed in the 2010/11 financial year. The strategy for training on the new cidb Toolkit will be finalised as part of the revision.

#### cidb Toolkit Training

The Provincial Technical Assistants played a vital role in facilitating Toolkit Training for the different departments. The provinces where training was conducted for this financial year include Limpopo, Kwa zulu Natal, and Western Cape as illustrated in the table below. Unfortunately high staff turnover continues to pose a key challenge to the impact of training provided to government officials.

Table 5: Toolkit Training at Provincial Departments.

Province	Date	No. of attendees	Client	Theme
Kwazulu Natal	22-23 September 2009	37	Provincial Treasury & IDIP Technical Assistants	Infrastructure Planning Programme management, Project Delivery
	& 7-8 December 2009	26		
	8 March 2010	10	Department of Arts and Culture	Construction Procurement SCM Alignment
Limpopo	20-21 October 2009	60	Limpopo Provincial Treasury & IDIP Technical Assistants	Construction Procurement Strengthening the SCM infrastructure in the province
Western Cape	17 & 19 February 2010	55	Western Cape Provincial Treasury & IDIP	Infrastructure Planning, Programme management by Client Department, Programme management by Implementing Agent, Project Delivery
	22-24 February 2010			
	02-03 March 2010	64	Technical Assistants	Construction Procurement
	09-10 March 2010			



### IDIP Independent Review Report

The Minister of Finance commissioned an independent review of the Infrastructure Delivery Improvement Programme, which was conducted in March 2009 by experts who have both local and international experience in monitoring and review, programme management, governance and service delivery. The key findings and recommendations of the review were finalised in April 2009. They are summarised as follows:

- IDIP could be regarded as a best practice example of a well-functioning and well managed programme that has undergone thorough planning, design and establishment phases;
- IDIP had done extremely well at developing and establishing very good infrastructure management structures and systems, which were evident from the IDIP Toolkit used by most of the benefitting provincial departments;
- IDIP enjoyed exceptionally high levels of commitment from the national partners with the exception of Public Works where high level support was found to be lacking;
- The programme should gradually decentralise the responsibility to manage the programme to the provinces. The review however cautions that decentralisation should be linked to the different levels of programme management capacity that exists in the provinces;
- In infrastructure delivery related areas such as capacity building and institutionalising best systems and management tools, IDIP had been successful in delivering a critical mass of intended results during the last three years.

### Review Recommendations:

In view of the above mentioned findings the Review Team made the following key recommendations:

- IDIP should be at the center of the governments initiatives to achieve socio-economic growth, development and poverty alleviation through infrastructure delivery;
- IDIP be extended for a further three years and that the new administration should establish a multi-year budget for IDIP to ensure that the programme can deliver on its mandate;
- That Government should initiate an assessment of the current infrastructure delivery management system with the objective to develop a preferred system in terms of which the roles and responsibilities of different departments are defined.

### REGISTER OF PROFESSIONAL SERVICE PROVIDERS (ROPSP)

Professional service providers within the built environment represent one of the major pools of skilled technical resources in the country. Their role is to ensure that technical designs, engineering and construction works are of good quality and are cost-effective. Good quality engineering and infrastructure development are essential to the country's growth and development, hence these skilled resources also play an important role in ensuring that the country remains technically competitive from a global perspective.

The cidb Management analysed the alignment of the provision in the cidb Act that allows for the establishment of the RoPSP with the aspirations and recommendations from the stakeholders. A report on this analysis was presented to the Board. It was concluded that the combined package based on the provisions of the Act and the aspirations of the stakeholders might lead to unintended consequences not in line with the Act. A Board task Team was then established

to provide strategic direction on this matter. The Board Task Team recommended the following:

- that a phased approach be investigated where Phase 1 should be a simple database while phase 2 would have elements of value-add still to be explored with stakeholders;
- That the outcome of the investigation be presented to the Board for a final decision.

According to this approach, Phase 1 would therefore entail the compilation of a Register reflecting basic information of built environment firms. The RoPSP would register only those entities whose primary business is to provide independent knowledge-based services which relate to construction works. The implication is that the registered entities must be controlled by registered professionals and the register must only relate to work commonly undertaken by the built environment professions. Such information is usually requested during the competitive tendering phase.

The RoPSP would therefore negate against the proliferation of lists or databases by every Client or Organs of State where the administrative burden on professional firms to compile and submit this information for every tender response would be reduced. Clients would have the responsibility to conduct project specific pre-qualification at tender stage, where the cidb Standard for Uniformity would guide clients to check and evaluate the suitability of the professional's available capacity. Access to basic information on the RoPSP will greatly assist by decreasing the effort of evaluation in respect of both time and cost while the added benefit would be the opportunity for the Client to obtain current, project specific data in more detail at the tender stage.

It was envisaged that Phase 2 could escalate the value of the basic information on the RoPSP by assessing the performance of professional service provider per service area, such as in



the methodology being piloted in the Best Practice Contractor Recognition Scheme (BPCRS), for a credible means of managing risk for a client. The cidb would use lessons learnt from the current pilot scheme for consideration of a grading system for professional service providers.

## FOCUS GROUP MEETINGS

Focus Group Meetings present an opportunity for cidb and its Stakeholders to meet and share issues of mutual interest, for example: challenges in implementation and the need for revisions to legislation where it becomes necessary.

The cidb hosted two Client Focus Group Meetings for the Parastats on 31 August 2009 and the National Departments on 24 November 2009 under the theme "Development through partnerships with our clients". The intention was to promote the cidb compliance requirements, understand challenges faced by clients in implementing the cidb prescripts and explore potential areas of revision to the cidb Regulations.

## CLIENT CAPACITATION AND TRAINING

The cidb continued with efforts to capacitate Clients on all aspects of cidb prescripts in the financial year 2009/10. At least 40 meetings and workshops were hosted where the Procurement and Delivery Management Programme participated to capacitate clients. The establishment of the cidb Construction Contact Centre's (CCC) in the provinces has provided an opportunity to create credible networks for interaction with infrastructure clients, specifically on regional and geographic challenges regarding implementation of cidb Regulations. This model will be expanded in the next financial year to develop a structured approach to training and capacitating clients.



# Developing Contracting and Enterprise Capacity in South Africa

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The construction industry has been under huge pressure to deliver the FIFA World Cup stadia and other national infrastructure. Coupled with this pressure there was a need to ensure inclusion and growth of the emerging sector. Competitive contracting capacity continues to be a priority in the South African construction industry. A wide range of initiatives, activities and efforts were directed at ensuring outreach to contractors and facilitation of access to support in enterprise development.

This was achieved by adhering to the founding principles of the programme i.e:

- Consolidation and further enhancement of the cidb leadership role, relevance and effectiveness in supporting national, provincial and other contractor development programme implementation;
- Strengthening clients capacity to manage the implementation of their programmes;

- Harmonising the integration of the key components of Enterprise and Contractor Development by facilitation of access to various support elements and ensuring stakeholder mobilisation and inclusion.

In the quest to achieving the required outreach and impact, the Growth and Contractor Development Programme implements its objectives through its two core units namely the Enterprise Development Unit and Construction Contact Centre Unit.

## ENTERPRISE DEVELOPMENT

With continued prioritisation on contractor development, the cidb has taken forward the foundation created by previous interactions on national frameworks for contractor development. Commencing with the actioning of the recommendations made in its Status Quo Report on South African Contractor Development Programmes (March 2009), the GCD Enterprise



Development Unit firstly revised and updated the National Contractor Development Programme (NCDP) framework and simultaneously focused attention to implementation and support on communication and rollout thereof.



This phase has focussed on:

- Positively influencing and aligning Contractor Development Programmes;
- Improving understanding and monitoring of the development of contractors, especially at the lower grades;
- Strategically using information from the registers;
- Strengthening client's capacity to manage the implementation of their Contractor Development Programmes;
- Forging strategic and smart partnerships; and
- a continuous improvement of products and services in support of contractor development.

## DEVELOPING AND REFINING FRAMEWORKS FOR CONTRACTOR DEVELOPMENT

During the year under review the unit completed a review of the National Contractor Development Programme (NCDP). The focus of the review was to:

- Simplify the framework and clarify the role and objectives of the NCDP;
- Clarify the roles of the participating stakeholders;
- Establish a common delivery footprint for contractor development to be followed nationally in order to positively influence and align Contractor Development Programmes;

- Improve understanding of the appropriate mechanisms and interventions needed in the different cidb grades.

An intensive communication campaign for NCDP comprising brochures, interactions with stakeholders through workshops and focus groups based on knowledge sharing and best practices for contractor development' was implemented. Also important was availing necessary support to clients in the implementation of their Contractor Development Programmes. The cidb developed a generic Guideline for Targeting Contractors for Development Programmes, interventions in line with recommendations from the NCDP Status Quo Report.

The Targeting Guidelines encompass the recommendations, principles and application of the NCDP framework as a critical tool for industry role players wishing to implement Contractor Development Programmes.

## RECOMMENDATIONS FROM THE STATUS QUO ASSESSMENT OF CONTRACTOR DEVELOPMENT IN SOUTH AFRICA



The report on the Status Quo Assessment of Contractor Development Programmes in South Africa was refined and completed in March 2009 and distributed to all key stakeholders. The implementation of the recommendations from the Report is in progress through discussions and meetings with a host of relevant industry role players.

These include:

- Improving understanding, and monitoring contractor development;
- Strengthening client's capacity to deliver quality and sustainable contracting capacity.

Since the inception of the Provincial Contractor Development Forums (PCDF) we have realised a marked improvement and harmonisation of provincial initiatives. The PCDFs are now established in all provinces and 19 PCDF meetings were hosted throughout the provinces by the end of March 2010.

It is envisaged that provincial reporting of Contractor Development (CD) programmes will be driven and coordinated via the PCDF meetings and will form the basis for monitoring and for recommendations on required Provincial CD interventions.

## ENGAGEMENT WITH KEY STAKEHOLDERS

Stakeholder engagement remains the foundation of facilitating and promoting sustainable strategies for contractor development. Besides the Provincial CD Forum meetings stakeholder engagement in 2009/10 also took place by virtue of the Provincial Stakeholder Workshops convened by the cidb in partnership with provincial departments of Public Works. Delegates at the workshops comprised, amongst others, emerging and established contractors, clients, financiers, training providers, contractor associations and organisations that impact or are impacted by contractor development, such as the CETA.

Other ongoing stakeholder interactions include formal and informal meetings with contractor associations, financiers, material suppliers, client departments and entities, established industry associations, the Construction Charter Transformation Group, the CETA and other training providers. These occur both at the GCD Programme Head Office level as well as through the Provincial Construction Contact Centres (CCC's).

It is necessary and vital for industry role players to work together and share the responsibility for contractor and industry development. Some industry stakeholders are extremely well

resourced while others are lacking. The Growth and Contractor Development (GCD) Programme has therefore forged smart and strategic partnerships through mobilisation of the private sector, financiers, material suppliers and others in support of appropriate emerging sector contractor development. Some partnerships have been formalised in the form of Memoranda of Understanding (MoU's) and consultation and negotiations are ongoing with other stakeholders. The challenge lies in the ongoing commitment by parties and the implementation of these agreements.

Apart from the formal agreements with ABSA, Standard Bank, and FNB other intermediary financiers and training providers have also showed commitment to contractor development. Engagements with Productivity SA and International Labour Organisation (ILO) are also underway. Adding to the already existing partnerships with the 3 banks, the Enterprise Development Unit is actively pursuing similar arrangements with Nedbank, Industrial Development Corporation (IDC) and the National Empowerment Fund (NEF).

## PRODUCTS AND SERVICES

Work to facilitate improved products and services to strengthen contractor development initiatives were intensified. These included capacitating clients to deliver quality and sustainable contractor development, partnership with financial institutions to ease access to finance by contractors, ongoing development of mechanisms to implement recommendation from the status quo assessment of Contractor Development in South Africa and facilitating access to information.



### Facilitating Access to information by client and contractors

Through the Provincial Contractor Development Forums, the unit disseminated information and statistics from the Register of Contractors for targeting of contractors

and contributed to improving Guidelines for Targeting Strategies for Contractor Development.

The unit is also developing a series of Tips on Health and Safety and Advice Brochures on Contract Management to empower contractors on critical aspects of construction enterprise development and management.

## CONSTRUCTION CONTACT CENTRES (CCC'S)



The CCC's are a unit within the GCD Programme and are managed and co-ordinated nationally at the cidb Head Office. The concept of the Construction Contact Centres is to create a provincial footprint and to better serve the needs of contractors. The offices also serve as a channel through which various cidb initiatives and projects are implemented at provincial level.

In partnership with the respective Provincial Department of Public Works (DPW), Construction Contact Centres have been launched and are fully functional in 8 of the provinces. The North West CCC, currently operating from temporary premises, is expected to be officially launched in the year 2010/11. The office is equipped with fully trained staff and offers limited registration and other basic cidb services.

Besides the basic services of contractor registration, the CCC's have also contributed to enhancing and streamlining the registration turnaround time, capacitation of public sector clients, provision of appropriate and relevant information to industry as well as driving provincial Contractor Development.

## HUMAN RESOURCES AND DEVELOPMENT

### Staff Capacity:

The CCC's staffing capacity is determined by provincial requirements based on contractor registration numbers and other required services. The staff in some provinces has been supplemented through the learnership programme. Those who have excelled are offered permanent employment opportunities. The following table details the staffing numbers over the last three years:

Table 1: Construction Contact Centre staff numbers between 2007 and 2009.

Provincial CCC	2007	2008	2009
KZN	3	6	7
WC	3	6	5
EC	3	4	4
GP	3	6	8
FS	3	5	3
NC	1	1	1
MP	3	5	5
LIM	4	5	5
NW			3
Total	23	38	41

### Customer Service Improvement:

The CCC's strive for standard, efficient, streamlined registration service, relevant information dissemination, and capacity building. This ensures both a regulatory and developmental environment.

Monitoring and evaluation of the CCC's have commenced and contractors have an opportunity to assess, comment on, and rate the service quality experienced. The information from the assessments serves as a performance management tool and informs necessary intervention efforts to ensure appropriate and improved service delivery.



A summary of the key engagements and activities of the Provincial CCC's follows:

#### Northern Cape

- establishment of the DPW Satellite Offices
- Provincial Contractor Development Programme
- Provincial Contractor Development Forum
- Provincial Stakeholder Workshop
- Contractors Roadshows
- Client Capacitation
- Information Sessions for Northern Cape Contractors

#### Limpopo CCC

- CCC Launch - March 2010
- Client Capacitation
- Occupational Health and Safety Management System Training (OHSAS 18000)
- Youth and Women Owned Contractors' Workshop
- Provincial Contractor Development Forum
- Contractor information sessions
- Provincial Infrastructure Cluster
- Excellence Awards for Women in Construction
- Review of Procurement policies for client departments

#### Eastern Cape

- Facilitating Training – JBCC, OHSA, Business Management, Finance Workshops for contractors on financial management
- Stakeholder Support and capacitation
- Participation in the EC CCC Business Expo (October 2009)
- Women Contractor 2009 Awards
- Provincial Stakeholder Workshop
- Provincial Contractor Development Forum meetings

#### Mpumalanga

- Provincial Women in Construction Awards
- Provincial Stakeholders Workshop
- Provincial stakeholder forum

#### Free State

- Provincial Contractor Development Programme Forum
- Provincial Stakeholder Workshop
- Client Procurement and Delivery Management training
- Occupational Health and Safety training
- Finance Course
- Construction Charter

#### Gauteng

- Registrations-covering other provinces for those contractors who still travel to head office. The influx of Grade 1 registrations for Gauteng alone, have however still consumed a huge amount of time and staff efforts.
- IDC Financial management training-The Gauteng CCC was able to source training to the tune of 10 sessions amount to an approximate value of R1,2m.
- Women in Construction Awards
- Provincial Stakeholder workshop
- Provincial Contractor Development Forum

#### KwaZulu Natal

- Relationship Management
- Provincial Contractor Development Forum
- Industry Improvement
- The KZN CCC hosted a Government Delegation from the Eastern Cape province. The objective of the meeting/road show was to expose the EC client departments to some of KZN's Emerging Contractor Development Programmes and successes. The three programmes presented were the eThekweni AC Relay Water Project, DoT's Vukuzakhe and SEDA Construction Incubator Model

#### Western Cape

- Provincial Stakeholder Workshop
- Construction industry performance breakfast session
- Provincial Contractor Development Forum meetings

#### North West

- Capacitation to operate as a fully-fledged CCC
- Provincial Stakeholder Workshop
- NW Contractor Development Forum
- Partnerships with various financing institutions, municipalities, training institutions and other construction industry membership organizations

# Monitoring Industry Performance

The cidb has developed a suite of products to help monitor and evaluate the performance of the industry and to support contractor development, including:

- sector specific status reports;
- the cidb Construction Industry Indicators (CIIs);
- the cidb Quarterly Monitor; and
- the cidb SME Business Conditions Survey.

Collectively, these products provide a base for a detailed understanding of the industry by the cidb.

A wide range of sector specific **Status Reports** have been developed by the cidb in recent years, covering, amongst others, construction skills, the materials sector, green house gas emissions, and construction health and safety. The most recent is a report on the state of construction quality which was initiated in 2009/10, and will be available in 2010/11. These Status Reports are all available on the cidb web.



The cidb **Construction Industry Indicators** (CIIs) have been captured annually since 2003, and measure the performance of the industry focusing on clients, the client's agents, consultant and contractors. The CIIs are currently being captured by the cidb in partnership with the Department

of Quantity Surveying and Construction Management of the University of the Free State.

The current CIIs reflect indicators measured for projects completed in the 2008 calendar year, derived from 332 clients from across all nine provinces and 1 169 contractors.

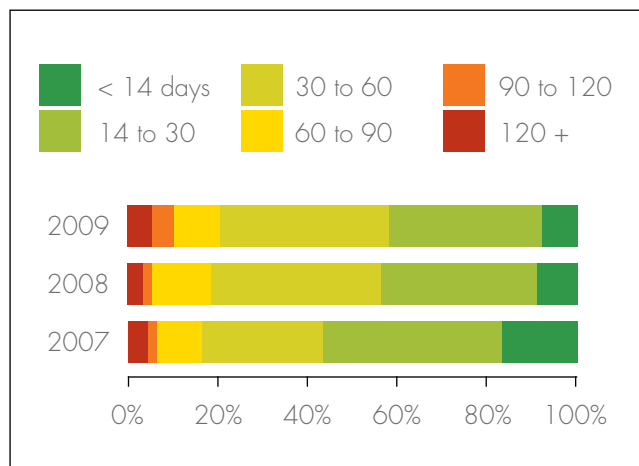
The indicators captured cover:

- client satisfaction;
- contractor satisfaction;
- profitability and payment delays;
- procurement indicators; and
- health and safety.





**Table 1: CII's Summary Report 2009: Payment delays by client.**



As in previous years, while the overall performance results for the industry are encouraging, and overall show an improvement over previous years, the challenge is to raise the performance of the industry as a whole, and in particular the performance of "the bottom 30%":

Clients were neutral or dissatisfied with the performance of contractors on 18% of the projects surveyed in 2009. Significantly, clients were least satisfied with the performance of contractor in the residential building sector, followed by civil works and special works.

Around 12% of the projects surveyed had levels of defects which are regarded as inappropriate.

Contractors were neutral or dissatisfied with the quality of tender documents and specifications obtained from clients on around 26% of the projects surveyed. A noticeable decrease in satisfaction was observed with increasing project size. Contractor satisfaction was lowest for national/district council clients, followed by national departments.

Contractors were neutral or dissatisfied with the management of variation orders on 31% of the projects surveyed. Contractors were least satisfied with the management of variation orders with the national departments, followed closely by the private sector and regional /district council clients.

57% of payments to contractors were made 30 days or longer after invoicing and payment delays in 2009 show quite a significant deterioration over the payment delays in 2007 and 2008. Payment delays recorded in the 2009 survey were highest in the private sector and with national departments.

Around 35% of projects surveyed in the public sector were undertaken using contract documents other than those recommended in the cidb's Standard for Uniformity. Of significance is that around 50% of the contract documents from national and provincial departments were undertaken using contract documents other than those recommended in the cidb's Standard for Uniformity.

Safety on building and construction sites as well as transportation to the sites remains a concern.



The cidb Quarterly Monitor provides an overview of the state of contractor development in South Africa as input to developing targeted intervention strategies in support of the National Contractor Development programme (NCDP). The cidb Quarterly Monitor focuses on public sector supply and demand at a provincial level, and currently deals only with the General Building (GB) and Civil Engineering (CE) cidb Class of Works.

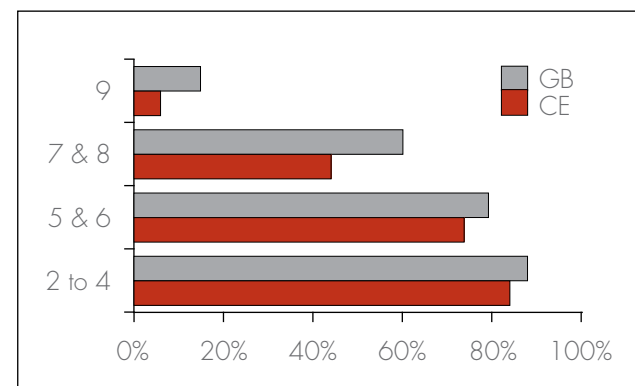
Details of contract awards are obtained from the cidb i-Tender Register of Projects supported by the Industry Insight Project

Database and the South African Reserve Bank data. (The support of Industry Insight in providing this information is gratefully acknowledged.) Contractor information is obtained from the cidb Register of Contractors.

A specific focus of the cidb Quarterly Monitor has been on obtaining a detailed analysis of contractor upgrades, downgrades, and new registrations. The cidb Quarterly Monitor also monitors empowerment trends:

**Ownership:** Around 80% of cidb registered General Building (GB) and Civil Engineering (CE) contractors in Grades 2 to 4 are Black owned (defined as more than 50% ownership control). Furthermore, around 70% to 80% of all Grade 5 & 6 General Building and Civil Engineering contractors are Black owned, while around 60% of all Grade 7 & 8 General Building contractors are Black owned. Black ownership of Civil Engineering contractors in Grades 7 and 8 is however much lower at around 40% on average.

**Table 2: Black Ownership: cidb Quarterly Monitor April 2010.**

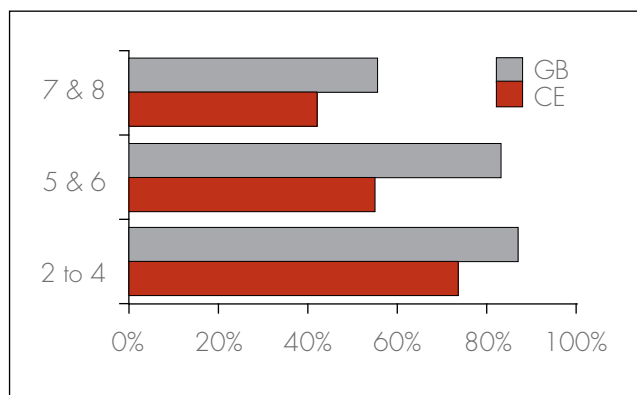


**Contracts Awarded:** Estimates of the value of public sector contracts awarded to Black owned companies during 2009/10 suggest that around 75% to 80% of the value of



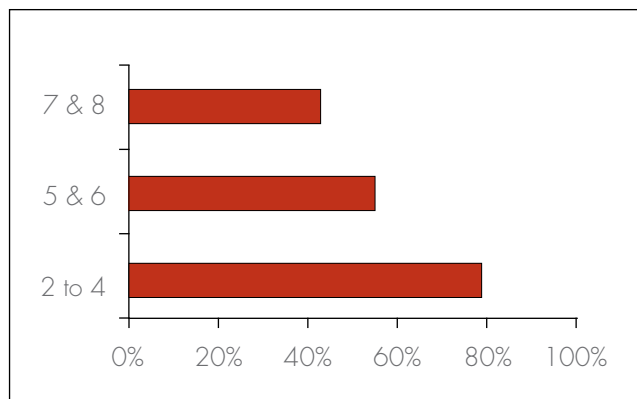
Grade 2 to 4 tenders have been awarded to Black owned contractors. In tender Grades 7 & 8, the value awarded to Black owned contractors is lower, namely around 50%.

Table 3: Public sector contracts awarded.



**Turnover:** Another empowerment indicator is the turnover of Black owned companies obtained from recent financial statements. This estimate suggests that Black owned companies in Grades 2 to 4 generate around 80% of the total turnover of Grade 2 to 4 contractors – and decreasing to around 40% in Grades 7 & 8.

Table 4: Turnover by Black owned contractors.



This understanding of contractor progression on the cidb register of contractors is being used as a proxy for measuring contractor development and an input to developing targeting strategies for contractor development.

Key findings drawn from the cidb Quarterly Monitor and the cidb CIs were presented at The Fourth Built Environment Conference, held under the auspices of the Association of Schools of Construction of Southern Africa (ASOCSA) and the CBE in Livingstone, Zambia in May 2009.

The cidb presented the paper titled “The State of Contractor Development; Selected Facts and Findings”, and Dr Hendrik Marx from the University of the Free State presented the paper “Consultants and Clients’ Perspectives of the Construction Industry Indicators as Captured by the cidb Survey of Construction Industry Indicators”.



The cidb **SME Business Conditions Survey** measures contracting business conditions amongst cidb registered contractors at a provincial level and in various contractor grades. The SME Business Conditions Survey is undertaken by the Bureau for Economic Research (BER) for the cidb. The

Survey measures, amongst others, the business confidence, construction activity, tendering competition, employment and labour constraints amongst cidb registered contractors, predominantly in the cidb grades 3 to 8.

The results of the Business Conditions Surveys show that, overall, business confidence in the General Building (GB) sector has remained somewhat constant over the last quarter – but at low confidence values. Business confidence in the Civil Engineering (CE) sector has continued to decline. Insufficient demand for work has increased in the General Building and Civil Engineering sectors.

### Guidelines for Targeting for Contractor Development Programmes

In support of the Framework for the National Contractor Development Programme (NCDP), the cidb has developed Guidelines for Targeting for Contractor Development Programmes. The guidelines are aimed to assist Contractor Development Programmes (CDPs) to identify target groups for development (i.e. the “who”), as well as the number of contractors to be targeted to be enrolled into Contractor Development Programmes (i.e. the “how many”):

#### Summary Guidelines for Targeting for Contractor Development Programmes

**Ownership:** CDPs should target the development of black, women, disabled, and youth-owned companies. Specifically, CDPs should target the development of companies in those Classes of Works (CoWs) and Grades where imbalances in such ownership exist.

**Supply and Demand:** CDPs should target the development of new contracting capacity where demonstrable shortages exist that are aligned with the service delivery objectives of the client.

**Performance Improvement:** Strong consideration should be given within CDPs to improving the performance of contractors – in particular in those areas which are aligned with the service delivery objectives of the client.

**Local Economic Objectives:** Where feasible, targeting of contractors should reflect local economic objectives.

**Affordability and Sustainability:** The number of contractors to be enrolled into and supported by a CDP should be limited by the affordability of the client to provide:



- work opportunities that will sustain all participants;
- the necessary training and mentoring for all participants, as well as programme overheads.

Implementation of these Guidelines should draw on the **cidb** Quarterly Monitor and the **cidb** SME Business Conditions Survey.



### Management Guidelines

The **cidb**, in partnership with Nurcha and PPC, have developed a series of contractor guidelines to assist contractors with relevant information necessary to run their construction business successfully.

Termed the Contractor Management Guidelines 101, these guidelines consolidate and structure the knowledge, skills and intuition which to a large extent already exist in the construction industry, but which are largely neither consolidated nor structured in the case of individual practitioners.

The Contractor Management Guidelines 101 (CMG101) document consists of the following sections:

- Section I: Establishing a Construction Business
- Section II: Operating a Construction Business
- Section III: Executing a Construction Business

It is intended that it should be used both as a companion and as a reference document.

Sections I and II have been completed and are now available from the **cidb**.

### Progress with the **cidb** Best Practice Schemes

The Construction Industry Development Board Act (Act 38 of 2000) requires the Board to establish a Best Practice Contractor Recognition Scheme which:

- enables organs of state to manage risk on complex contracting strategies; and
- promotes contractor development in relation to best practice standards and guidelines developed by the Board.

Table 5: Best Practice Contractor Recognition Scheme.

Grade	Enablers; Business, H&S, Quality, Env. etc.		Results
9	SANS/ISO/ OSHAS Systems	Supply Chain Development	Performance Reports
	cidb Accredited Management Systems		
2	cidb Competence Accreditation		

Work is progressing well with the development of the **cidb** Best Practice Contractor Recognition Scheme, and framework documents have been developed and endorsed by industry for key components of the Best Practice Contractor Recognition Scheme. Most of these frameworks are now in a piloting phase before possible final endorsement by stakeholders and rollout.

**Contractor Performance Reports** will be required to be submitted by the employer to the **cidb** on practical completion of all prescribed public and private sector projects, and will provide a track record of the performance of contractors which can be used for:

- assessing the suitability of contractors for registration, pre-qualification, selective tender lists or expressions of interest;
- adjudication for the award of a contract; or
- termination of contract.

A pilot project to evaluate the Contractor Performance Reports was initiated with the Western Cape Department of Roads and Works in 2009/10, and is currently being extended to other provinces and to selected metros in 2010/11.

The **cidb** **Competence Accreditation** will provide an assessment of the competencies of a contracting enterprise measured against acceptable standards necessary for running a contracting enterprise and for supervising building and construction works. Clients will be encouraged to procure work from contractors that possess such minimum standards necessary for the proper discharge of all contractual obligations, ensuring that all construction works projects are carried out to appropriate quality standards in an economical manner.

A skills survey is currently being undertaken to assess the level competencies that contractors currently possess as an input into developing a pilot programme for implementation in 2010/11. A survey of business management courses for contractors and the development of relevant Unit Standards were also initiated in 2009/10.

A **Construction Management System** (CMS) is a framework of processes and procedures used by an organisation to better control its construction risks and to improve its performance – leading to delivering better value to clients and ultimately to a more profitable and sustainable contracting business. The **cidb** has developed a customised standard for Construction Management Systems based on recognisable construction industry minimum standards to promote and recognise performance improvement by contractors in, typically, Grades 5 to 7, covering:

- health and safety management;
- quality management; and
- environmental management (covering air, water, land and waste).

This **cidb** standard allows for expansion and conversion to meet ISO or OHSAS requirements in the future.



The cidb standard for Construction Management Systems is currently being piloted. 15 contractors are being trained and evaluated on the cidb standard over a 1-year period.

The cidb Act also requires that the Board to establish a Best Practice Project Assessment Scheme based on the best practices identified by the Board. All construction contracts above a prescribed tender value will then be subject to an assessment of compliance with Best Practice Standards and Guidelines published by the Board.

Several key framework documents are being developed by the cidb together with industry stakeholders for the Best Practice Project Assessment Scheme for possible rollout:

Table 6: Best Practice Project Assessment Scheme.

Value	Best Practice						
	Process			Product		People	
9	Standard for Uniformity	Supply Chain Development	Waste & Recycling	Energy Efficiency	Performance Reports	Building Skills Policy	:
2							

**Energy Efficient Buildings:** A focus group consisting of the cidb, the national Department of Public Works, representatives from Provincial Works Departments, the Metros, the Council for the Built Environment and the Department of Energy have endorsed the Green Star SA rating tools of the Green Building Council of South Africa (GBCSA) as a best practice for public and private sector buildings. Guidelines and requirements have also been developed by the focus group, requiring that all public buildings (including PPPs) for which the planning

phase is begun (including major renovations for which planning approval is required) should be designed and/or constructed to achieve, at a minimum, 4 Star Green Star SA certification.

These requirements and guidelines for energy efficient public buildings will be submitted to the cidb Board for consideration in early 2010/11 for possible submission to the Minister of Public Works.

**Building Skills Policy:** A draft proposal for a “Building Skills Policy” is currently being developed by the cidb with the support of industry stakeholders. The Building Skills Policy provides for structured training and skills development through dedicating training opportunities on prescribed public and private sector projects to training of interns and up-skilling of company employees in programmes that result in nationally accredited outcomes, such as internships for professional candidacy, learnerships or accredited skills programmes.

**ISIZA**

The mandate of the cidb is to promote the development of the construction industry, and the development of the many people within the industry. As such, the cidb has endorsed the ISIZA magazine, which focuses on the development of the construction industry. The cidb sits on the editorial panel, and (in a non-exclusive arrangement), sees ISIZA as an ongoing tool to assist, inform and communicate with readers in the broader construction industry.

The ISIZA magazine is mailed to over 6000 cidb Registered Contractors as a service to the industry.

**POST GRADUATE CONFERENCE**

The cidb Post Graduate conference is an annual event that has grown to become the premier event among construction schools and postgraduate students for sharing

research, experiences and knowledge. The conference held in September 2009 was organised by the Department of Construction Management and Surveying of the University of Johannesburg.



# Corporate Services

The Corporate Services unit of the cidb encompasses four separate units, namely: Human Resources, Information and Technology, Supply Chain Management and Finance.

An overview of the status of these units during 2009/10 follows:

## HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

### Overview, Activities and Responsibilities

The activities and responsibilities of the Human Resources (HR) unit are driven from within the Corporate Services cluster, while a number of HR activities have been devolved to Business Units. Some of the HR activities handled by the unit include recruitment and selection, placement and induction, performance management, employee relations, human resources planning as well as training and development.

### Organisational Architecture

The organisational design creates a systematic and effective flow of work in response to the organisation's legislative mandate and strategic imperatives focus areas. The organisational structure of the cidb groups various functions or activities together to avoid duplication and unintended overlaps thus ensuring effective discharge of deliverables from one source.



## PROGRAMME FUNCTIONAL AREAS

### Programme 1: Growth and Contractor Development

Focus:

Promotion of enterprise development, investment and spending as the basis for a stable, developing industry and the participation of the emerging sector.

### Programme 2: Construction Industry Performance

Focus:

Improved performance and best practice for an industry that delivers reliable value to clients, investors and end-users, information on construction industry indicators to inform cidb strategy, policy makers and stakeholders.

### Programme 3: Procurement and Delivery Management

Focus:

Enhanced public sector construction procurement and infrastructure delivery management capability of public sector clients enabling efficient and effective delivery of quality infrastructure to the public.

### Programme 4: Construction Registers Service

Focus:

Registration of contractors and both public and private sector projects;  
Regulation to effect improved performance and best practice of clients and suppliers.

### Programme 5: Office of the Chief Executive Officer

Focus:

Overall strategic leadership and governance in support of the Board;  
Stakeholder consultations and communications;  
Risk and Governance Management;  
Business Planning and Business Modelling.

### Programme 6: Corporate Services

Focus:

Financial management including registers fees;  
Information technology  
Human resource management and administration;  
Supply chain management;

Resourcing has now become an easy to manage process as HR plans are put together on time and implemented across the organisation. Through this process, critical posts are given priority to ensure that posts do not remain vacant for too long.

## STAFF COMPLEMENT

For the period under review (01 April 2009 to 31 March 2010), the total staff complement is 120 permanent employees and 43 employees on fixed term contracts. This represents a 27.3% growth over the previous period. Below is the breakdown showing staff distribution based on gender, race as well as staff movement:

## REPRESENTIVITY

Race	Female	Male
African	77	55
Asian	1	7
Coloured	7	6
White	6	4
TOTAL	91	72



**STAFF MOVEMENT:**  
(01/04/2009 – 31/03/2010)

	Staff Compliment as at 31/03/2009	Terminated	Converted (FTC – PERM)	New staff hired between 01/04/09 – 31/03/10	Total as at 31/03/2010
PERMANENT	106	9	-	23	120
CONTRACT (FTC)	22	8	5	34	43

**HUMAN RESOURCE DEVELOPMENT**

For the period under review training and development continued to receive attention where 5.12% of the annual payroll budget was spent on Human Resource Development. Staff Personal Development Plans (PDP) together with results from performance assessments conducted throughout the year, have continued to serve as one of the sources of information to determine training needs. From the 2009/10 training budget, the following training activities received attention and funding:

- Workshops;
- In-house training;
- PDP related training;

**HUMAN RESOURCES CHALLENGES**

During the period under review, some of the human resources challenges experienced were:

**Staff retention:** implementation of employee retirement scheme as part of the strategy to retain staff.

**Recruitment:** attraction of suitable candidates with required skills and competencies in specialised units such as PDM.

**HEALTH AND SAFETY**

Health and Safety continues to receive attention. Staff is encouraged to maintain a clean, safe and healthy working environment. As part of the Health and Safety initiatives driven through awareness, prevention and joint-ownership, staff continues to receive basic training on HIV/AIDS. cidb is providing protective materials which are placed at strategic points for employees.

In ensuring total commitment and compliance with Occupational Health and Safety Act (Act No. 85 of 1993) (OHSA, 85 of 1993), the HR unit established the Occupational Health and Safety Committee (OHSC) in line with the Occupational Health and Safety Act to look into all aspects of health and safety in the workplace particularly office environment. All OHSC members have received the necessary training pertaining to their roles and responsibilities.

**EMPLOYEE RELATIONS AND DISCIPLINARY MATTERS**

Through continuous meetings where staff is encouraged to aptly conduct themselves, a campaign was implemented to inform staff of expected conduct. During the period under review, we saw an incredible improvement in areas of staff discipline where two (2) employees were disciplined. One of the disciplinary cases involved misconduct (fraud and dishonesty) and the staff member was subsequently discharged from employment.

Date	Matter	Sanction
14/04/2009	Fraud and Dishonesty	Summary Dismissal
19/08/2009	Fruitless and Wasteful Expenditure	Written Warning

**TRANSFORMATION AND CHANGE**

The cidb's commitment to Employment Equity continues to yield positive results. Women are in the majority and occupy 41% of supervisory and managerial positions while black women represent 81% of the total number of women employed by the cidb.

The cidb has a total number of 39 managers and supervisors of which six occupy senior positions and 16 are women (please see below breakdown):

MANAGERS AND SUPERVISORS		
Race	Male	Female
African	16	15
Indian	3	1
White	3	
Coloured	1	



## KEY SUCCESSES

The following are some of the successful contribution by the HR unit towards the overall achievements of the Corporate Services unit and the organisation at large:

- The establishment of Occupational Health and Safety Committee and training of all committee members on all aspects of Occupational Health and Safety;
- Reviewed Human Resource management policies procedures and alignment with applicable delegations;
- Capacitated managers to confidently handle employee relations matters;
- Continued cost saving through significant reduction on the use of employment agencies to procure services of temporary staff;
- The cidb continued on 2008/09 success stories of creating job opportunities for new graduates through the appointment of interns.

## INFORMATION AND TECHNOLOGY

The Information and Technology unit is committed to having leading edge technologies to support continuous alignment to business requirements in order to achieve successful outcomes for all our stakeholders. This is done through IT business alignment workshops, comprehensive planning prior to, and during implementations and involvement by specialists in the various technologies and solution capabilities.

The IT unit is successfully delivering and supporting information systems infrastructure, custom built applications and “off the shelf” products for nine provinces from a single location in Gauteng. The forward looking approach ensures all solutions are scalable, easy to maintain and flexible to adapt to the changing environment both internally and externally.

A risk assessment exercise was performed during the year focusing on the general IT controls. This has assisted the IT unit to implement further improvements and will support the upcoming Information Systems audit in the next financial year. During this year the IT unit has reviewed all its policies and procedures and had strong focus on improving the ability of the organisation to recover from a disaster. This has led to improved systems design and disaster recovery mechanisms being implemented. The uptime of measured, critical services was in excess of 99% for the year.

The IT unit will endeavour to continue supporting the business through well planned, process driven implementations of solutions and infrastructure. The major focus in the following year will be on two major projects, EDMS and CRS rewrite. An assessment of the extent of adoption of the King III will be undertaken in the new year.

## SUPPLY CHAIN MANAGEMENT (SCM) REPORT

The Supply Chain Management unit became fully operational during the 2008/09 financial year and continues to grow from strength to strength. The control environment has been improved significantly with all the critical positions being filled and independent structures have now been established to assist in minimising the risk inherent with this function.

The cidb has in its endeavour to comply with the King III Report, Treasury Regulations, Preferential Procurement Policy Framework Act and Public Finance Management Act, developed a comprehensive Supply Chain Management Policy that supports Broad Based Black Economic Empowerment. The policy is reviewed annually to incorporate the changes and legislations pertaining to Broad Based Black Economic Empowerment that are pronounced regularly.

The unit ensures that the cidb procures goods and services in a manner that is consistent with fairness, equitability, transparency and cost effectiveness by adhering to the relevant legislation, implementing efficient and effective procurement practices in an integrated manner across all elements of the supply chain and develop appropriate systems that would give effect to the principles of fair dealings and providing cidb with best value for money whilst improving service delivery.

The cidb discharges its procurement duties through the following main structures:

- The Supply Chain Management function;
- The Bid Specification Committee;
- The Bid evaluation Committee; and
- The Bid Adjudication Committee.

All the above mentioned structures are kept independent from each other in line with maintaining adequate segregation of duties and in order to uphold the main cornerstones of good governance.

## BID ADJUDICATION COMMITTEE

The Bid Adjudication Committee (BAC) was effective throughout the year. The committee is a permanent structure, with membership rotated on an annual basis. The committee has a cross functional representation with diversely qualified officials who have adequate supply chain and construction related experience. These individuals also hold senior positions in their respective programmes. The committee is guided by the terms of reference aligned to the SCM policies that specify code of conduct amongst othes. All BAC members are required to disclose their interest prior to any adjudication meeting.





## BID EVALUATION COMMITTEE

The Bid Evaluation Committee (BEC) oversees the evaluation of all procurement services above R30 000.00 and present a detailed report for adjudication to the BAC. The cidb's BEC is kept as a floating structure to allow specialist participation.

## IRREGULAR EXPENDITURE

The Supply Chain Management unit maintains a register of all irregular expenditure and actions taken in line with National Treasury Practice Note 4 of 2008/2009. All relevant disclosure requirements have been complied with as reported in the cidb's Annual Financial Statements.

## EXPENDITURE

The cidb will endeavour to promote Broad Based Black Economic Empowerment in its sourcing and related spend without compromising quality. Of the total spend of R 37 715 840 for the 2009/10 financial year, 30% was spent on historically disadvantaged individuals, 7% of which was spent on women ownership. 8% of the total spent went to related parties. We anticipate growing our HDI spent to 50% within the next financial year.









# Accounting Authority's Report

FOR THE YEAR ENDED 31 MARCH 2010

## NATURE OF BUSINESS

The Construction Industry Development Board (cidb) is 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.

## OBJECTIVES AND TARGETS

The objectives and targets of the cidb are summarised in the organisation's Strategic Plan, Business Plan and the performance summary, which is included in the two documents. In terms of the external strategic context the activities of the cidb were focused on Public Sector Procurement Reform and Delivery, facilitating Contractor Development and Infrastructure Delivery Skills as well as improved stakeholder relations.

Capacitation of public sector clients continued on an “as required” basis. Public sector delivery has been enhanced through the Infrastructure Delivery Improvement Programme (IDIP) that is run in partnership with the National Treasury and the DBSA. The National Contractor Development Programme (NCDP) framework was enhanced and rolled out to provincial departments of Public Works and other infrastructure departments. Provincial Contractor Development (CD) Forums were established.

There were delays in establishing the last two Construction Contact Centres (CCC’s), in Limpopo and the North West province, at the beginning of April 2009. The Limpopo CCC (in Polokwane) was officially opened in March while the North West office was not established due to procurement delays in the province. It is hoped that the provincial Department of Public Works ther will be able to finalise the building in the financial year 2010/11 so that the official opening may be accomplished in the same year. The approach on the cidb Register of Professional Service Providers (RoPSP) has been reviewed and the Register will now be implemented in two phases. The delays were caused by an analysis which revealed that both the cidb Act and the aspirations of stakeholders had to be considered carefully and aligned before further implementation of the RoPSP based on what stakeholders wanted during the consultative stage. Preparations for the implementations of phase one had started by the end of March.

The National Stakeholder Forum was held in October 2009. The Minister of Public Works attended the Forum. The nomination of the new Stakeholder Forum membership for the period 2009/10 to 2011/12 was finalised as required. Various components of the Best Practice schemes, or Phase 2 of the Registers, were being piloted by the end of the year 2009/10. The pilot phase will continue during the year 2010/11.

In addition to these objectives, the cidb also focused its resources on internal matters like building the organisation, capacitating internal staff, beefing up resources and operational systems to ensure a streamlined service to stakeholders and reviewing the risk profile of the cidb. There is now a new focus on risk and governance, forensic investigations to support compliance enforcement and internal audit processes. The construction industry indicators (CII’s), health and safety, and various other status reports were surveyed and published. All the cidb publications were launched in appropriate forums, like the breakfast meetings or other forms of interaction to ensure proper awareness.

## FINANCIAL PERFORMANCE

The Register of Contractors has maintained its growth momentum and during the year under review actual total revenue raised, excluding contractor fines, amounted to R46.6 m . Of this revenue, R24.7 m was realised from annual fees of new contractor registrations, upgrades and renewals, the balance of R22.0 m was generated from administration fees and other related income (all classified as “the rest”). Total revenue budget was exceeded by R14.5 m. All compliant applications were processed and communication requesting outstanding information was sent out for non-compliant applications.

Additional revenue in the form of fines totalling R0.41 m was collected during the year under review. This revenue is part of fines imposed on successful prosecution of contractors who committed fraud and corruption. This revenue has been separately disclosed in the revenue note to the financial statements and it will be used to fund the combating of fraud and corruption.

Previously in terms of the cidb Regulations, administration fees were non-refundable and were only deemed income on assessment. With effect from 1 January 2009 cidb Regulations

were amended and administration fees are now recognised immediately on registration and are still non-refundable. Refunds of annual fees become due to contractors who qualify for grades lower than that applied for, and also for applications that are not processed due to non-compliance by contractors. The cidb managed to process refunds amounting to R5.4 m. In order to action any refunds cidb prompts contractors by sending refund request forms for contractors to complete. This is done in order to ensure that refunds are processed to correct and up to date banking accounts.

The surplus for the year amounts to R21.0 and accumulated reserves total R42.5m. Of the accumulated surpluses, R4.5 m will be utilised for the future amortisation of the lease rentals on the office building and the balance will be used mainly to fund the development of the EDMS and Registration systems, special projects such as communication, research & development, green star rating, contractor development and fraud prevention.

Cash and cash equivalents balance for the year amount to R62.3 m.

## EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

No events took place between the year-end date (31 March 2010) and the date on which the financial statements were signed that were sufficiently material to warrant disclosure to interested parties.

## AUDIT COMMITTEE

The Audit Committee consists of external members and two Board members. The external members, namely Ms Shelley Thomas (Chairperson), Victor Nondabula and Bryan Chaplog, are supported by two Board members: Messrs Marten

Govender and Lwandile Kona. The committee meets at least twice per annum as per its approved terms of reference.

Appointed by the Board from 1 August 2009, the Committee met seven times in the current year (see Audit Committee Report for details). The Audit Committee is chaired by an independent chartered accountant who is neither an executive nor a Board member of the cidb. Committee meetings are attended by members of the Auditor-General's office and the internal auditors.

#### INTERNAL AUDIT UNIT

The internal audit unit is outsourced to SAB&T Chartered Accountants. Their function is mandated by the Audit Committee. The internal audit unit measures and evaluates the effectiveness and application of policies, procedures, systems and processes designed to fulfil the requirements of the risk management policy, and general compliance with governance principles, regulation and the safeguarding of assets. In the year under review the internal audit process focused on the Construction Registers Service (CRS), Finance, I.T. and Human Resources.

#### REMUNERATION COMMITTEE

The Remuneration Committee comprises three Board members appointed by the board, namely Ms Nyeleti Charmaine Makhubele (Chairperson), Messrs Nazir Alli and Cannon Noyana. This committee is tasked with the evaluation and review of human resource strategy and operations. The committee's terms of reference include considering and making recommendations to the Board on matters relating to general staff policy, remuneration, bonuses, review of service contracts and other benefits. The Remuneration Committee also evaluated and approved staff salaries and performance bonuses for the period ending 31 March 2010.

#### REMUNERATION PAID TO BOARD MEMBERS

See Notes to the Annual Financial Statements, Note 30.4.

#### PROPERTY, PLANT AND EQUIPMENT

The cidb adopted the policy as prescribed by GRAP 17 relating to the assessing of useful life and residual value of property, plant and equipment. Residual values and useful life are assessed at the end of each financial year. There has been no change in the policy relating to the use of property, plant and equipment.

#### MATERIALITY AND SIGNIFICANCE FRAMEWORK

The cidb in line with the Public Finance Management Act has updated its materiality and significance framework. The framework has been presented to and approved by the Board.

#### RISK ASSESSMENT AND INTERNAL CONTROLS

The cidb endeavours to minimize risk by ensuring that appropriate systems, policies, personnel and controls are in place throughout the organization. A risk assessment exercise was performed during 2009/2010 financial year to identify areas of risk and to map appropriate controls over the past financial year. The process was facilitated by the Risk and Governance manager and its aim was to determine the material risks to which the cidb was exposed and to evaluate the strategy for managing these risks. The cidb relied on the outsourced internal audit function and external auditors for independent appraisal of the adequacy and effectiveness of the internal controls. The Audit Committee, with extensive input by the internal and external auditors, played a role in assisting management to assess the adequacy and effectiveness of the accounting system, records and internal control.

#### ENTITY DOMICILE & LEGAL FORM

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

#### Business Address and Registered Office:

P.O Box 2107  
Brooklyn Square  
0075

Website address: [www.cidb.org.za](http://www.cidb.org.za)

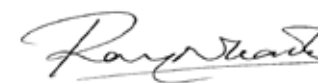
Telephone: (012) 482 7200

Fax: 086 680 8569



**RONNIE KHOZA**  
CEO

Date: 30 July 2010



**PROF RAYMOND NKADO**  
Chairperson

Date: 30 July 2010

# Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2010.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

The audit committee consists of the members listed hereunder and meets at least two times per annum as per its approved terms of reference. Special meetings of the Audit Committee may be convened as required. During the current year four ordinary and three special meetings were held. The special meetings covered the following areas:

- AG's management letter – planning and implementation of a way forward after the qualified audit report of 2008/09,
- Attend a workshop with management to obtain better understanding of the operations in order to provide meaningful oversight,
- To approve the appointment of new internal auditors.

Name of Member	Number of Meetings attended
Shelley Thomas (Chairperson)	7
Bryan Chaplog	7
Victor Nondabula	6
Marten Govender	7
Sisa Ngebulana	0
Lwandile Kona	6

Sisa Ngebulana resigned from the Audit Committee in April 2009 and was replaced by Lwandile Kona as board representative.

The External Auditors, the Chief Executive Officer, Internal Auditors as well as the Chief Financial Officer have a standing invitation to audit committee meetings and have attended most of the meetings during the year under review.

The audit committee comprises five members, all of whom are from the private sector and two of whom are members of the Board.



## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Treasury Regulations 27.1.7 and 27.1.10(b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## THE REPORT ON PERFORMANCE INFORMATION

Whilst the Board has additional responsibility as required by Section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present its performance against predetermined objectives, it is the Audit Committee's opinion that performance information is appropriately reported.

## THE EFFECTIVENESS OF INTERNAL CONTROL

During the year under review, there was significant improvement in internal controls at cidb. This was highlighted by the unqualified audit report of the AGSA.

There will be continued focus areas including assets, revenue and month end processes. There will also be increased focus on performance information systems and controls.

The quality of management and monthly/quarterly reports submitted in terms of the PFMA.

The Audit Committee has reviewed and commented on the content and quality of monthly and quarterly reports prepared

and issued by the Board during the year under review and provided input if any was required.

## INTERNAL AUDIT

The Board has outsourced the internal audit function to a private firm of chartered accountants and the areas covered were in terms of a three year rolling plan. The Audit Committee has reviewed the adequacy of the coverage and, subject to certain minor deviations, is satisfied therewith.

## EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management letter and management's response thereto;
- reviewed the accounting policies and practices
- reviewed the significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Shelley Thomas  
Chairperson of the Audit Committee

# Statement of Responsibility and Going Concern

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## STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENT FOR A GOING CONCERN

At the time of preparation of Annual Financial Statements for the period under review, the Board members believed that the cidb will be a going concern in the foreseeable future. For this reason they continue to adopt a going concern basis in the preparation of these annual financial statements.

## RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The members of the Board are responsible for the preparation of the Annual Financial Statements.

## APPROVAL OF CIDB ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements for the year ended 31 March 2010, set out on pages 75 to 103, have been approved by the Board in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 on 31 May 2010. However the financial statements were materially revised as a result of the audit findings and the final approved financial statements were signed on 30 July 2010 on behalf of the Board by:



Ronnie Khoza

CEO

Date: 30 July 2010



Prof Raymond Nkado

Chairperson of the Board

Date: 30 July 2010



# Report of the Auditor-General

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE CONSTRUCTION INDUSTRY  
DEVELOPMENT BOARD FOR THE YEAR ENDED 31 MARCH 2010

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

I have audited the accompanying financial statements of the Construction Industry Development Board, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 75 to 103.

### Accounting authority's responsibility for the financial statements

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 (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Construction Industry Development Board (CIDB) as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the PFMA.

### Emphasis of matter

I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### *Restatement of corresponding figures*

As disclosed in note 22 to the financial statements, the corresponding figures for 31 March 2009 have been restated as a result of errors discovered during the financial year ended 31 March 2010 in the financial statements of the CIDB at, and for the year ended, 31 March 2009.

#### *Irregular expenditure*

As disclosed in note 15 to the financial statements, irregular expenditure to the amount of R1 095 376 was incurred, R738 429 of which relates to a proper tender process that had not been followed and R356 947 relates to current finance lease expenditure where prior approvals from the National Treasury, were not obtained.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA and General Notice 1570 of 2009, issued in Government Gazette 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

### Findings

#### *Predetermined objectives*

##### *Non-compliance with regulatory and reporting requirements*

#### *Public Finance Management Act*

##### *Lack of effective, efficient and transparent systems and internal controls regarding performance management*

The accounting authority did not ensure that the CIDB has and maintains an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 51(1)(a)(i) of the PFMA.

#### *Usefulness of reported performance information*

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets?
- Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

##### *Reported information not consistent with planned objectives, indicators and targets*

The CIDB has not reported, for the latter half of the reporting period, on its performance against predetermined objectives, indicators and targets which is consistent with the approved strategic plan.

### Planned and reported performance targets not specific, measurable, time bound

For the selected programmes (namely, Growth and Contractor Development, Construction Registers Service, Procurement and Delivery Management, and Corporate Services), 53% of the planned and reported targets in total were not:

- specific in clearly identifying the nature and the required level of performance;
- measurable in identifying the required performance;
- time bound in specifying the time period or deadline for delivery.

### Planned and reported indicators and measures not well defined

For the selected programmes (namely, Growth and Contractor Development, Construction Registers Service, Procurement and Delivery Management, and Corporate Services), 27% of the planned and reported indicators and measures in total were not clear, with an unambiguous definition to allow for data to be collected consistently.

### Compliance with laws and regulations

No other matters to report.

## INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

### Leadership

The CIDB did not have documented and approved internal policies and procedures to address planning, implementation,

monitoring and reporting processes and events pertaining to performance management and reporting.

### Financial and performance management

The information systems used for generating performance information are not appropriate to facilitate the preparation of complete and accurate performance information reports.

*Auditor - General*

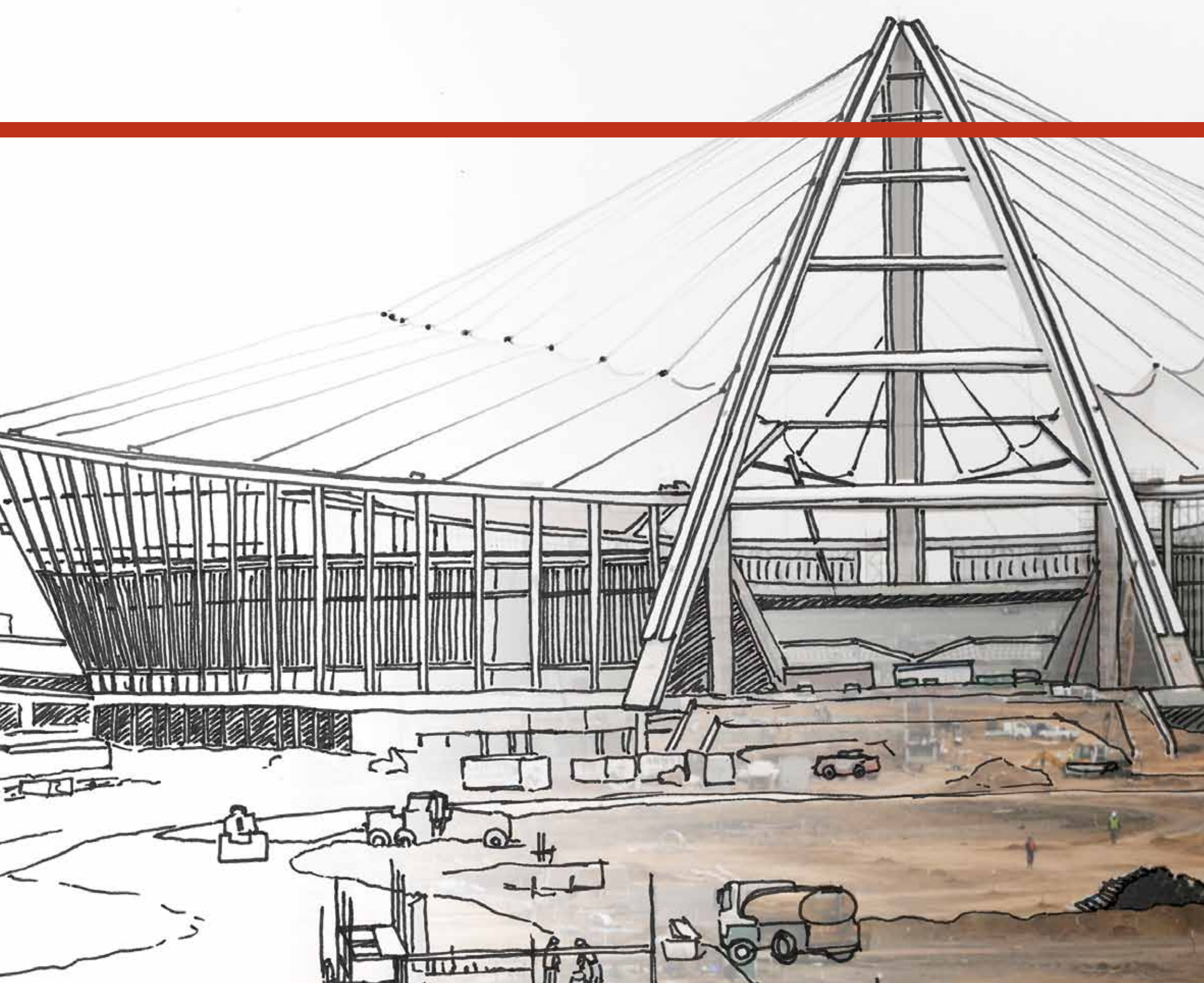
Pretoria

31 July 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*





# Annual Financial Statements

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The annual financial statements were approved by the accounting authority and the Chief Executive Officer and are signed below:

Mr Ronnie Khoza  
Date: 30 July 2010

Prof Raymond Nkado  
Date: 30 July 2010

# Statement of Financial Position

As at March 2010

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	Notes	2010 R	2009 R
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
		66,740,755	42,786,766
Cash and cash equivalents	2	62,313,159	35,797,908
Receivables : exchange transactions	3	1,118,822	3,925,179
Operating lease asset	4	3,308,774	3,063,679
<b>NON-CURRENT ASSETS</b>			
		15,792,661	20,485,997
Property, plant and equipment	5	13,048,697	14,306,812
Intangible assets	6	1,551,207	1,677,654
Operating lease asset	4	1,192,757	4,501,531
<b>TOTAL ASSETS</b>		<b>82,533,416</b>	<b>63,272,763</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
		39,575,264	41,058,390
Payables: exchange transactions	7	15,261,849	16,536,111
Income received in advance	8	24,030,828	24,274,135
Finance lease liability	9	282,587	248,144
<b>NON-CURRENT LIABILITIES</b>			
		411,902	694,488
Finance lease liability	9	411,902	694,488
<b>TOTAL LIABILITIES</b>		<b>39,987,166</b>	<b>41,752,878</b>
<b>NET ASSETS</b>		<b>42,546,250</b>	<b>21,519,885</b>
<b>REPRESENTED BY:</b>			
Accumulated Surpluses	10	42,546,250	21,519,885



# Statement of Financial Performance

For the year ended 31 March 2010

	Notes	2010 R	2009 R
<b>REVENUE</b>			
Non exchange transactions			
Grants received	11, 30.1	59,269,000	41,891,000
Exchange transactions			
Registers revenue	12	47,059,809	35,324,708
Finance income	13	3,733,289	2,947,752
Other Income	14	53,743	3,000
<b>TOTAL REVENUE</b>		<b>110,115,841</b>	<b>80,166,460</b>
<b>EXPENDITURE</b>			
Administrative expenses	16	(7,738,124)	(4,958,131)
Staff costs	17	(44,285,120)	(37,501,651)
Marketing costs	18	(2,432,705)	(1,649,708)
Audit fees	19	(1,476,977)	(1,599,947)
Other operating expenses	20	(33,047,744)	(33,809,425)
Finance costs	21	(108,803)	(147,186)
<b>TOTAL EXPENDITURE</b>		<b>(89,089,474)</b>	<b>(79,666,048)</b>
<b>SURPLUS FOR THE YEAR</b>		<b>21,026,367</b>	<b>500,412</b>

# Statement of Changes in Net Assets

For the year ended 31 March 2010

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	Notes	R
Balance at 31 March 2008 as previously reported		17,856,264
Prior year adjustment	22	<u>3,163,207</u>
Balance at 31 March 2008 as restated		21,019,471
Surplus for the period		500,412
Deficit for the period as previously stated		(1,350,972)
Prior year adjustment	22	<u>1,851,384</u>
Balance at 31 March 2009 as restated		21,519,883
Surplus for the period		<u>21,026,367</u>
Balance at 31 March 2010		<u><u>42,546,250</u></u>

# Cash Flow Statements

For the year ended 31 March 2010

## CASH FLOWS FROM OPERATING ACTIVITIES

	Notes	2010 R	2009 R
<b>Operating activities</b>			
Receipts	23	107,067,753	85,965,807
Registers income		47,745,010	44,071,807
Grants received		59,269,000	41,891,000
Other receipts		53,743	3,000
<b>Payments</b>			
Compensation to employees	17	(44,285,120)	(37,501,651)
Payments to suppliers and other		(37,715,836)	(42,736,643)
<b>Cash utilised in operations</b>	25	<b>25,066,797</b>	<b>5,727,513</b>
Finance income	13	3,733,289	2,947,752
Finance costs	21	(108,803)	(147,186)
<b>Net cash inflow from operating activities</b>		<b>28,691,283</b>	<b>8,528,079</b>

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	5.1	(1,596,562)	(2,594,585)
Purchase of intangible assets	6.1	(331,326)	(205,022)
<b>Net cash outflow from investing activities</b>		<b>(1,927,888)</b>	<b>(2,799,608)</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

Finance lease repaid		(248,144)	(217,899)
<b>Net increase in cash and cash equivalents</b>		<b>26,515,251</b>	<b>5,510,572</b>
Cash and cash equivalents at beginning of the year		35,797,908	30,287,336
<b>Cash and cash equivalents at end of the year</b>	2	<b>62,313,159</b>	<b>35,797,908</b>

# Notes to the Annual Financial Statements

For the year ended 31 March 2010

## 1. ACCOUNTING POLICIES

### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act No. 29 of 1999).

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP.

The accounting policies are applied consistently with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The standards included in the GRAP reporting framework, as determined in Directive 5 issued by the Accounting Standards Board, are summarised as follows:

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the cidb:

**GRAP 18 Segment Reporting** - issued March 2005 (To be determined by the Minister of Finance)

**GRAP 21 Impairment of Non-cash-generating Assets** - issued March 2009 (To be determined by the Minister of Finance)

**GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)** - issued February 2008 (To be determined by the Minister of Finance)

**GRAP 24 Presentation of Budget Information in Financial Statements** - issued November 2007 (To be determined by the Minister of Finance)

**GRAP 25 Employee Benefits** - issued November 2009 (To be determined by the Minister of Finance)

**GRAP 26 Impairment of Cash-generating Assets** - issued March 2009 (To be determined by the Minister of Finance)

**GRAP 103 Heritage Assets** - issued July 2008 (To be determined by the Minister of Finance)

**GRAP 104 Financial Instruments** - issued October 2009 (To be determined by the Minister of Finance)

### 1.2. PRESENTATION CURRENCY

The financial statements are presented in South African Rand, which is the functional currency of the entity, and are rounded off to the nearest Rand.

### 1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the entity will continue to operate as a going concern for at least the next 12 months.

### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative

amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.5. PROPERTY, PLANT AND EQUIPMENT

An asset is recognised when it is probable that there will be an inflow of future economic benefits associated with it and its cost or fair value can be measured reliably.

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing a portion of equipment only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Subsequent costs and additions are included in the asset's carrying amount or are recognised as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred. All property and equipment are depreciated. Property, plant and equipment are depreciated on the straight-line basis to allocate their cost to their residual value over their estimated useful lives.

The depreciation rates applicable to each category of property, plant and equipment are as follows:

Computer equipment	8 years to 12 years
Office equipment	8 years to 12 years
Furniture and fittings	10 years to 14 years

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

An item of property, plant and equipment is scrapped upon disposal or when no future economic benefits and service potential are expected from its use or disposal. Any surplus or deficit arising on scrapping of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

Surpluses and deficits on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

## 1.5.1 Impairment of Property, Plant and Equipment

At each financial position date or more frequently where events or changes in circumstances dictate; indicators of impairment of property and equipment are assessed. If there is an indication of impairment, a review is performed which includes a comparison of the carrying amount of the asset with its recoverable amount which is the higher of the asset's or the cash-generating unit's fair value less costs to sell, and its value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtained as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed

the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

The carrying values of property, plant and equipment are written down by the amount of any impairment and this loss is recognised in the statement of financial performance in the period in which it occurs.

Repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

## 1.6. INTANGIBLE ASSETS

An intangible asset is recognised when it is probable that there will be an inflow of future economic benefits associated with it and its cost or fair value can be measured reliably.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred in the statement of financial performance. Costs that are directly associated with the production of identifiable and unique software products controlled by the cidb, and that will probably generate economic benefits and service potential exceeding costs beyond one year, are recognised as intangible assets.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the

straight line method. Amortisation commences when the asset is ready for its intended use. The annual amortisation rates are based on the following estimated average asset lives:

Computer software: 5 years to 10 years.

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of amortisation) had no impairment been recognised in prior years.

## 1.7. TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

## 1.8. TRADE PAYABLES

Financial liabilities consist of trade payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

## 1.9. CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks. The entity categorises cash and cash equivalents as financial assets: loans and receivables.

## 1.10 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA,

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

All irregular and fruitless and wasteful expenditure is charged against the respective class of expenditure in the period in which they are incurred and disclosed in a note in the period that it is identified.

## 1.11. REVENUE RECOGNITION

### 1.11.1 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where cidb received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue takes the form of grants from the Department of Public Works and is received on a quarterly basis and raised as revenue on receipt.

### 1.11.2 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the cidb directly in return for services rendered, the fair value of which approximates the consideration received or receivable.

The Construction Industry Development Board receives income by way of registration of contractors in accordance with the Construction Industry Development Board Act, Act 38 of 2000. Due to the nature of the registration of contractors,

the Construction Industry Development Board only recognises this income once a contractor has been assessed with the exception of administration fees. Revenue from administration fees is recognised once an application has been received by cidb and is based on the grade applied for.

## 1.12. FINANCE INCOME

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

## 1.13 LEASED ASSETS

Finance leases refers to a contract that transfers the substantial risks, rewards, rights and obligations incident to ownership to the lessee and is recorded as a purchase of equipment by means of long-term borrowing. All other leases are classified as operating leases.

### 1.13.1 Operating Leases - expense

Lease payments under an operating lease are recognised as an expense on a straightline basis over the term of the relevant lease.

## 1.14. FINANCIAL INSTRUMENTS

### 1.14.1 Financial Assets

Financial assets are initially measured at a fair value plus transaction cost. However, transaction costs in respect of financial assets classified as at fair value are expensed in the statement of financial performance.

#### Available-for-sale financial assets

Available for sale financial assets are measured at a fair value with gains or losses being recognised in other comprehensive income. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

if unlisted. Impairment losses recognised in profit or loss. Any reversal of impairment losses is recognised in other comprehensive income.

## Cash and cash equivalents

Cash and cash equivalents are measured at fair value, with changes in fair value being recognised in profit or loss.

## Interest received

Interest is recognised on the time apportion basis using the effective rate applicable over the period of investment.

## 1.14.2 Financial Liabilities

Financial liabilities are initially measured as at fair value plus transaction costs. However, transaction costs in respect of financial liabilities as at fair value through profit or loss are expensed. Recognised on the statement of financial position include trade and other payables.

Financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost.

Financial liabilities that are designated on initial recognition as financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss.

## 1.15. ACCRUAL FOR LEAVE PAY

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual, based on total cost to company, is raised for the estimated liabilities as a result of services rendered by employees.

## 1.16. EMPLOYEE BENEFITS

Employee benefits comprise of leave entitlements, and performance bonuses. There are no post-retirement benefits currently with the cidb.

## 1.17. CASHFLOW STATEMENT

The cashflow statement is prepared on the direct method.

## 1.18. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of annual financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingents assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that cidb may undertake in the future, actual results ultimately may differ from those estimates.

The presentation of the results of operations, financial position and cash flows in the financial statements of the cidb is dependant upon and sensitive to the accounting policies, assumptions and estimates that are used as a basis for the preparation of these financial statements. Management has made certain judgments in the process of applying the accounting policies. These, together with the key assumptions concerning the future, and other key resources of the estimation uncertainty at the financial position date, are discussed:

## Property, Plant and Equipment

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements, availability of funding to determine the optimum useful life expectation of each individual item of property and equipment. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold and what their condition will be at that time.

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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### 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with bank including investments in call accounts.

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2010 R	2009 R
Bank	991 212	4 264 545
Cash on hand	8 960	4 664
Investments	61 312 987	31 528 699
	<u>62 313 159</u>	<u>35 797 908</u>
<b>3. RECEIVABLES: EXCHANGE TRANSACTIONS</b>		
Trade receivables	1 328 187	3 883 861
Less: Provision for bad debts	(456 491)	-
	871 696	3 883 861
Prepayments	247 126	41 318
	<u>1 118 822</u>	<u>3 925 179</u>
<b>4. OPERATING LEASE ASSET</b>		
Lease improvements:		
Current	3 308 774	3 063 679
Non-Current	1 192 757	4 501 531
	<u>4 501 531</u>	<u>7 565 210</u>

The operating lease asset is in respect of a lease agreement entered into with SABS, for the occupation of office buildings, whereby cidb undertook to renovate the office buildings and in return future lease rentals will be offset against the total cost of renovations over 3,5 years. The lease period is 5 years.



## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

### 5. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2010

Computer equipment  
Furniture and fittings  
Office equipment  
Office equipment leased

	2010			2009		
	Cost	Accumulated Depreciation	Carrying Value	Cost / valuation	Accumulated Depreciation	Carrying Value
	R	R	R	R	R	R
Computer equipment	8 016 221	(2 691 153)	5 325 068	8 643 717	(2 334 899)	6 308 818
Furniture and fittings	4 882 839	(1 478 811)	3 404 028	4 454 053	(1 161 170)	3 292 883
Office equipment	5 239 161	(1 497 048)	3 742 113	4 999 722	(1 133 564)	3 866 158
Office equipment leased	1 307 320	(729 832)	577 488	1 307 320	(468 367)	838 953
	<b>19 445 541</b>	<b>(6 396 844)</b>	<b>13 048 697</b>	<b>19 404 812</b>	<b>(5 098 000)</b>	<b>14 306 812</b>

#### 5.1 Carrying values of property, plant and equipment can be reconciled as follows:

Computer equipment  
Furniture and fittings  
Office equipment  
Office equipment leased

	Opening balance	Additions	Write offs	Disposals	Depreciation	Carrying amount 31/03/2010
	R	R	R	R	R	R
Computer equipment	6 308 818	391 962	(478 957)	(23 080)	(873 674)	5 325 068
Furniture and fittings	3 292 883	602 920	(96 272)	-	(395 503)	3 404 028
Office equipment	3 866 159	601 680	(188 765)	-	(536 960)	3 742 113
Office equipment leased	838 953	-	-	-	(261 465)	577 488
	<b>14 306 813</b>	<b>1 596 562</b>	<b>(763 994)</b>	<b>(23 080)</b>	<b>(2 067 604)</b>	<b>13 048 697</b>

Computer equipment  
Furniture and fittings  
Office equipment  
Office equipment leased

	Opening balance	Additions	Write offs	Disposals	Depreciation	Carrying amount 31/03/2009
	R	R	R	R	R	R
Computer equipment	5 884 344	1 271 676	-	-	(847 202)	6 308 818
Furniture and fittings	3 286 279	335 714	-	-	(329 110)	3 292 883
Office equipment	3 358 271	987 197	-	-	(479 311)	3 866 158
Office equipment leased	1 100 417	-	-	-	(261 464)	838 953
	<b>13 629 311</b>	<b>2 594 587</b>	<b>-</b>	<b>-</b>	<b>(1 917 087)</b>	<b>14 306 812</b>

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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### 6. INTANGIBLE ASSETS.

Year ended 31 March 2010

Computer software

	2010			2009		
	Cost R	Accumulated Amortisation R	Carrying Value R	Cost / valuation R	Accumulated Amortisation R	Carrying Value R
Computer software	2 717 079	(1 165 872)	1 551 207	2 495 963	(818 309)	1 677 654
	<b>2 717 079</b>	<b>(1 165 872)</b>	<b>1 551 207</b>	<b>2 495 963</b>	<b>(818 309)</b>	<b>1 677 654</b>

#### 6.1 Carrying values of property, plant and equipment can be reconciled as follows:

Computer software

	Opening balance R	Additions R	Write offs R	Disposals R	Armortisation R	Carrying amount 31/03/2010 R
Computer software	1 677 654	331 326	(38 536)	-	(419 239)	1 551 207
	<b>1 677 654</b>	<b>331 326</b>	<b>(38 536)</b>	<b>-</b>	<b>(419 239)</b>	<b>1 551 207</b>

Computer software

	Opening balance R	Additions R	Write offs R	Disposals R	Armortisation R	Carrying amount 31/03/2009 R
Computer software	1 882 513	205 022	-	-	(409 881)	1 677 654
	<b>1 882 513</b>	<b>205 022</b>	<b>-</b>	<b>-</b>	<b>(409 881)</b>	<b>1 677 654</b>

### 7. PAYABLES: EXCHANGE TRANSACTIONS

Trade and other payables

- Trade payables
- Accruals
- Accrual for leave pay
- Unallocated deposits

	2010 R	2009 R
Trade and other payables	10 060 535	9 251 142
- Trade payables	4 489 150	5 486 928
- Accruals	4 362 577	2 828 877
- Accrual for leave pay	1 208 808	935 337
Unallocated deposits	5 201 314	7 284 969
	<b>15 261 849</b>	<b>16 536 111</b>

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

	2010 R	2009 R
<b>8. INCOME RECEIVED IN ADVANCE</b>		
Contractors not assessed (work in progress)	24 030 828	24 274 135
	<u>24 030 828</u>	<u>24 274 135</u>
<b>9. FINANCE LEASE OBLIGATION</b>		
Minimum lease payments due		
- within one year	356 947	356 947
- in second to fifth year inclusive	449 355	806 302
	<u>806 302</u>	<u>1 163 249</u>
Less: Future finance charges	111 813	220 617
<b>Present value of minimum lease payments</b>	<u>694 489</u>	<u>942 632</u>
Non-current liabilities	411 902	694 488
Current liabilities	282 587	248 144
	<u>694 489</u>	<u>942 632</u>
<p>The cidb leases photocopying machines, the average lease term is 5 years and the average effective borrowing rate of 13% (2009: 13%). The organization's obligations under finance leases are secured by the lessor's charge over the leased assets. (refer to Note 5)</p>		
<b>10. CONTINGENT LIABILITIES</b>		
<p>Sections 53(3) of the PFMA states that a public entity may not accumulate surpluses unless prior written approval of the National Treasury has been obtained. A request was sent to National Treasury for approval of the accumulated surpluses for the period ending 31 March 2010 to be rolled over to the following financial year. At the date of approval of these financial statements, National Treasury has not approved the retention of the accumulated surplus for the period, however approval for the 2008/9 financial year's surpluses was granted after financial year end.</p>		
Liable to:		
National Treasury	42 546 250	21 519 885

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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	2010 R	2009 R
<b>11. TRANSFERS AND SUBSIDIES</b>		
Grants received	59 269 000	41 891 000
<b>12. REGISTERS REVENUE</b>		
Annual fees	24 681 523	18 672 498
Assessment fees	21 966 783	16 329 210
Contractor fines	411 503	323 000
	<b>47 059 809</b>	<b>35 324 708</b>
<b>13. FINANCE INCOME</b>		
Interest on		
- cash and bank deposits	3 733 289	2 947 752
	<b>3 733 289</b>	<b>2 947 752</b>
<b>14. OTHER INCOME</b>		
Proceeds on insurance claims	52 093	-
Sundry income	1 650	3 000
	<b>53 743</b>	<b>3 000</b>
<b>15. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>COMPONENTS</b>		
<b>15.1 Fruitless and wasteful expenditure</b>		
Long outstanding payroll liabilities which were not deducted from employees.	-	51 296
Leave paid out in excess of the policy	-	29 176
Bad debts written off *	70 976	-

\*Erroneous refunds relating to period before September 2007. Subsequent to September 2007 controls were put in place to prevent erroneous refunds from being processed.

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

		2010	2009
		R	R
<b>15.2 Irregular expenditure</b>			
<b>15.2.1. Irregular expenditure prior years - not recoverable</b>			
<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Panasonic - copiers leased	No disciplinary steps could be taken against any individual for this expenditure. A request for condonation of the irregular expenditure was sought from National Treasury who responded that although the expenditure is irregular, they are 'satisfied however that there was no impropriety in this case'	356 947	621 834
<b>15.2.2. Irregular expenditure current year - not recoverable</b>			
<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Budget - furniture leased	At the time of reporting an investigation of this irregular expenditure was in progress in order to determine the appropriate steps to be taken in line with s51(1) of the PFMA	738 429	-
<b>16. ADMINISTRATIVE EXPENSES</b>			
Fees for services		322 112	202 417
- Board members		462 825	311 997
- Audit committee fees		29 072	10 129
Legal fees		456 491	-
Provision for bad debts		138 489	-
Bad debts written off		588	128 457
Entertainment		2 535 978	2 155 101
Stationery and printing		1 251 886	697 561
Venues and facilities		364 811	337 535
Bank charges		2 175 871	1 114 934
Training and staff development		<u>7 738 124</u>	<u>4 958 131</u>

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

		2010 R	2009 R
<b>17. STAFF COSTS</b>			
Basic salaries			
Executives	30,4	5 379 105	4 699 713
Other	29	25 976 014	25 753 081
Performance award - Executives	30,4	413 394	353 666
Other	29	1 957 030	1 420 675
Temporary staff		10 196 461	4 889 664
Leave payment	29	363 116	384 852
		<b>44 285 120</b>	<b>37 501 651</b>
<b>18. MARKETING COSTS</b>			
Advertising		2 432 705	1 649 708
		<b>2 432 705</b>	<b>1 649 708</b>
<b>19. AUDIT FEES</b>			
External audit fees		757 489	397 998
Internal audit fees		719 488	1 201 949
		<b>1 476 977</b>	<b>1 599 947</b>

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

## 20. OTHER OPERATING EXPENSES

### Consultants, contractors and special services

Insurance

Membership fees

Security

### Maintenance, repairs and running costs

- Property and buildings

- Computer equipment and consumables

- Other maintenance, repairs and running costs

Depreciation

Armortisation

Loss on assets written off

Municipal services

Sponsorship

Travel and subsistence

Courier and delivery charges

Communication costs

### Rentals

- Property and buildings

- Furniture and fittings

- Office equipments

- Other rentals

	2010 R	2009 R
12 748 406	12 748 406	16 478 743
435 984	435 984	357 784
584 177	584 177	106 514
567 785	567 785	691 175
<b>1 537 808</b>	<b>1 537 808</b>	<b>2 680 376</b>
27 576	27 576	281 495
871 693	871 693	1 023 727
638 539	638 539	1 375 154
2 067 604	2 067 604	1 976 965
419 239	419 239	409 881
825 609	825 609	-
955 313	955 313	263 407
237 753	237 753	13 952
4 095 992	4 095 992	3 761 579
514 740	514 740	499 312
3 884 393	3 884 393	3 126 750
<b>4 172 939</b>	<b>4 172 939</b>	<b>3 442 988</b>
2 894 322	2 894 322	2 952 814
1 288 109	1 288 109	319 700
(11 762)	(11 762)	(29 030)
2 270	2 270	199 504
<b>33 047 743</b>	<b>33 047 743</b>	<b>33 809 425</b>

## 21. FINANCE COSTS

### Interest expense

- Creditors

- Finance lease

-	-	8 138
108 803	108 803	139 048
<b>108 803</b>	<b>108 803</b>	<b>147 186</b>

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

### 22. PRIOR PERIOD ERRORS

#### Property Plant and Equipment

#### 22.1 Incorrect assessment of useful lives

cidb has incorrectly assessed the useful lives of its assets. The bases of estimate used on the reassessments in the prior period were found to be incorrect. This has resulted in the overstatement of depreciation and accumulated depreciation for the prior periods. The error has been corrected by correctly reassessing the useful lives in the current period and adjusting the prior year figures.

#### 22.2 Incorrect calculation of depreciation

Depreciation on assets was incorrectly calculated as a result of a change in the method used for assessing the useful lives of assets. Previously cidb accounted for assets differently between the purchase dates and the depreciation start dates. The assets that had different purchase dates to depreciation dates were therefore corrected retrospectively as a prior year period error.

The effect of the errors in the current year were as follows:

#### Effect on the statement of financial position

#### Recognise assets (cost)

#### Balance per the prior year audited financial statements at 31 March 2008

Correction of error 22.1

Correction of error 22.2

Restated balance at 31 March 2008

#### Balance per the prior year audited financial statements at 31 March 2009

Correction of error 22.1

Correction of error 22.2

Restated Balance At 31 March 2009

	Computer Equipment	Furniture and Fittings	Office equipment	Office equipment Leased	Computer Software	Total
	R	R	R	R	R	R
Balance per the prior year audited financial statements at 31 March 2008	7 325 685	3 650 064	4 531 120	1 307 320	2 290 940	19 105 129
Correction of error 22.1	-	-	-	-	-	-
Correction of error 22.2	-	-	-	-	-	-
Restated balance at 31 March 2008	7 325 685	3 650 064	4 531 119	1 307 320	2 290 940	19 105 129
Balance per the prior year audited financial statements at 31 March 2009	8 643 717	4 454 053	4 999 722	1 307 320	2 495 963	21 900 775
Correction of error 22.1	-	-	-	-	-	-
Correction of error 22.2	-	-	-	-	-	-
Restated Balance At 31 March 2009	8 643 717	4 454 053	4 999 721	1 307 320	2 495 963	21 900 775



## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

Recognise assets (accumulated depreciation)

**Balance per the prior year audited financial statements at 31 March 2008**

Correction of error 22.1

Correction of error 22.2

Restated balance at 31 March 2008

**Balance per the prior year audited financial statements at 31 March 2009**

Correction of error 22.1

Correction of error 22.2

Restated balance at 31 March 2009

Restated carrying amounts - 31 March 2009

	Computer Equipment	Furniture and Fittings	Office equipment	Office equipment Leased	Computer Software	Total
	R	R	R	R	R	R
Balance per the prior year audited financial statements at 31 March 2008	2 830 344	1 085 839	1 785 439	206 903	822 941	6 731 466
Correction of error 22.1	(1 671 738)	(722 054)	(892 338)	-	(216 063)	(3 502 193)
Correction of error 22.2	282 735	499 614	(279 746)	(15 215)	(148 402)	338 986
Restated balance at 31 March 2008	1 441 341	863 399	613 355	191 688	458 476	3 568 259
Balance per the prior year audited financial statements at 31 March 2009	4 740 607	2 096 096	2 220 965	483 582	1 389 649	10 930 899
Correction of error 22.1	(2 727 441)	(981 808)	(1 156 122)	-	(536 620)	(5 401 991)
Correction of error 22.2	321 733	46 882	68 720	(15 215)	(34 720)	387 400
Restated balance at 31 March 2009	2 334 899	1 161 170	1 133 563	468 367	818 309	5 916 308
Restated carrying amounts - 31 March 2009	6 308 818	3 292 883	3 866 158	838 953	1 677 654	15 984 467

Effect on accumulated surpluses

- 31 March 2008

3 163 207

Depreciation

- Computer equipment

- Furniture and fittings

- Office equipment

- Computer software

- Office equipment leased

(3 163 207)

(1 389 003)

(222 440)

(1 172 084)

(364 465)

(15 215)

Effect on accumulated surpluses

- 31 March 2009

5 014 591

Depreciation

- Computer equipment

- Furniture and fittings

- Office equipment

- Computer software

- Office equipment leased

(5 014 591)

(2 405 708)

(934 926)

(1 087 402)

(571 340)

(15 215)

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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## 22.3 Incorrect disclosure on the notes of statement of cash flows

cidb incorrectly disclosed the comparative year's notes of the statement of cash flows. The finance income and finance cost were included as a movement in trade receivables and trade payables respectively, as well and the movement of operating leases were disclosed in the comparative movement for trade receivables instead of trade payables. The error was corrected in the current period for comparability.

## 23. CASH RECEIPTS FROM STAKEHOLDERS

Revenue per statement of Financial Performance  
Finance income  
Movement in trade receivables

2010 R	2009 R
110 115 841	80 166 460
(3 733 289)	(2 947 752)
685 201	8 747 099
<b>107 067 753</b>	<b>85 965 807</b>

## 24. CASH PAID TO STAKEHOLDERS, SUPPLIERS AND EMPLOYEES

Expenses per statement of Financial Performance  
Movement in payables  
Finance cost  
Scrapping of assets  
Depreciation, amortisation and Impairment

89 089 474	79 666 048
(3 667 264)	3 107 157
(108 803)	(147 186)
(825 609)	(879)
(2 486 841)	(2 386 845)
<b>82 000 956</b>	<b>80 238 294</b>

## 25. RECONCILIATION OF SURPLUS TO CASH GENERATED BY OPERATIONS

Operating surplus

Adjustment for:

- Depreciation, amortisation and Impairment
- Finance income
- Finance cost
- Loss on disposal of assets

Operating surplus before working capital changes

21 026 367	500 412
2 486 841	2 386 845
108 803	147 186
(3 733 289)	(2 947 752)
825 609	879
20 714 331	87 571

Working capital changes

Decrease / (increase) in trade receivable and lease improvements  
Increase / (decrease) in trade payables

4 352 466	5 639 943
685 202	8 747 099
3 667 264	(3 107 157)

Cash generated from operations

<b>25 066 797</b>	<b>5 727 513</b>
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# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

## 26.1 COMMITMENTS

Amounts approved and contracted - outstanding contractual obligations at year-end.

2010	2009
R	R
16 076 188	12 153 920

## 27. OPERATING LEASE COMMITMENT

The future minimum lease payments under non-cancellable operating leases are as follows:

- within one year

3 573 475	3 308 773
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- in second to fifth year inclusive

4 901 379	8 474 854
-----------	-----------

<b>8 474 854</b>	<b>11 783 627</b>
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The cidb leases the office building in block N&R and block Z on the SABS campus on an operating lease, the lease term is 5 years. The lease will terminate at the end of June 2013.

## 28. INCOME TAX EXEMPTION

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

## 29. EMPLOYEE BENEFITS

All employees are employed on a contract basis on a cost to board package and are not entitled to any other benefits.

Salaries

25 976 014	25 753 081
------------	------------

Leave entitlement

363 116	384 852
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Performance bonus

1 957 030	1 420 675
-----------	-----------

<b>28 296 161</b>	<b>27 558 608</b>
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# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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	2010 R	2009 R
<b>30. RELATED PARTIES</b>		
<b>30.1 Department of Public Works</b>		
The following is a summary of transactions with DPW:		
Statement of financial performance amounts during the year:		
Transfer from Department of Public Works	59 269 000	41 891 000
<b>30.2 Transactions with related parties</b>		
South African Bureau of Standards	1 324 268	1 174 394
	<u>1 324 268</u>	<u>1 174 394</u>
<b>30.3 Balances at year end with related parties</b>		
South African Bureau of Standards	65 427	276
	<u>65 427</u>	<u>276</u>

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

### 30.4 Directors' Emoluments

Year ended 31 March 2010

	Name	Number of Meetings		Fees as member		Salary	Travel allowance	Performance bonus	Total
		Scheduled	Other	Scheduled	Other				
<b>Board Committee</b>									
Chairperson	Raymond Nkado	8	18	27 682	46 331		75 763		149 776
Deputy chairperson/ Chairperson Risk Com	Cecil Alfred Rose	6	7	17 994	16 869		114 009		148 873
Member	Gavin Strydom	6	1	16 470	2 745		24 876		44 091
Member	Gregory Steele	8	3	21 960	8 235		29 058		59 253
Member	Lungile Mchunu	5	1	-	-		-		-
Member /Audit Com	Lwandile Kona *	8	0	21 960	0		3 179		25 139
Member	Shereen T Bogosing	7	6	21 960	11 666		3 592		37 218
Member	Nazir Alli	4	0	-	-		-		-
Member	Mandla Mabuza	6	1	-	-		-		-
Member/Audit Com/Risk Com	Marten Govender	8	10	21 960	27 450		135 110		184 520
Member/Audit Com	Sisa Ngebulana *	5	0	13 725	-		-		13 725
Member	Nyeleti Makhubele	8	0	-	-		38 300		38 300
Member	Mbuyiselo Noyana	7	0	19 215	-		-		19 215
				182 926	113 296	-	423 887	-	720 110
<b>Remuneration Committee</b>									
Chairperson	Nyeleti Makhubele	2	0	-	-		5 194		5 194
Member	Nazir Alli	1	0	-	-		-		-
Member	Mbuyiselo Noyana	2	0	-	5 490		-		5 490
				-	5 490	-	5 194	-	10 684

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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### 30.4 Directors' Emoluments (Continued)

Year ended 31 March 2010

	Name	Number of Meetings		Fees as member		Salary	Travel allowance	Performance bonus	Total
		Scheduled	Other	Scheduled	Other				
<b>Audit Committee</b>									
Chairperson	Shelley Thomas	4	3	109 592	46 968		11 434		167 994
Member	Victor Nondabula	3	1	89 424	14 904		1 385		105 713
Member	Bryan Chaplog	4	2	104 328	36 329		2 343		143 000
				303 344	98 201	-	15 162	-	416 707

<b>Risk Committee</b>									
Member	Victor Nondabula	3	0	44 712	-		1 406		46 118
				44 712	-	-	1 406	-	46 118

<b>Executives</b>									
Chief Executive Officer	Ronnie Khoza					1 052 006		84 160	1 136 166
Chief Financial Officer	Peter Mongwenyana					850 167		68 013	918 180
Growth & Contractor Development	Gerard Naidoo					846 720		50 803	897 523
Construction Industry Performance	Rodney Milford					936 046		74 884	1 010 930
Procurement & Delivery	Inba Thumbiran					844 000		67 520	911 520
Contractor Registers Service	Ebrahim Moola					850 167		68 013	918 180
						5 379 105		413 394	5 792 499

Totals emoluments 2010

530 982    216 987    5 379 105    445 649    413 394    6 986 118

Comparative 2009

430 744    -    4 699 713    17 795    353 666    5 501 918

\* Sisa Ngebulana resigned in April 2009 as an audit committee member. He was replaced by Lungile Kona in May 2009.

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

## 31 RECONCILIATION OF BUDGET SURPLUS

	2010 R
Net surplus/deficit per statement of financial performance	21 026 368
Adjustment for :	
- Depreciation, amortisation and Impairment	2 486 841
- Provision for bad debts	456 491
- Bad debts written off	138 489
- Amortisation of prepayment	3 063 679
- Loss on disposal of assets	825 609
<b>Over recovery of revenue</b>	<b>(14 533 840)</b>
Revenue per budget	95 582 000
- Transfer and subsidies	59 269 000
- Registers income	34 113 000
- Finance income	2 200 000
Revenue per statement of financial performance	(110 115 840)
- Transfer and subsidies	(59 269 000)
- Registers income	(47 059 809)
- Finance income	(3 733 289)
- Other income	(53 743)
<b>Under utilization of expenditure</b>	<b>(13 463 638)</b>
Expenditure per budget	(95 582 000)
- Administrative expenses	(27 587 068)
- Staff cost	(49 402 131)
- Equipment	(3 070 000)
- Professional services	(15 522 801)
Expenditure per statement of financial performance	82 118 362
- Administrative expenses	23 819 600
- Staff cost	44 285 120
- Equipment	1 265 235
- Professional services	12 748 406
<b>Net surplus/deficit per approved budget</b>	<b>-</b>

# Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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## 32. FINANCIAL RISK MANAGEMENT

The main risks arising from the cidb's financial instruments are market risk, liquidity risk and credit risk.

### Credit risk

The cidb trades only with recognised, creditworthy third parties. It is the cidb's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the cidb's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in Note 2. There is no significant concentration of credit risk within the cidb.

With respect to credit risk 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.

### Exposure to credit risk

The maximum exposure to credit risk at the reporting date from financial assets was:

	2010 R	2009 R
Cash and cash equivalents	62 313 159	35 797 908
Other receivables	1 118 822	3 925 179
<b>Total</b>	<b><u>63 431 981</u></b>	<b><u>39 723 087</u></b>

### Concentration of credit risk

The following table provides information regarding the credit quality of assets which may expose the cidb to credit risk:

	Neither past due nor impaired R	Past due but not impaired – less than 2 months R	Past due but not impaired – more than 2 months R	Carrying value R
<b>2010</b>				
Cash and cash equivalents	62 313 159			62 313 159
Other receivables		118 160	1 000 662	1 118 822
<b>2009</b>				
Cash and cash equivalents	35 797 908			35 797 908
Other receivables		1 198 075	2 727 104	3 925 179



## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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

2010	AAA	Unrated
R		
Cash and cash equivalents	62 313 159	
Other receivables		1 118 822

2009	AAA	Unrated
R		
Cash and cash equivalents	35 797 907	
Other receivables		3 925 179

### Market risk

Market risk is the risk that changes in market prices, such as the interest rate will affect the value of the financial assets of the cidb.

### Interest rate risk

The cidb is exposed to interest rate changes in respect of returns on its investments with financial institutions and interest payable on finance leases contracted with outside parties.

The cidb's exposure to interest risk is managed by investing, on a short term basis, in current accounts and the call accounts.

### Sensitivity Analysis

A change in the market interest rate at the reporting date would have increased/ (decreased) the surplus for the year by the amounts below:

31/3/2010	Change in Investments	Increase/(decrease) in net surplus for the year	
		Upward change R	Downward change R
Cash and cash equivalents	1%	623 132	(623 132)
31/3/2009			
Cash and cash equivalents	1%	357 979	(357 979)

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

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### Liquidity risk

Liquidity risk is the risk that the cidb would not have sufficient funds available to cover future commitments. The cidb regards this risk to be low; taking into consideration the cidb's current funding structures and availability of cash resources.

The following table reflects the cidb's exposure to liquidity risk from financial liabilities:

2010	Carrying amount R	Total cash flow R	Contractual cash flow within 1 year R
Other financial liabilities	39 575 264	39 575 264	39 575 264

2009	Carrying amount R	Total cash flow R	Contractual cash flow within 1 year R
Other financial liabilities	41 752 879	41 752 879	41 752 879

### Financial instruments

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

Financial instrument	Classification	Carrying amount 2010 R	Carrying amount 2009 R
Cash and cash equivalents	Loans and receivables	62 313 159	35 797 907
Receivables	Loans and receivables	1 118 822	3 925 179
Payables	Financial liabilities	39 575 264	41 752 879

## Notes to the Annual Financial Statements (Continued)

For the year ended 31 March 2010

### Net gains and losses on financial instruments

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

2010	Loans and receivables R	Financial liabilities at amortised cost R	Total R
Interest income	3 733 289		3 733 289
Finance charges		(108 803)	(108 803)
<b>Total net gains recognised in the statement of financial performance</b>	<b>3 733 289</b>	<b>(108 803)</b>	<b>3 624 486</b>

2009	Loans and receivables R	Financial liabilities at amortised cost R	Total R
Interest income	2 947 752		2 947 752
Finance charges		(147 186)	(147 186)
<b>Total net gains recognised in the statement of financial performance</b>	<b>2 947 752</b>	<b>(147 186)</b>	<b>2 800 566</b>





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