



ANNUAL REPORT

2020/2021





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ACRONYMS



BBBEE	Broad-based black economic empowerment
cidb	Construction Industry Development Board
DPWI	Department of Public Works and Infrastructure
ERWIC	Empowerment and Recognition of Women in Construction
GRAP	Generally Recognised Accounting Practice
ICT	Information and communication technology
IDMS	Infrastructure Delivery Management System
NCDP	National Contractor Development Programme
NSF	National Stakeholder Forum
PFMA	Public Finance Management Act
RoC	Register of Contractors
RoP	Register of Projects
SARS	South African Revenue Service
SME	Small and medium enterprises
SIU	Special Investigating Unit
TVET	Technical and vocational education and training



Patricia de Lille

MINISTER'S FOREWORD



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As its executive authority,
I had the opportunity to interact with the
Construction Industry Development Board (cidb) on
several occasions during 2020/2021, particularly on
the work of its National Stakeholder Forum (NSF).
I'm pleased at the progress being made in many
areas and with the cordial relationship our two
parties enjoy.

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I'm confident that the cidb will do justice to its pivotal role as regulator and agent of development and transformation not only in the medium-term, but well into the future.



Most encouraging is the cidb's translation of the concerns raised by the NSF into operational plans, such as the overhaul of the Register of Contractors, the core of cidb operations, which was flagged as needing refinement to fulfil its promise. During the year, I made input into the broader action plan of the cidb and am watching developments with interest.

As with all organisations, the cidb had to cope with the pressures exacted by the Covid-19 pandemic, which prevented key programmes from going ahead as rapidly as planned, and unbalanced balance sheets across the economy. The organisation implemented its remote work arrangements without losing momentum or focus on what is important – the development and transformation of the construction industry.

I was able to accelerate progress in that crucial area on 18 September, when I gazetted the cidb Best Practice Fee to generate a new stream of funding. The gazettement also formalised the Standard for Indirect Targeting for Enterprise Development through Construction Works and the Standard for Developing Skills through Infrastructure Contracts.

These standards are part of the Best Practice Project Assessment Scheme, which is now known as the B.U.I.L.D Programme, with the fee now called the B.U.I.L.D Fund. The B.U.I.L.D initiative will raise millions of rands through contributions by clients of a percentage of contracts, which will be channelled into contractor development to revitalise and transform the sector.

B.U.I.L.D is most appropriately named given the recent unrest and criminality experienced in KwaZulu-Natal and Gauteng. The country now needs to build as never before; build what others have seen fit to tear down. I have been heartened by the response of rational citizens to the upheaval, with volunteers stepping into the devastation to clean up the debris and clear a path

for renewal. The country, as it always does, will become stronger and more determined to succeed as a result of the mayhem. And the contractors under the cidb's wing will be part of the regeneration.

I look forward to overseeing the B.U.I.L.D Programme and contributing to its success through the continued gazettement of key standards.

The cidb is now almost fully capacitated and has invested in advanced technology and systems that will greatly enhance service to contractors, clients and the country.

The Department of Public Works and Infrastructure has ambitious plans for the Medium-term Expenditure Framework period and a R25.5 billion budget allocation to fund them, so there is much work to be done by all construction industry stakeholders.

I'm confident that the cidb will do justice to its pivotal role as regulator and agent of development and transformation not only in the medium-term, but well into the future.

As this report was being finalised, we learnt with great sadness that the CEO, Cyril Vuyani Gamede, had succumbed to Covid-19 complications. I and my team send our heartfelt condolences to his family and friends. The organisation was stronger for his contribution and we are confident that everyone at the cidb will continue his good work.

P. de Lille

PATRICIA DE LILLE
Minister of Public Works and Infrastructure



Dr Natalie Skeepers

CHAIRPERSON'S REPORT



“ The last few years have not been altogether kind to the South African construction industry, with a persistently sluggish economy, disruption on construction sites and the ever-present shadow of corruption, but the promise of a 6.1% growth in real terms in 2021 contained in the GlobalData-published report ‘Construction in South Africa – key trends and opportunities to 2025’ is cause for guarded hopefulness, particularly as it follows a contraction of 16.5% in 2020.

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Personally, I thank the Minister for placing her trust in me to lead the Board through a period that none could have foreseen but that all made the best of, attempting at every obstacle to accentuate the positive and mitigate the negative.



The construction sector now accounts for around 3% of gross domestic product (GDP), down from 4%, and its contribution is relatively small compared to sectors such as finance, trade and manufacturing. In 2020, states the cidb Quarterly Monitor, the value added by the construction industry to South Africa's GDP amounted to around R83 billion (real prices), with a year-on-year decrease of 20% or a decline of R21 billion.

The poor showing in 2020 was to be expected, of course, given the war declared by Covid-19 on the country's people and its economy. Construction's output took a massive hit with the lockdown and associated halt in projects. According to Stats SA, the industry's value-add dropped by 21.6% year-on-year in the third quarter of 2020, following a 33.3% decline in the second quarter. Industry employment suffered too, with 259 118 jobs lost at the end of the third quarter, compared to the end of the corresponding period in 2019.

But no matter what the crisis, South Africans always pick up and dust off, perennially optimistic that better days lie ahead. June 2020 brought some good news in the government's announcement of a 10-year R2.3 trillion infrastructure investment spanning housing, energy, agriculture, transport, water and sanitation and digital infrastructure sectors. The initiative, supported by the World Bank, African Development Bank and Development Bank of Southern Africa, should create more than 1.8 million jobs. In October 2020, the President followed that with the launch of the R1.1 trillion Economic Reconstruction and Recovery Plan, whose four priorities include infrastructure investments.

The struggle will continue for quite some time, however, as marginal annual growth of 0.2% is forecast between 2022 and 2025.

Derailed plans, but dogged determination

Covid-19 delivered a beating, resulting in the value of plans passed for construction falling by 36.6% year-on-year in January to November 2020, preceded by annual declines of 11.8% and 1.1% in 2019 and 2018 respectively.

Through these interesting times, as we euphemistically call them, the cidb remains fixed on its vision of a transformed construction industry that is inclusive, ethical and contributes to a prosperous South Africa and the world. Our drive continues to regulate and develop the construction industry through strategic initiatives and partnerships that strive for amplified results and benefits.

We are encouraged that infrastructure development is deemed central to economic recovery, but projects must now move from planning to implementation otherwise they are hopes and intentions rather than bricks and mortar.

As the cidb witnesses daily through interaction with its stakeholders, construction industry participants eagerly await opportunities to contribute to the country's growth, while ensuring the sustainability of their businesses. Much depends on client departments' proactivity in expediting procurement efficiently and awarding contracts promptly. In the past year, the cidb capacitated 106 departments on implementing the Infrastructure Delivery Management System (IDMS).

CHAIRPERSON'S REPORT CONTINUED



The Board's greatest focuses during 2020/2021 were driving development and transformation, and improving the organisation's responsiveness to industry stakeholders so that the optimum regulatory conditions are established and respected to ensure industry professionalism, and superior services and products.

Stakeholder involvement crucial

Our main vehicle here is the National Stakeholder Forum (NSF), a crucial platform for construction industry representatives to connect with the Minister of Public Works and Infrastructure Patricia de Lille and the Board on important issues.

During the year, the Board ensured that NSF matters raised were elevated and progress tracked. Minister de Lille devoted much time to reviewing the meeting outcomes and considering our recommendations to address concerns. A fruitful discussion with the Minister in August produced a finetuned action plan and timelines, which will take us through the next three years.

A new 40-member Forum was appointed in February 2021, which will carry on the work of the previous NSF, whose tenure ended late-2020. Key standing items on the agenda include procurement challenges, ongoing development and transformation and improvement of the cidb Register of Contractors (RoC) criteria.

A significant development during the review year was the gazetting by Minister de Lille of the Best Practice Fee (or the B.U.I.L.D Fund as it is now called as part of the B.U.I.L.D Programme that was previously known as the Best Practice Project Assessment Scheme). This is undoubtedly one of the most significant developments in recent years in the quest for industry development and transformation. Best practice standards will be promoted on public sector projects, with the first

standards rolled out being the Standard for Skills Development through Infrastructure Contracts and the Standard for Indirect Targeting through Construction Works.

As Chairperson of the Board, but more so as a woman in business, I have been most gratified to watch the cidb Empowerment and Recognition of Women in Construction (ERWIC) awards unfold. Initiated in 2019 to encourage women contractors to strive for excellence and the industry to acknowledge their exceptional worth to construction, the first awards ceremony was held in August 2020. Although disappointing that the first staging of this momentous event should be a hybrid of online and in-person ceremonies, it did not detract from the remarkable lives and accomplishments we celebrated that evening, with 12 construction supremos honoured and rewarded for their personal and professional contributions.

Mindset changes and new approaches

The Covid-19 pandemic that took the wind out of the construction industry's sails and saw sites countrywide grind to standstill, and forced the industry, indeed the entire country and the world, to rethink its approaches to business and adopt alternative measures to keep the wheels turning and economies pumping. The cidb responded by setting up virtual platforms to retain as much normality as possible. To the credit of the cidb team, the organisation achieved a commendable 89% of the 2020/2021 targets contained in its annual performance plan, which was adjusted to accommodate the new world order.

Of particular significance during the year was the bedding down of the online registration platform to provide the cidb's core service, namely registering contractors to support client risk management, reduce



the administrative burden of tendering and promote the RoC as a framework for contractor development.

The external audit finding for the review year was unqualified, an indication that the organisation has dealt effectively with the previous year's external findings.

The executive recruitment drive aligned to the organisational restructure continued apace, with three of the five vacancies filled by year-end, and another post filled just after year-end. This brings further stability to the organisation.

In the coming year, the cidb will conduct a concerted push to secure the industry's full commitment to the B.U.I.L.D Programme so that emerging contractors are developed to capitalise on opportunities arising from the government's infrastructure investment plans and so that workplace learning is reinstated to develop relevant skills among aspirant contractors and entrepreneurs.

The rollout of the National Contractor Development Programme is another prominent agenda item, the programme having been revised to reflect new skills needed in construction and strengthened by research into the desired attributes of an industry employee.

Appreciation and applause

On behalf of the Board and all at the cidb, I thank Minister de Lille for the great interest she has shown in our work during the review year, which makes clear her commitment to construction regulation as one of her key constituencies. She was generous with her time and advice and we are better placed to deliver for it.

Personally, I thank the Minister for placing her trust in me to lead the Board through a period that none could have foreseen but that all made the best of, attempting at every obstacle to accentuate the positive and mitigate the negative.

My genuine appreciation goes to my fellow Board members for always having the interests of the organisation at heart, which is also evident in the cidb team, headed by CEO Cyril Gamede. Mr Gamede's untimely passing at the beginning of August was met with shock and sorrow by those at the cidb who had come to know and respect him for his commitment and tireless work to strengthen the organisation, and from his industry peers, many of whom voiced their admiration for this exceptional engineer. This annual report will be a lasting tribute to a man who genuinely had the construction industry's interests at heart.

As we move through 2021/2022, with Covid-19 still very much part of life, we should naturally maintain the precautions that have become second nature, but our real energy and efforts must be directed to regaining the productivity momentum of pre-Covid times.

And that will be more achievable if we are all pulling in the same direction and focus on the same goal – a transformed, professional and prosperous construction industry.

NC Sleepers

DR NATALIE SKEEPERS
Chairperson

BOARD MEMBERS



Dr Natalie Skeepers

Board Chairperson



Mboniseni Dlamini

Board Deputy Chairperson



Bongekile Zulu

Board Member



Danny Masimene

Board Member



Eric Manchidi

Board Member



Kennedy Maimela

Board Member



Lufuno Nevhutalu

Board Member



Malebo Matolong

Board Member



Mpendulo Ndlazi

Board Member



Thuthuka Songelwa

Board Member



Denzel Maduray

Board Member



Sipho Mosai

Board Member



Bongani Dladla

ACTING CHIEF EXECUTIVE OFFICER'S REPORT

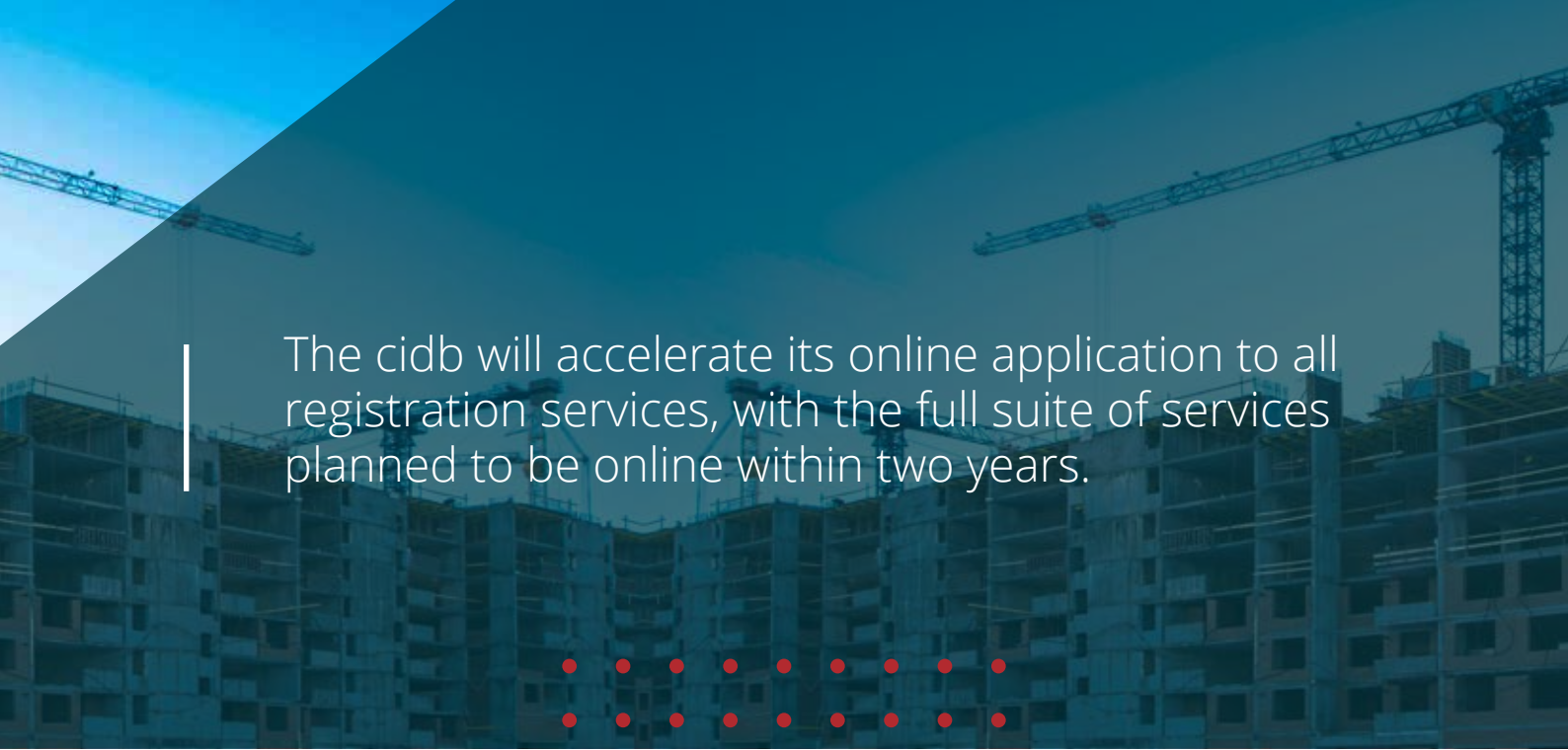
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The review financial year, 2020/2021,
was one of firsts.

It was the first year of the National Skills Development Plan for the skills development fraternity, which breathed a decade of new life into the Sector Education and Training Authorities to allow them to carry on the sterling work of the last 20 years. Although the cidb doesn't have a direct mandate for skills development, it has a vested interest and involves itself in several training and capacitation initiatives for the good of the sector.

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The cidb will accelerate its online application to all registration services, with the full suite of services planned to be online within two years.



It was also the first year of the new five-year strategy for the cidb, with its focus on transformation, contractor development, performance-driven clients, ethics and becoming a high-performance organisation. This plan, spanning 2020 to 2025, aligns our work closely with the Presidential Infrastructure Development Plan priorities and National Development Programme goals.

It was also the first year in decades that the world experienced such a profound shift in its status quo by a force it could not comprehend nor immediately control. The wrath of Covid-19 reminded us that nothing is certain, but that we should be prepared to accept the surprises of the universe, which delivers its own mandate, even if we do not understand it. The duty of leaders is to realign their organisations with the new reality and expectations.

Dealing with adversity

There is no good time for a pandemic, but Covid-19 exacerbated South Africa's already grim economic conditions. It is, however, encouraging that the number of active cases fell from about 240 000 in January 2021 to only 20 000 by end-March 2021.

The cidb has honed its focus and bolstered its capacity and organisational structure over the past couple of years. This provided a sound base from which to launch its action plan. Management optimised the use of technology from the onset of the lockdown to keep the wheels turning. Many systems relied on manual operations before the lockdown. There was also a huge registration backlog at the time. The new information technology (IT) system experienced many teething problems, with measures subsequently put in place to address the backlog and IT challenges, and

automate certain operational areas. It was not easy in the beginning and the reality was reflected in the first quarter performance, with only 56% of targets met, but the team coped exceptionally well over time, rallying as the year progressed to record a remarkable 89% against targets for the year.

The cidb was one of the first public entities to resume operations after the lockdown and it did so without compromising the health and safety of employees and clients.

Financial fallout and claw back

The cidb collected more than 90% of fees against budget, despite Covid-19 doing its worst, threatening to obliterate our projected revenue. The commitment and effort of our staff enabled us to maintain a stable financial position at the end. We received a grant of R72 million (2019/2020: R76 million), R102 million (2019/2020: R95 million) in registration revenue and R8 million in other income, for a total of R183 million (2019/2020: R190 million).

The construction industry did not fare as well financially, with sustained underspending of capital budgets adding insult to the construction economy slowdown. By the end of the 2019/2020 municipal financial year, underspending was around R28 billion, with metros contributing R17 billion. During that year, 243 of the 257 municipalities spent less than 40% of their budgets. Covid disruptions during the review year only aggravated the situation.

State-owned companies and public entities account for 44% of public infrastructure spend. According to National Treasury, by the end of 2019/2020, state-owned companies had spent only 50% of their budget.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED



The cidb resumed its well-established client capacitation sessions in September 2020, hosting 41 sessions across nine provinces to assist clients from municipalities, state entities and non-governmental organisations to adopt effective tender issuing and award processes, and expedite procurement to get projects off the drawing board onto site.

A year of progress and reward

It is an honour to lead the cidb in an acting capacity at this time, when the organisation is almost fully capacitated for the roles aligned to its organisational redesign, and preparing to enter a new phase in one of its core mandates, development, with the gazetting by Minister de Lille of the B.U.I.L.D Fund and the boost given to best practices through its accompanying B.U.I.L.D Programme.

The B.U.I.L.D Fund will create a sizeable arsenal for development of contractors from contributions collected from higher-value construction projects. The Minister has emphasised the inclusion of the Strategic Integrated Projects in the B.U.I.L.D Programme.

This programme will also make cidb a key contributor in the implementation of the government's National Infrastructure Plan 2045, whose initiatives will be subject to cidb best practice standards in construction procurement with performance and developmental outcomes.

Our client capacitation 'roadshow' will be instrumental in creating a conducive environment for fast tracking of projects central to the Presidential Economic Reconstruction and Recovery Plan.

Our online offering also received attention during the review year, it was refined and expanded to speed up registration. We achieved stability in Grade 1 online registration and our focus now shifts to expanding the convenience of electronic registration, renewal and document update for grades 2 to 9 contractors. A key

enabler is National Treasury's Central Supplier Database (CSD), which eliminates duplication of documents across public sector departments.

The online registration process also reduces the administrative burden on contractors and the administrative overhead on the cidb in document handling. Fraud risk is reduced as there is less human intervention in the registration process.

The cidb has heeded the call for enhanced provincial services, with assessment now taking place at provincial offices, making registration more accessible nationwide. Provincial staff will be freed up to deliver much-needed advisory services to stakeholders as more services migrate online.

The ERWIC awards were a highlight of the year and set the tone for future events, as mentioned by the Chairperson.

Through the ERWIC awards, women contractors have a platform to create networks and partnerships and to take up opportunities for development. We are already seeing the fruits of this process as some of the winners have formed themselves into groups and jointly explore opportunities to grow their companies. This will assist their companies to grow and take smaller enterprises along with them.

Interest in the upcoming 2021 ERWIC awards is high, and we expect another year of enquiries and entries exceeding our expectations.

The NSF focused on construction industry procurement challenges, contractor development and improvement of RoC criteria. It held five engagements, including one with Minister de Lille, which set the agenda for the incoming NSF, constituted in February 2021, to carry on this important work.

The RoC and Register of Projects (RoP) remain the primary vehicles for the cidb to satisfy its mandate, enabling it to track transformation and monitor industry performance. These structures are our windows to the



world of construction, revealing and tracking trends, some pleasing, some not so pleasing. Currently, while black, women and youth ownership has increased, it is only in the lower grades, and decreasing in the higher grades. Fewer than 35% of cidb-registered enterprises in grades 7 to 9 are black owned and women own only 24% of these enterprises.

Into 2021/2022 and beyond

The cidb will accelerate its online application to all registration services, with the full suite of services planned to be online within two years.

Harnessing technology is crucial to the cidb's bid for high performance. This extends to finance and supply chain management.

The cidb is also gearing itself for the first year of B.U.I.L.D. Programme implementation, developing processes across business units to support the initiative, including a rewrite of the RoP system.

The cidb team is taking shape rapidly, with only one executive post vacant and due to be filled early in the new financial year.

Staff skills audits have been completed, opening the way for more focused investment in training and development. Employees have also undergone competence assessments to identify suitable bursary candidates (the organisation has produced 14 graduates since 2014, four of whom are postgraduates).

Technical training needs have been identified in data analysis, risk assessment, process analysis, construction contracts, infrastructure procurement legislation, infrastructure delivery management systems, construction economics, cloud systems and business analysis, and training will be rolled out during 2021/2022.

The team looks forward to moving to a new head office in the second quarter of the new financial year, which will bring further stability and enable the organisation to

enhance its services to stakeholders. Importantly, it will eliminate rental costs and minimise unplanned business disruptions due to erratic electricity supply.

Appreciation

I am greatly saddened by the untimely death of the late CEO Cyril Gamede in August 2021, barely two years into his appointment. This report stands in tribute to the impact he made in just 17 months at the helm. This review period's achievements will endure as his last and lasting legacy.

I thank the Department of Public Works and Infrastructure for its continued support and the Board for providing ongoing and incisive strategic direction.

I sincerely appreciate the efforts of cidb management and staff in adapting to the Covid-battered reality that emerged in the 2020/2021 financial year.

South Africa is also better prepared and undoubtedly more determined to manage Covid-19 risks in all spheres of our society. There is always a silver lining in every cloud, and the Covid-19 experience has forced many organisations to innovate better systems to improve the delivery of services to their customers. The organisations that will survive this period will be more resilient and adaptable to their customer requirements in future.

We look forward to working with all our stakeholders as we B.U.I.L.D a better construction industry and South Africa during the 2021/2022 financial year.

BONGANI DLADLA

Acting Chief Executive Officer



STRATEGIC OVERVIEW

Vision

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

The vision reflects the importance of the cidb as a catalyst for economic growth and job creation in South Africa. The emphasis is to build an industry that is inclusive and reputable, where all participants equally drive the construction industry.

Mission

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

The mission statement emphasises the importance of a new set of strategic interventions that will support the cidb vision. The cidb needs to work with all industry partners to achieve these strategic interventions linked to its legislative mandate, functions and responsibilities.

Values

Core values must support the vision and mission through intrinsic behaviour change within the organisation to support Batho Pele principles. The following values are a credo that needs to be supported with each action, word and deed.

- **Responsive** – interrogate processes to be responsive to industry needs and our mandate
- **Efficient** – focus on the new direction and become efficient in what we do
- **Effective** – focus on the new direction and become effective in what we do
- **Innovative** – be creative in our doing and thinking; we cannot do business as usual
- **Ethical** – stand out as a reputable regulator in which all stakeholders have trust
- **Accessible** – take care of our clients, stakeholders and customers and adjust to their needs
- **Agile** – live in an environment that demonstrates change. Therefore, we need to move quickly to achieve our approaches – with agility

Legislation and mandate

The cidb is a statutory body established under the Executive Authority of the Department of Public Works and Infrastructure (DPWI) and enabled by the Construction Industry Development Board Act 38 of 2000 (CIDB Act), from which it derives its mandate.

The objects of the Act contextualise the mandate of the cidb and can be summarised as follows:

- a) Provide strategic leadership to construction industry stakeholders, developing effective partnerships for growth, reform and improvement of the construction sector.
- b) Promote the sustainable growth of the construction industry and the participation of the emerging sector in the industry.
- c) Determine, establish and promote improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process.
- d) Promote the uniform application of policy throughout all spheres of government and promote uniform and ethical standards, construction procurement reform, and improved procurement and delivery management – including a code of conduct.
- e) Develop systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the registration of projects and contractors.

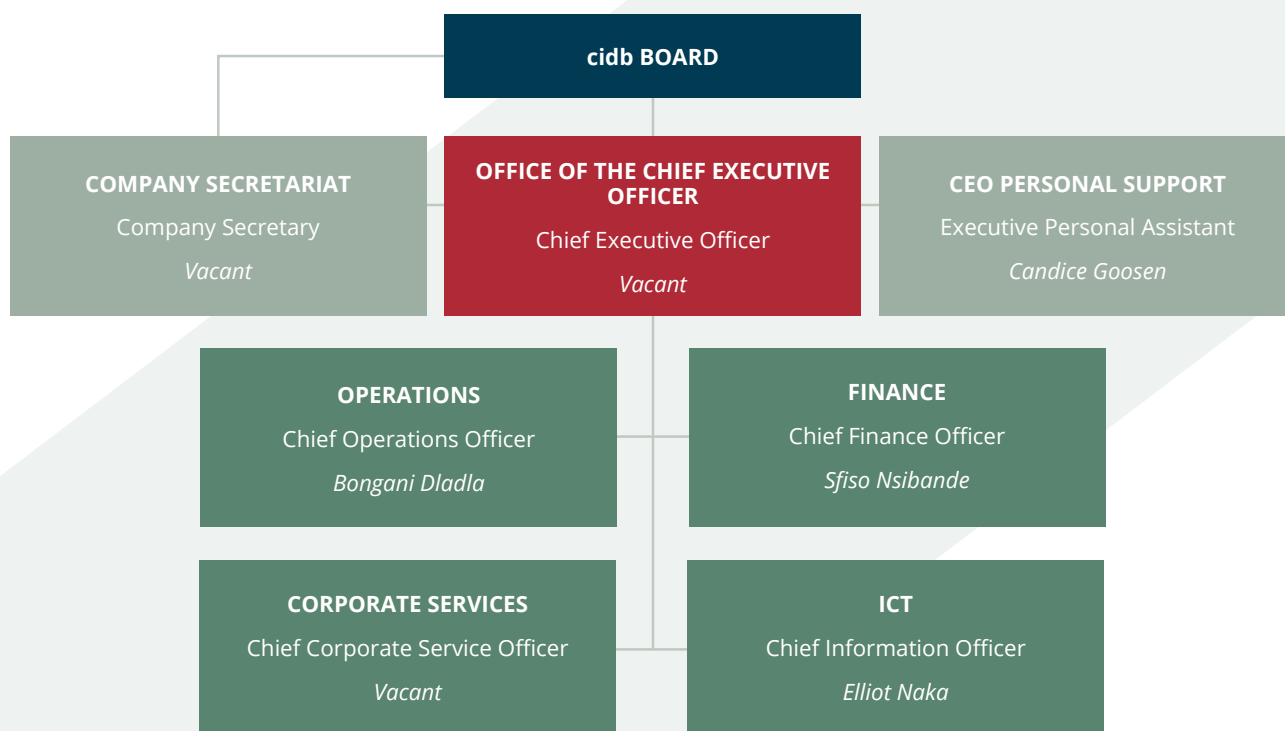
The CIDB Act forms the basis of the cidb strategy and impact statements under the current planning framework.

Other key legislation includes:

- i. Public Finance Management Act, Act No 1 of 1999 (PFMA)
- ii. Broad-based Black Economic Empowerment Act, Act No 53 of 2003 (BBBEE Act)
- iii. Municipal Finance Management Act, Act No 56 of 2003 (MFMA)
- iv. Preferential Procurement Policy Framework Act, Act No 5 of 2000 (PPPFA)
- v. Council for the Built Environment Act, Act No 38 of 2000
- vi. State Land Disposal Act, Act No 48 of 1961
- vii. Expropriation Act, Act No 63 of 1975
- viii. Land Affairs Act, Act No 101 of 1987

- ix. National Environmental Management Act, Act No 107 of 1998
- x. Occupational Health and Safety Act, Act No 181 of 1993
- xi. National Regulations and Building Standards Act, Act No 103 of 1977
- xii. Infrastructure Development Act, Act No 23 of 2014
- xiii. Water Service Act, Act No 108 of 1997
- xiv. Skills Development Act, Act No 1997 of 1998
- xv. Property Sector Transformation Charter 2007 (Charter 2007)
- xvi. Green Building Framework, 2001
- xvii. Public Audit Act, Act No 25 of 2004 (PAA)
- xviii. Labour Relations Act, Act No 66 of 1995
- xix. Employment Equity Act, Act No 55 of 1998
- xx. Basic Conditions of Employment Act, Act No 75 of 1997
- xxi. Protection of Personal Information Act, Act No 4 of 2013

Organisational structure







CONSTRUCTION INDUSTRY REGULATION

The CIDB Act 38 of 2000 mandates regulation of the construction industry through:

- Register of Contractors;
- Register of Projects; and
- Code of conduct for all parties involved in construction procurement.

Construction Industry Development Regulations of 2004, as amended, give effect to the above cidb prescripts and the role of the cidb is to operationalise and enforce them.

Register of Contractors

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

By end-March 2021, the cidb had processed 78 624 applications on the RoC, including 20 573 through the online registration service.

About 63% of these registrations are at Grade 1, indicating the attractiveness of the industry to potential entrepreneurs, many of whom, however, do not have the required skills or experience.

Type of applications	Number of applications
Grade 1	49 540
Grades 2 to 9	11 426
Annual update	7 269
Tax clearance certificate update	3 398
Confirmation of particulars	6 190
Three-year renewal moratorium	801
Total	78 624

Planned amendments to the RoC

During the review period, the cidb proposed regulatory changes to the RoC and consulted extensively with stakeholders. The proposed changes include the review of registration criteria. The proposed revisions will better align the RoC with developments in the construction

industry, particularly with the state of development of the emerging sector.

The proposed changes cover:

- Registration criteria: financial capability and performance.
- Grade 1 entry requirement.
- Registration of subcontractors.
- BBBEE scorecard.
- Downraiding (higher-grade contractors tendering for work at lower grades, disadvantaging smaller contractors that cannot bid for work at higher levels than their grading indicates).
- Registration fees adjustment.
- Joint ventures.

On 8 March 2021, representatives from 22 contractor association bodies were consulted and expressed their support for the proposed amendments. Additional consultations took place on 18 March 2021 with representatives of 34 client bodies, who recommended that the cidb consult National Treasury on downraiding. The Competition Commission supports the proposed amendments.

Legal opinion is being sought on downraiding, and Competition Commission and National Treasury consultation is set to start early in 2021/2022.

Improving the process of registration on the RoC

The 2020/2021 year coincided with emergency steps to contain the spread of the Covid-19 pandemic. Registration turnaround time in the first quarter declined, with 5 551 grades 1 to 9 applications activated, 4 582 of which were processed within 21 working days. Measured against annual performance plan (APP) targets, performance improved in the remaining quarters, culminating in a 96% achievement for the year, a marked improvement over the 87% of 2019/2020.

This achievement can be attributed to improved business processes, greater focus on staff training, and monitoring and evaluation of staff performance. The following were effected:

- Online processing of Grade 1 registrations, which has improved registration turnaround time.
- Email service for three-year renewal applications.
- Review of the function of the Assessment Committee to improve registration turnaround time.

- Online system for updating of contractors' details and annual renewal for grades 2 to 9 applications.

Work also started during the year on the customer relationship management system, including:

- Development of an automated registration service for grades 2 to 9, which will integrate RoP and RoC on track record information.
- Improvement in call management and query resolution.

Advisory on registration

Emerging contractors need help to complete their applications, submit the right documentation and calculate fees due.

The cidb capacitated contractors during the review year to understand the registration process better. Capacitation was provided at workshops and through emails. Development support will be further expanded during 2021/2022 to include an online portal, through which contractors will be able to seek registration advice, lodge complaints and rate their service experience.

Investigating breaches of the cidb Code of Conduct and regulations

Investigating suspected cases of non-compliance to regulations governing the RoC is a measure by which the cidb upholds its prescripts. Where investigation provides sufficient grounds for action, the affected party undergoes a disciplinary process in terms of the CID Regulations and the cidb Code of Conduct.

Infringements are identified during registration on the RoC, phoned in anonymously to the fraud hotline or through assessments conducted in line with the cidb compliance strategy. Once it has been established that the cidb has jurisdiction and that the complaint is valid, a formal investigation is instituted.

During the review year, 161 cases of alleged non-compliance with the cidb Code of Conduct and regulations were investigated.

Most cases involved the following transgressions enacted when contractors were registering on the RoC:

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

Breakdown of investigations of code of conduct breaches

Number of cases carried over from previous year	Number of new cases	Total number of cases	Number of cases finalised and closed	Number of cases pending
67	94	161	81	80

Breakdown of investigations that led to formal inquiries

Total number of formal inquiries	Number of formal inquiries held	Number of formal inquiries postponed	Number found guilty	Number found not guilty	Number published on website and in Government Gazette
1	1	-	1	-	-

Origins of cases investigated

Referral type	Number of cases for investigation	Number of cases finalised by the cidb	Pending cases
Case management	43	20	23
Internally reported cases	2	2	-
Hotline cases	44	26	18

Special Investigating Unit (SIU) cases

The SIU refers certain cases to the cidb for further investigation in terms of a longstanding presidential proclamation aimed at halting repeated incidents of fraud and corruption that threatened the integrity of the RoC.

Proclamation number	Number of cases referred	Number of cases finalised by the cidb	Number of cases referred back to SIU	Number of cases pending court	Number of cases pending inquiry
R19 of 2016	41	32	3	-	5
R43 of 2010	25	1	-	-	-
R11 of 2018	6	-	-	6	-

Register of Projects

The RoP monitors infrastructure projects nationally, including government and private sector projects. It keeps track of public sector infrastructure projects from tender advertisement and award through to project completion or termination. Currently, public sector projects are its main focus.

Section 18(1A) of the CID Regulations mandates registration of every project consisting of a single construction works contract.

For the public sector, these are projects valued at more than R200 000. For the private sector and public entities, they are projects listed in Schedule 2 of the Public Finance Management Act, 1 of 1999, which exceed R10 million in value.

Breakdown of awarded tenders registered on the RoP

Client type	Number of awards registered
District municipality	88
Local municipality	476
Metropolitan municipality	230
Municipal entity	23
National department	84
Other	21
Private sector	-
Provincial department	696
State-owned enterprise	709
Total	2 327

Breakdown of advertised tenders

Client type	Number of tenders advertised
District municipality	232
Local municipality	1 377
Metropolitan municipality	231
Municipal entity	51
National department	249
Other	142
Private sector	1
Provincial department	591
State-owned enterprise	1 725
Total	4 599

Although the cidb offers ongoing capacitation to clients faced with a high turnover of supply chain management personnel who need skills and knowledge to perform their duties, RoP compliance remains low. Through its mechanisms to monitor and record infrastructure projects, the cidb identified 2 067 active projects during the 2020/2021 year. Of these, only 23 were registered on the RoP.

To remedy the situation, the cidb has introduced measures to:

- Detect and prevent non-compliance.
- Monitor and evaluate non-compliance practices and causes.
- Enforce compliance.
- Encourage accountability.



INDUSTRY DEVELOPMENT

B.U.I.L.D Programme

The cidb Best Practice Project Assessment Scheme has been renamed the B.U.I.L.D Programme. It sets out to do as its name suggests – build construction sector professionalism and productivity by building up contractors through training and capacitation. This it does by channelling a percentage of the value of each construction contract into development.

The B.U.I.L.D Programme gives the construction industry the power to take collective responsibility and pride in building an industry geared for growth, sustainability and professionalism, thus enhancing its economical and societal contribution.

In addition, it will:

- Optimise total government spend and efficiency to increase the volume of work available to contractors;
- Increase participation of black-owned businesses in the sector;
- Enhance the development and sustainability of the black sector and
- Ensure quality of delivery of construction works.

When calling for tenders on projects from R60 million, clients must specify the requirements for contractors and built environment consulting agencies. These entities will then be able to build the cost of complying with the standards into their tender prices.

Project owners (infrastructure clients) will allocate between 0.2% of the value of their tender (to a maximum of R2 million) to the cidb to develop and professionalise the industry for the benefit of all role-players. This funding will be allocated from the B.U.I.L.D Fund (previously known as the Best Practice Fee), which was formalised by Minister Patricia de Lille on 18 September 2020. Simultaneously, the Minister gazetted the first two of 14 standards that will constitute the programme, thus making B.U.I.L.D a legal requirement for construction project owners.

The standards will benefit technical and vocational education and training (TVET) college students, graduates seeking professional candidacy and contractors in cidb grades 1 to 6 by creating workplace learning opportunities for them, and provide development support for emerging enterprises.

The contractor development standard, the cidb Standard for Indirect Targeting for Enterprise Development through Construction Works, accommodates the development of emerging contractors on public sector projects through subcontracting and joint ventures.

It promises to realise:

- R7 billion worth of contracts a year for developing enterprises and
- Development support for 500 contractors a year.

B.U.I.L.D Programme implementation is phased, with national government departments and public enterprises coming on board on 1 April 2021, private sector clients on 18 September 2021 and provincial governments at the start of the 2022/2023 year. All contracts from grades 7 to 9 are subject to the B.U.I.L.D Programme.

Partnership for development with Ingquza Hills Local Municipality

During the review year, the cidb continued its partnership with Ingquza Hills Local Municipality to support contractor development on its Small Town Revitalisation Project with the Office of the Premier Eastern Cape. The Ingquza Hills Local Municipality provided work packages for youth- and women-owned contractors working under the supervision of a main contractor. The cidb conducted entry assessments of 10 learner contractors to determine their training and mentoring needs and provided training in business and works management to those individuals.

Skills for growth

In line with the CIDB Act, the cidb must promote best practices among all stakeholders in the sector value chain to unlock higher performance and productivity. Skills development is the development of skills of the construction workforce. Although the cidb has no direct mandate for skills development, the extent of South Africa's skills and unemployment crisis makes it a moral responsibility. Additionally, skills improve the performance capabilities of contractors, thus contributing to the development of the sector.

The cidb B.U.I.L.D Programme brought into law by the Minister on 18 September 2020 has a strong skills development component. Its Standard for Developing Skills through Infrastructure Contracts provides for workplace training of TVET student and graduate interns seeking professional candidacy and for upskilling of company employees in programmes leading to national accreditation. It should realise R380 million a year for skills development.

The standard will provide 6 000 learning opportunities annually for further education and training students and artisans and 1 500 learning opportunities for other candidates. This will equate to about 10% of the labour force on construction sites and result in onsite offices receiving structured workplace skills training annually.

To develop much-needed artisan skills, the cidb continued its involvement in WorldSkills, a global initiative to promote excellence in trades and vocational skills. The organisation supported the bricklaying component of the South African chapter of WorldSkills for the fifth successive year, providing assistance and facilitating mentorship through the local and provincial heats. The package included developing all test projects and supplying tools, materials and equipment. The cidb also hosted bricklaying committee meetings and provided specialised training for provincial bricklaying experts as part of capacity development in preparation for the national competition towards the end of 2021.

Business advisory services

During the review year, the cidb, in partnership with enterprise development agencies, and development and finance institutions, provided development and advisory support services to more than 250 contractors to improve their understanding of business and construction management. This included advice on tax compliance and compliance with legislation, including cidb prescripts.

Research and development

The Research and Development Directorate set up as part of the cidb's organisational redesign started operating as a standalone business unit from April 2020. Under its wing is a research centre of excellence newly established at the Department of Construction Management and Quantity Surveying of the University of Johannesburg.

This centre undertakes with the cidb research on pertinent industry issues, while developing high-level academic skills at master's and doctoral levels. During the review year, the centre:

- Enrolled 12 postgraduate students;
- Employed three postdoctoral fellows to support doctoral candidates;
- Completed two cidb-commissioned research reports; and
- Published two books and several papers in peer-reviewed journals.

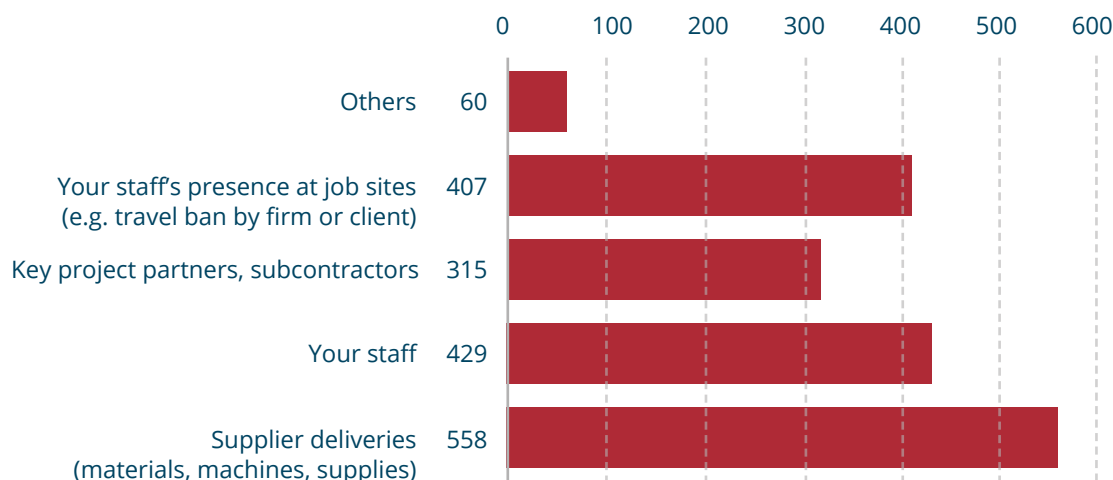
In December 2020, the cidb and the centre of excellence published 'The impact of the Covid-19 pandemic on the construction industry', which assessed the response of construction companies to the Covid-19 hard lockdown and the challenges they faced. It also documented measures that could hasten the recovery of construction post-lockdown.

Medium-term impacts of the pandemic

	Grades 2 to 4		Grades 5 and 6		Grades 7 and 8		Grade 9		Overall	
MEDIUM-TERM IMPACT	RANKING		RANKING		RANKING		RANKING		RANKING	
The potential bankruptcy of contractors		1		1		4		2		1
A decline in the economy		2		1		1		10		2
Decline in firms' profits		2		7		2		5		3
Loss of income/revenue for organisations		4		4		7		1		4
Organisations' inability to pay staff		4		3		11		2		4
Job losses		6		4		9		2		6
Clients' inability to finance projects		7		6		8		10		7
Economic uncertainty		9		11		5		9		8
Business uncertainty		9		9		12		6		9
Reduction in workforce		8		10		13		10		9
A decline in investment by the private sector due to low investor confidence		11		11		3		16		11

Briefly, the contractors experienced severe disruptions to the supply of materials and equipment. This is very significant as the construction industry is a very hands-on industry and inability to meet in person affects

productivity, even where minimal work was allowed for social services. This then led to most contractors fearing loss of employment due to low productivity and non-payment from clients.



To mitigate the impact of the pandemic, the participants suggested:

- Fast tracking of payments to contractors;
- Reimbursement of outstanding invoices from stalled projects;
- Increase in government spending on infrastructure delivery; and
- Fast tracking tender approvals post-lockdown.

After consultation with stakeholders, the cidb plans a follow-up study on the lockdown-induced economic losses of construction companies and the responsiveness of construction contracts to unexpected occurrences such as a pandemic.

The second research document, '4IR-related construction research in South Africa', was compiled during the review year for publication in 2021/2022. It is a database of 4IR research that seeks to stimulate the integration of 4IR technologies in the industry, support the development of international partnerships and create interest in and demand for 4IR university programmes.

Export awareness and opportunity

During the review year, the cidb took a combined physical and virtual approach in its strategy to assist black-, women- and youth-owned contractors in grades 5 to 9 to capitalise on construction opportunities across Africa, thus supporting regional trade and construction services export.

Two export trade missions were conducted in March 2021 – a visit to eSwatini and a virtual mission to Lesotho. The initiatives enabled participants to gain information on the business environment and opportunities of the two kingdoms and to lay the foundations for sustainable long-term cooperation among contractors of the three countries.

During the eSwatini visit, participants visited the R400 million Manzini interchange project and the Manzini highway project. Liaison will continue through quarterly meetings and a follow-up visit in 2021/2022.

During the virtual Lesotho trip, delegates were given a presentation on the Lesotho Highlands Water Project, outlining opportunities for South African contractors on the second phase of the project, particularly the Polihali Dam and the Polihali to Katse transfer tunnel. A physical tour is mooted taking in Mphahlele, Katse and Polihali dams and Polihali to Muela hydropower station.



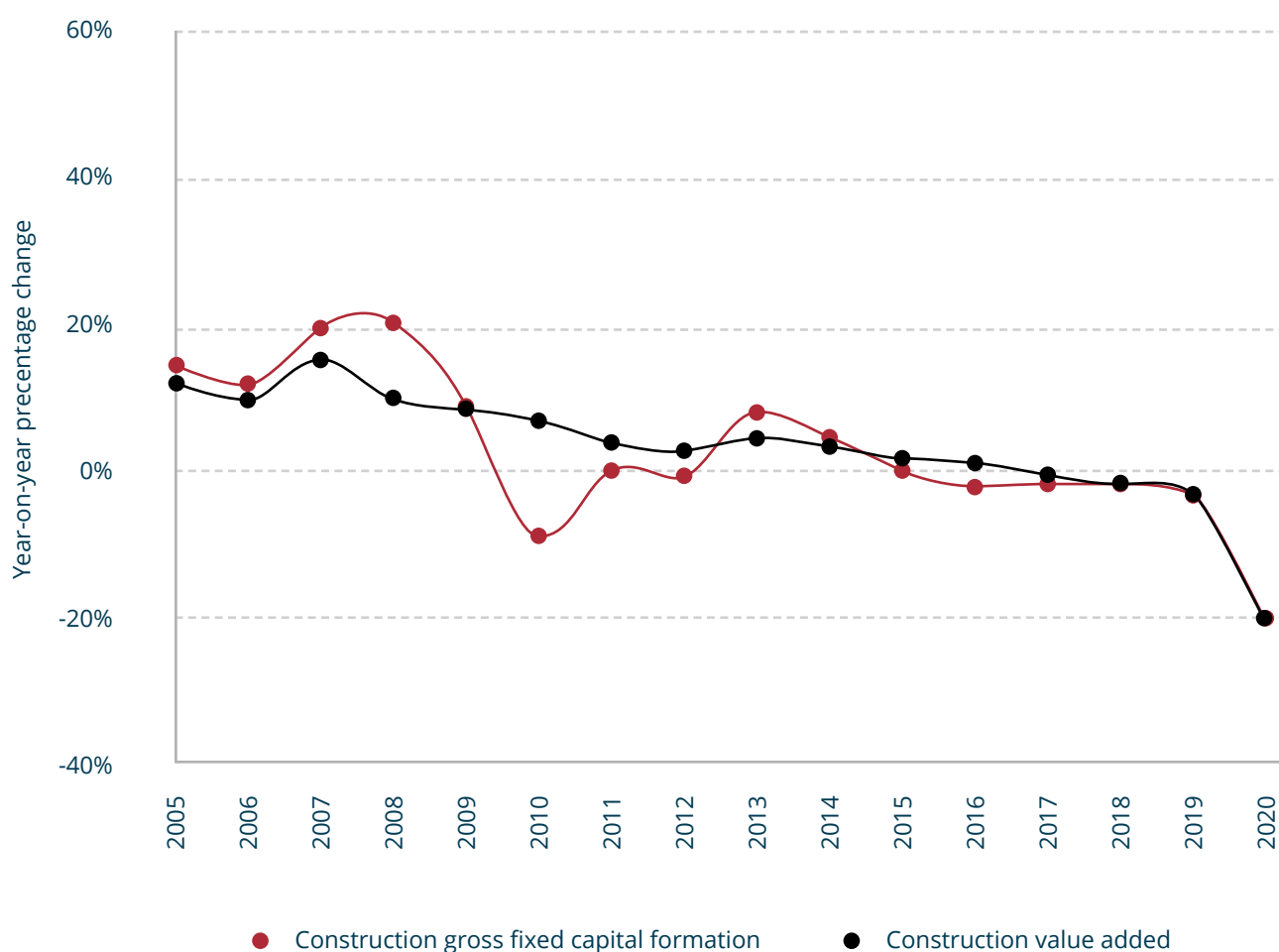
MONITORING INDUSTRY PERFORMANCE

Business conditions

The construction sector accounts for around 3% of GDP, down from 4%. Its contribution is relatively small compared to other sectors of the economy such as finance, government, trade and manufacturing. In 2020, the value added by the construction industry in South Africa's GDP amounted to around R83 billion (real prices), with a year-on-year decrease of 20% or a decline of R21 billion. Construction output/value added is a function of the level of investment in the sector. Construction output has been falling in line with residential and non-residential building and civil works investment.

This can also be seen from the analysis below – the highest growth in construction output was around 16% in 2007 and the highest decline was 20% in 2020. This massive decline in construction value add was due to the Covid-19-related lockdown, as there was no construction activity for more than a month during the level 5 lockdown. With the move to level 4, only civil engineering projects could continue. Many projects were halted until restrictions were eased around June 2020.

Analysis of public sector capital and infrastructure spend



Municipal capital spending

The slowdown in the construction economy is exacerbated by underspending of capital budgets. By the end of the 2019/2020 municipal financial year, municipal underspending stood at around R28 billion, around R17 billion contributed by metros. In 2019/2020, 243 out of 257 municipalities spent less than 40% of their budgets. The disruptions caused by the lockdown restrictions contributed to this.

Performance of municipal capital spending

Indicator	2017/2018	2018/2019	2019/2020
Budgeted capital expenditure (Rm)	71 381	73 563	68 808
Actual capital expenditure (Rm)	58 756	54 887	41 245
Actual capital expenditure as a % of budgeted capital expenditure	82%	75%	60%
Number of metros, municipalities and district municipalities	257	257	257
Those spending below budget			
Less than 100%	226	222	251
Less than 80%	167	158	249
Less than 60%	74	71	248
Less than 40%	30	30	243
Those spending over budget			
Greater than 100%	29	33	5
Greater than 150%	5	11	5
Greater than 200%	5	7	5
Greater than 300%	5	3	5
Those spending against budget			
Less than 40%	30	30	243
Between 40% and 60%	51	41	5
Between 60% and 80%	94	87	1
Between 80% and 100%	53	64	2
Between 100% and 150%	24	24	-
Between 150% and 200%	-	4	-
Between 200% and above	5	7	5

State-Owned Companies Spend

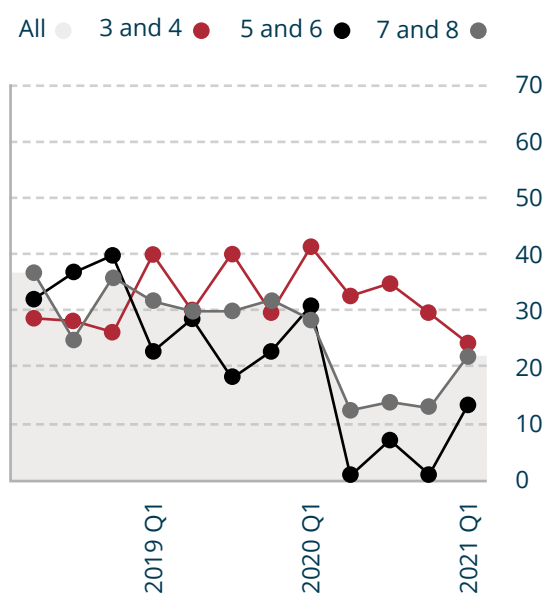
State-owned companies and public entities account for 44% of public infrastructure budget, as reflected in the table on the next page. Underspending by state-owned companies increased substantially in the 2019/2020 financial year. According to National Treasury, at the end of 2019/2020, state-owned companies had spent only 50% of their budget.

	R million		R million		Contribution (%)	
	2018/2019 Budget	2019/2020 Budget	2018/2019 Expenditure	2019/2020 Expenditure	% spent in 2018/2019	% spent in 2019/2020
National departments	15 924	15 337	13 416	13 836	84%	90%
Provincial departments	61 721	60 833	60 623	61 020	98%	100%
Municipalities	65 863	61 723	48 548	37 992	74%	62%
Public entities	20 574	18 714	22 565	16 121	110%	86%
Public private partnerships	5 912	5 641	4 929	5 637	83%	100%
State-owned companies	93 297	97 134	64 708	48 437	69%	50%
Total	263 291	259 382	211 859	183 042	80%	71%

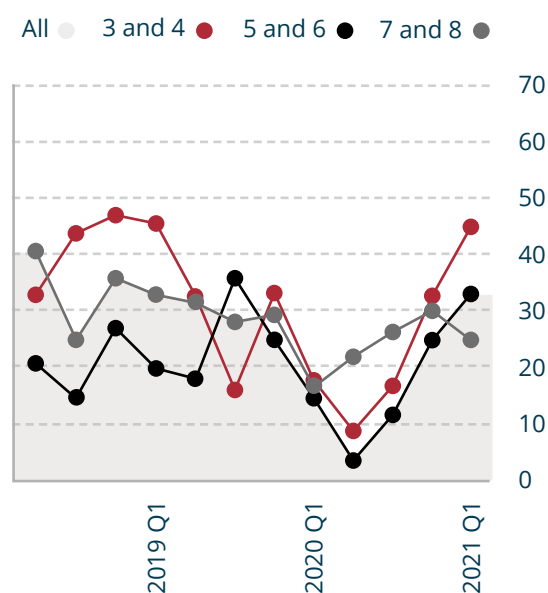
Perceptions of business conditions

Perceptions of business confidence for grades 3 to 8 cidb-registered contractors are depicted below.

General building



Civil engineering



General building

General building confidence rose to 20 in 2021Q1, from 13 in 2020Q4. This means 80% of respondents are dissatisfied with prevailing business conditions.

Among the grades, the biggest change was in grades 7 and 8, where confidence gained 13 points. This was followed by a nine-point increase in confidence among general building contractors in grades 5 and 6. Confidence for grades 3 and 4 fell by six points to an all-time low of 24. These changes broadly reflect underlying activity.

Provincially, the most noteworthy change was a 20-point rise in general business confidence in KwaZulu-Natal, which offset the four-point decline in Gauteng. Confidence in the Western Cape and Eastern Cape was unchanged, at depressingly low levels.

Civil engineering

In 2020Q4, civil engineering business confidence rose to 29, followed by a further rise to 33 in 2021Q1, the best level since 2018. Supporting confidence was an improvement in activity.

The confidence of civil engineering in grades 3 and 4 saw the biggest rise, 12 points, to 45. Also higher was the confidence of grades 7 and 8. In contrast, grades 5 and 6 recorded a five-point drop in confidence.

Civil engineering in KwaZulu-Natal registered a 32-point rise in confidence (to 44), which offset lower confidence in the other regions.

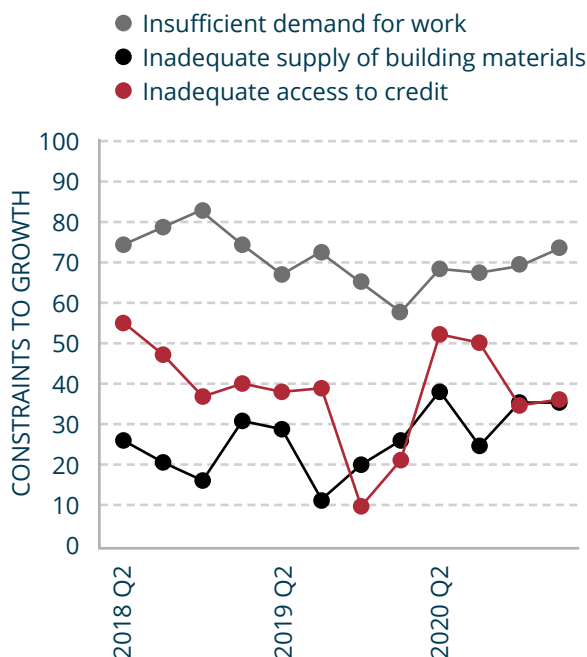
Below is an assessment of the constraints to growth in business experienced by grades 3 to 8 cidb-registered contractors.

Constraints to business growth (net balance) are given below for general building and civil engineering for grades 3 and 4, 5 and 6, and 7 and 8.

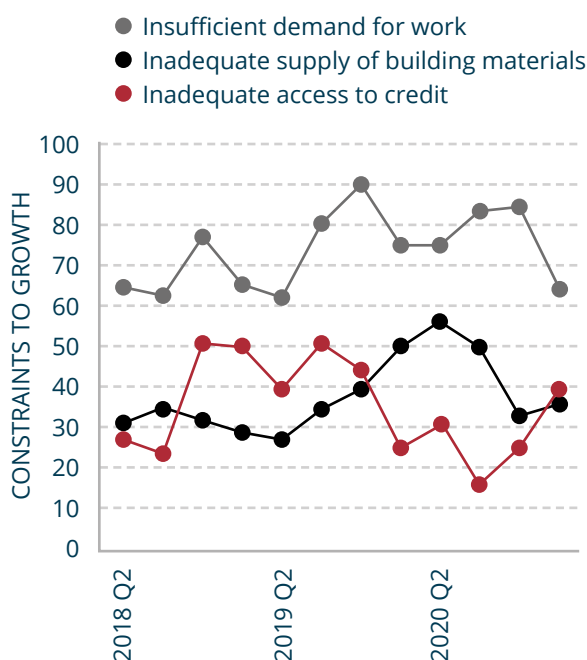
- i) Lack of access to work is the highest constraint to business growth across all grades, at a net balance of around 73% for general building and around 78% for civil engineering. This constraint was at its highest level of around 92% for grades 5 and 6 civil engineering contractors. The other grades have experienced a slight improvement in their order books.
- ii) Inadequate supply of building materials is another constraint. Due to supply disruptions and constraints caused by Covid-19, inadequate supply of building materials has increased as a constraint, which has also increased the cost of scarce building materials.
- iii) Inadequate access to credit is the lowest of the three constraints to business growth, but it has increased for all the grades.

Business constraints, grades 3 and 4

General building

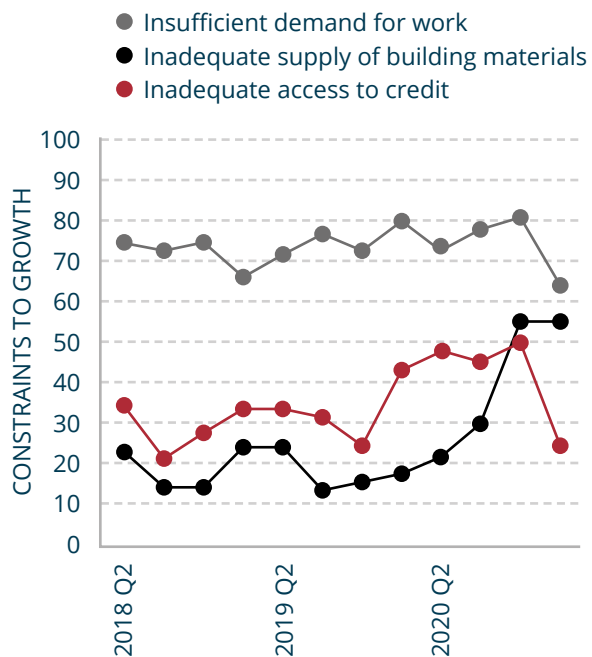


Civil engineering



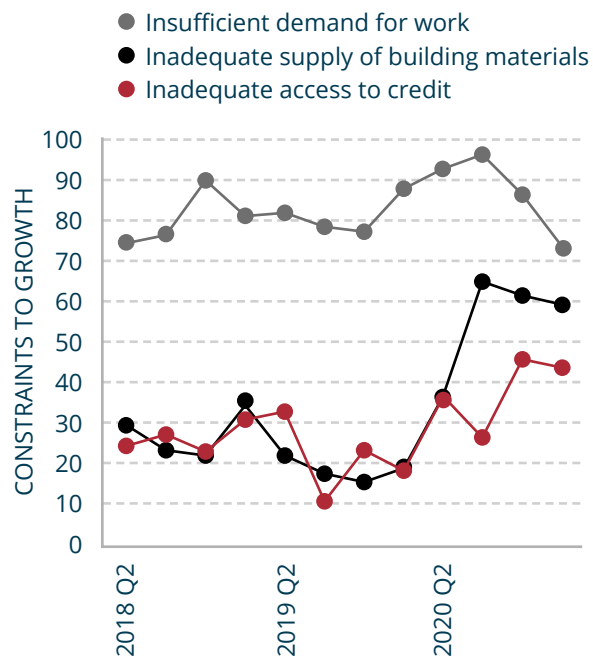
Business constraints, grades 5 and 6

General building

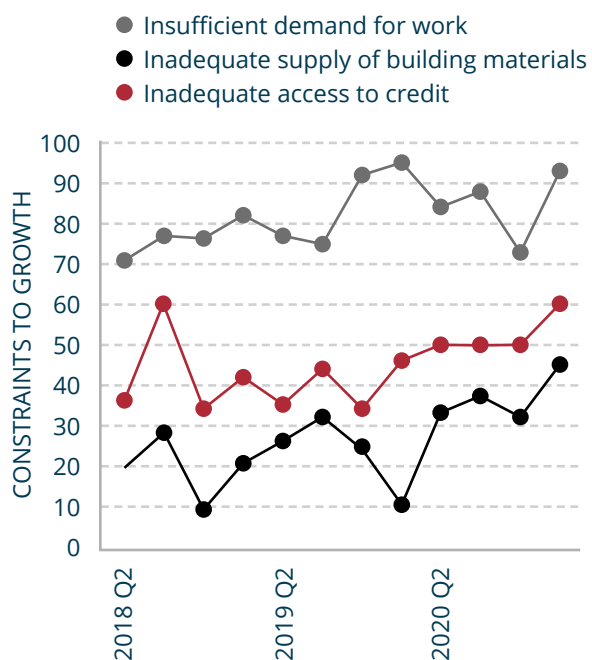


Business constraints, grades 7 and 8

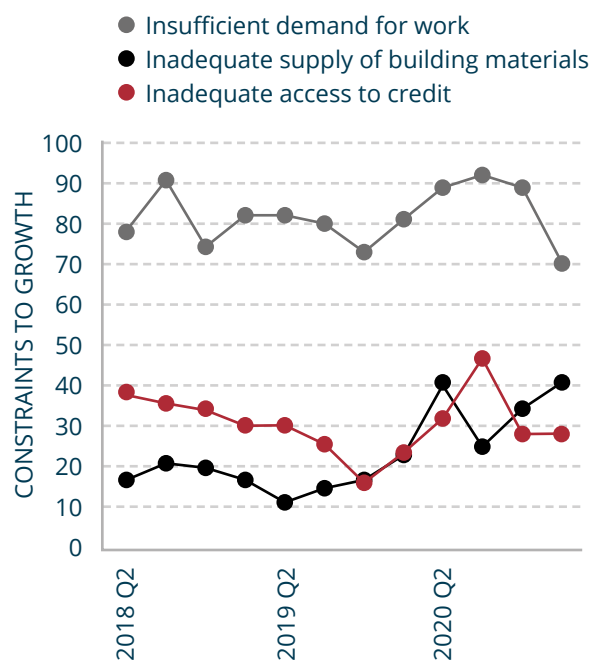
General building



Civil engineering



Civil engineering



Transformation

The cidb's vision of an inclusive and a transformed society has never been more crucial. The RoC is one vehicle to achieve this. The cidb's approach towards transformation looks at ownership and participation.

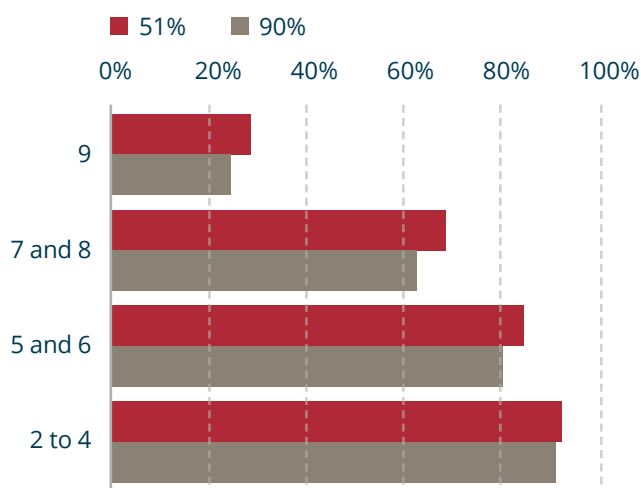
Ownership

Ownership looks at numbers of black-, women- and youth-owned contractor enterprises.

Details of ownership of cidb-registered contractors nationally are given here for ownership control of 51% or more, and for ownership control of 90% or more.

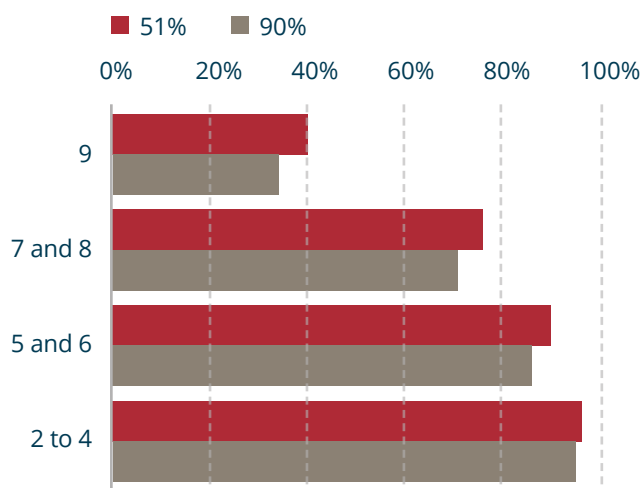
Black ownership 2019Q2

Grade	Number	Black (%)
Black ownership 51%+		
9	55	28%
7 and 8	1 149	68%
5 and 6	2 605	84%
2 to 4	8 615	92%
Total	12 424	87%
Black ownership 90%+		
9	47	24%
7 and 8	1 043	62%
5 and 6	2 484	80%
2 to 4	8 502	91%
Total	12 076	84%



Black ownership 2020Q2

Grade	Number	Black (%)
Black ownership 51%+		
9	80	40%
7 and 8	1 444	76%
5 and 6	3 268	90%
2 to 4	10 796	96%
Total	15 588	92%
Black ownership 90%+		
9	69	34%
7 and 8	1 344	71%
5 and 6	3 121	86%
2 to 4	10 664	95%
Total	15 198	90%



Black ownership at 2019Q2 and 2020Q2

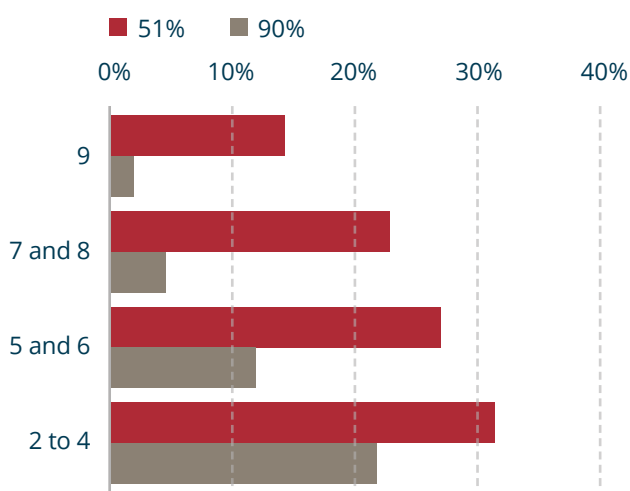
The construction industry – including professional service providers, contractors and materials suppliers – remains largely under-transformed. Lack of transformation in contractor ownership and access to work opportunities are particularly pronounced in grades 7 to 9.

The assessment above shows that transformation decreases with increasing cidb grade (size of the company). Specifically, for black ownership of 51%+ and 90%+ above, fewer than 35% of cidb-registered enterprises in grades 7 to 9 are black-owned. These enterprises include public listed companies and wholly owned subsidiaries, for which black ownership other than directors is excluded. Excluding public listed and international companies from the profile, however, has little impact.

There was a slight increase in the number of black-owned contractors from 2019Q2 to 2020Q2 across grades 2 to 9.

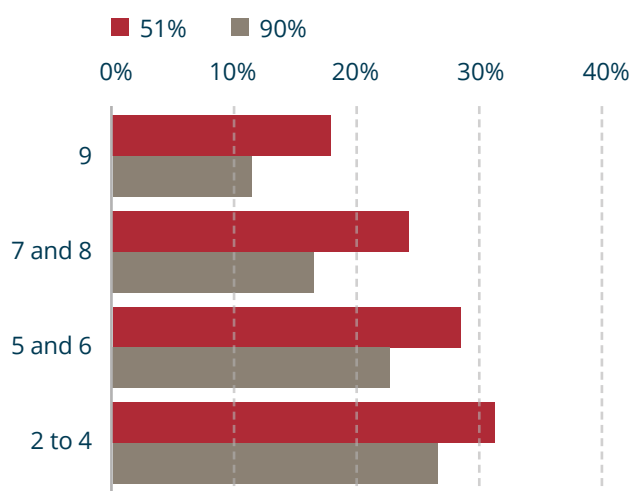
Women ownership 2019Q2

Grade	Number	(%)
Women ownership 51%+		
9	28	14%
7 and 8	384	23%
5 and 6	835	27%
2 to 4	2 925	31%
Total	4 172	29%
Women ownership 90%+		
9	4	2%
7 and 8	78	5%
5 and 6	368	12%
2 to 4	2 031	22%
Total	2 481	17%



Women ownership 2020Q2

Grade	Number	(%)
Women ownership 51%+		
9	36	18%
7 and 8	456	24%
5 and 6	1 027	28%
2 to 4	3 499	31%
Total	5 018	30%
Women ownership 90%+		
9	23	11%
7 and 8	311	16%
5 and 6	822	23%
2 to 4	2 976	27%
Total	4 132	24%



Women ownership 51% + 2018 to 2020

Grade	2018	2019	2020	% Growth
9	40	36	37	-7%
7 and 8	408	411	483	18%
5 and 6	823	877	1 015	23%
2 to 4	2 835	2 998	3 456	22%
1	36 124	37 507	29 725	-18%
Total	4 106	4 322	4 991	22%

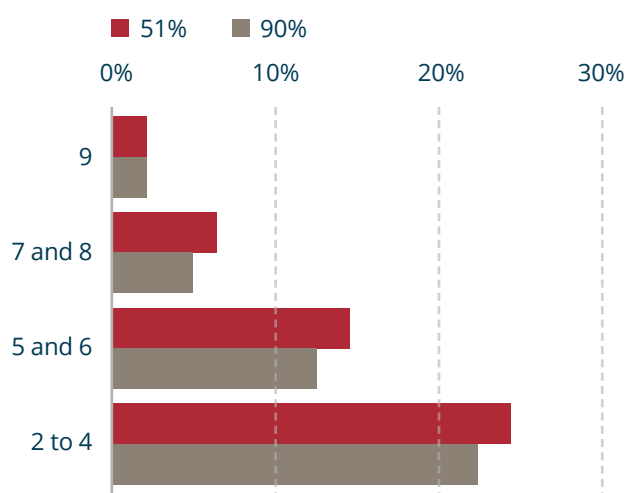
Women ownership at 2019Q2 and 2020Q2

Transformation decreases with increasing cidb grade (size of the company). For women ownership of 51% and above, it was around 29% of all contractors in 2019Q2, showing a slight increase of 1% in 2020Q2. A 7% increase was seen for women ownership above 90%, amounting to 24% in 2020Q2. The overall performance ownership has increased.

Youth ownership 2019Q2

Grade	Number	(%)
Youth ownership 51%+		
9	4	2%
7 and 8	101	6%
5 and 6	429	14%
2 to 4	2 207	24%
Total	2 741	20%

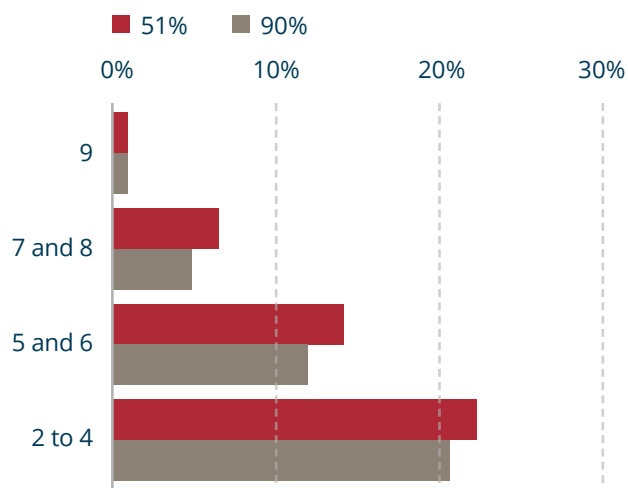
Youth ownership 90%+		
9	4	2%
7 and 8	78	5%
5 and 6	368	12%
2 to 4	2 031	22%
Total	2 481	18%



Youth ownership 2020Q2

Grade	Number	(%)
Youth ownership 51%+		
9	2	1%
7 and 8	124	7%
5 and 6	517	14%
2 to 4	2 521	22%
Total	3 164	19%

Youth ownership 90%+		
9	2	1%
7 and 8	95	5%
5 and 6	437	12%
2 to 4	2 335	21%
Total	2 869	17%



Youth ownership at 2019Q2 and 2020Q2

Transformation decreases with increasing cidb grade (size of the company). For ownership of 51% and above, youth ownership was around 20% in 2019Q2. For 2020Q2, 90% youth-owned entities accounted for about 18% of active cidb-registered entities.

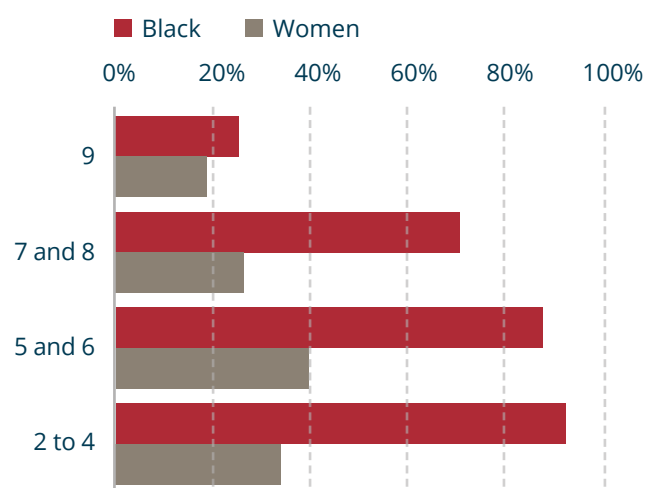
Participation

Estimates of the ratio of public sector contracts awarded to black- and women-owned contractor enterprises during 2019Q2 and 2020Q2 are shown below.

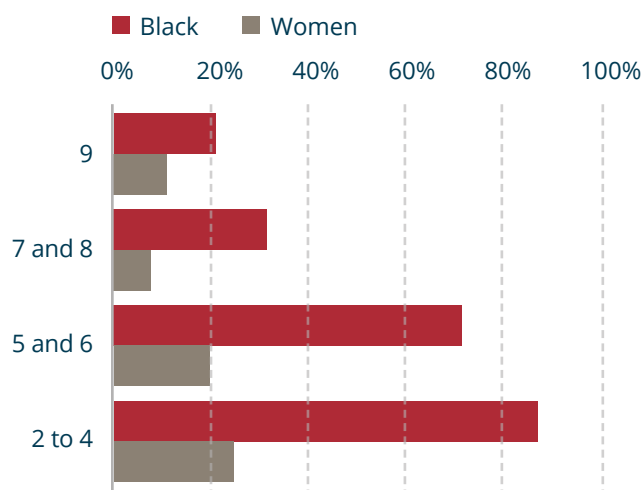
Public sector contracts awarded

2019Q2

Grade	Black (%)	Women (%)
Public sector contracts awarded		
9	25%	19%
7 and 8	70%	26%
5 and 6	87%	40%
2 to 4	92%	34%
Total	54%	25%



Grade	Black (%)	Woman (%)
Public sector contracts awarded		
9	21%	11%
7 and 8	31%	8%
5 and 6	72%	21%
2 to 4	88%	25%
Total	29%	10%



Public sector contracts awarded 2019Q2 and 2020Q2

Black-owned contractors (51% and more), who make up 88% of registered contractors, accessed around 29% of public sector awards for 2020Q2, which is a significant decrease from the 54% of 2019Q2. Of concern is that the percentages of work accessed in grades 7 and 8 decreased from 70% to 31% in 2019Q2. This adds to the historically low Grade 9 contracts awarded to black-owned contractors and makes it more difficult to close the gap between the low and higher grades.

Similar conclusions can be drawn for women-owned contractors, which accessed around 10% of total public contract awards in 2020Q2, down from 25% in 2019Q2. The reduction in grades 7 and 8 categories is the largest, as with black-owned contractors. However, numbers of women-owned awarded contracts in the public sector have decreased across the board.

The decrease in numbers of work opportunities for black-owned companies is a cause of concern as it affects transformation.

In summary, public sector spend is misaligned in targeting available and transformed contractors, risking their sustainability. Mechanisms are needed to ensure access to work for previously disadvantaged and vulnerable participants. Furthermore, the significant reduction in grades 7 and 8 contracts awarded to both black-owned and women-owned enterprises highlights the high vulnerability of these categories to external environmental challenges and the need for additional support, particularly during these trying times.





STAKEHOLDER ENGAGEMENT

National Stakeholder Forum

Section 13 of the CIDB Act mandates the cidb to establish the National Stakeholder Forum (NSF) to advise the Minister and cidb Board on matters affecting the development of the construction industry. The NSF is constituted every two years and must meet with the Minister at least once a year.

During 2020/2021, the NSF held five engagements that focused on construction industry procurement challenges, contractor development and improvement of RoC criteria. One of these meetings was held with the Minister of Public Works and Infrastructure Patricia de Lille, and two were task team workshops. The forum outlined a programme of action to address several issues over three years and will call on National Treasury and DPWI to contribute to the programme's success.

Towards the end of the review year, the 2021 to 2023 NSF was constituted to start work in May 2021. With 40 members, its leaner structure lends itself to improvement in the quality of engagement and outputs.

ERWIC awards

The Empowerment and Recognition of Women in Construction (ERWIC) awards initiated in 2019 to draw attention to gender empowerment in transformation by recognising excellence among women in construction, celebrated its first awards ceremony on 26 August 2020.

Following Covid-19 protocol, the Johannesburg event was streamed to a nationwide audience, with Minister Patricia de Lille delivering the keynote address. She stressed that, as women-owned contractors account for only 30% of all contracting enterprises according to the RoC and access just 20% of total public sector contract awards, and women-owned entities are in grades 1 to 3 and can compete only for low-value contracts, there remains much to be done to achieve gender equality.

During the evening, awards were presented to 19 outstanding achievers in categories such as project delivery, rural project, mentorship, transformation and youth ownership.

Client liaison

Client capacitation continued throughout 2020/2021 using virtual media to circumvent the lockdown requirements.

The workshops continued the work of 2019/2020, during which a series of successful sessions was held countrywide to draw attention to the reasons for poor project rollout, ways of accelerating implementation through adherence to standards and systems, and the role and value of developmental procurement.

During the review year, clients from the private sector, municipalities, state entities and non-governmental organisations across all provinces participated in 90 capacitation sessions, exceeding by 50% the target of 60 stipulated in the performance agreement with the DPWI.

The agenda touched on items such as the RoC, RoP, cidb Standard for Uniformity (SFU), cidb Code of Conduct, application of potentially emerging status, Framework for Infrastructure Delivery and Procurement Management, the IDMS, recognition of prior learning and cidb Standard for Skills Development in Infrastructure Projects.

Delegates were made aware in particular of the importance of adopting and adhering to IDMS principles and processes to ensure proper planning, execution and monitoring of infrastructure projects.

Attendance by local and district municipality representatives was encouraging, with more than 50 municipalities logging in to sessions through the year. This is significant given that much of government's infrastructure spend devolves to provinces and municipalities.



INTERNAL CAPACITY

Information technology

Following the migration of cidb infrastructure and applications to the cloud in the previous financial year, the uptime of all systems increased, topping 95% for the review year. Head office downtime was caused by power cuts and not system glitches. The improvement was facilitated through fibre installation in all offices by the end of quarter one 2020/2021, which enabled capturers to scan applications directly to the cloud faster.

The cidb concentrated during the relatively quiet Covid-19 lockdown on enhancing its online registration system launched in December 2019. It was relaunched in June 2020, by then accommodating direct deposits of funds. Users found the improved version user friendly and efficient, with about 70% of all online transactions being processed successfully.

Human resource management

Overview of human resources

The Human Resources Strategy and Masterplan ensures that the organisation responds to its people's needs to deliver on its strategic objectives and plan despite critical-skills shortages. The human resources function also creates and facilitates a culture of superior performance.

The cidb organisational redesign process was finalised during the review year, with all affected employees having migrated to their new positions. The exercise involved identifying and sourcing new skills and competencies.

All employees underwent competency assessments. Workforce planning is ongoing as the organisation grows and identifies a need for more skills.

A performance management process requires employees to develop and submit performance agreements annually. During the review year, employee agreements were aligned to divisional and organisational strategies, which will ensure that all employees understand their roles and purposes against cidb strategy.

An employee reward and recognition programme is being finalised.

Several policies govern human resources practices and these were reviewed and consolidated during the review and will be communicated to employees during 2021/2022.

Employee wellness programme

Employees are encouraged to use the outsourced employee wellness programme services when personal problems arise. Line managers refer employees should personal issues be affecting their performance. Services are available to cidb employees and their immediate families.

DEMOGRAPHICS

cidb employment demographics for year ended 31 March 2021

Occupational levels	Male				Female				Foreign nationals		Total	%
	African black	Coloured	Indian	White	African black	Coloured	Indian	White	Male	Female		
Top management	3	-	-	-	-	-	-	-	-	-	3	1.80
Senior management	2	1	1	-	3	-	-	1	-	-	8	4.79
Professionally qualified and experienced specialists and mid-management	13	-	3	-	8	-	-	1	-	-	25	14.97
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	11	-	-	-	17	1	-	1	-	-	30	17.96
Semi-skilled and discretionary decision making	21	-	-	-	34	1	1	2	-	2	61	36.53
Unskilled and defined decision making	6	-	-	1	20	3	-	-	-	-	30	17.96
TOTAL PERMANENT	56	1	4	1	82	5	1	5	-	2	157	
FIXED-TERM CONTRACT	5	-	-	-	4	-	-	-	-	-	9	5.39
Employees with disabilities	-	-	-	-	1	-	-	-	-	-	1	0.60
Temporary employees	-	-	-	-	-	-	-	-	-	-	-	
GRAND TOTAL	61	1	4	1	87	5	1	5	-	2	167	

Personnel cost by programme

Programme	Total expenditure for the entity	Personnel expenditure	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee
Administration	95 712 385.48	37 334 920.82	39%	56	666 695.01
Research and Development	1 542 317.97	1 528 653.89	99%	1	1 528 653.89
Construction Industry Performance	6 720 867.85	4 016 892.04	60%	4	1 004 223.01
Construction Industry Regulation	23 811 951.47	18 170 469.62	76%	38	478 170.25
Procurement and Development	9 087 670.39	6 169 726.56	68%	8	771 215.82
Provincial Offices	27 477 775.75	27 827 479.48	101%	68	409 227.64

Personnel cost by salary band

Level	Personnel expenditure	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
Top management	6 686 168.33	7%	3	2 228 722.78
Senior management	13 178 697.46	14%	10	1 317 869.75
Professionally qualified	23 754 923.13	25%	29	819 135.28
Skilled	17 468 946.24	18%	30	582 298.21
Semi-skilled	24 601 614.52	26%	62	396 800.23
Unskilled	9 357 792.73	10%	41	228 238.85

Performance rewards

Level	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Top management	113 506.13	6 686 168.33	2%
Senior management	847 523.91	13 178 697.46	6%
Professionally qualified	730 100.17	23 754 923.13	3%
Skilled	60 410.71	17 468 946.24	-
Semi-skilled	-	24 601 614.52	-
Unskilled	-	9 357 792.73	-
	1 751 540.92	95 048 142.41	2%

Employment and vacancies

Programme/activity/objective	2020/2021 number of employees	2020/2021 approved posts
Office of the CEO	9	15
Functional operations	117	122
Finance	23	26
Corporate services	19	24
Information and communication technology	4	6

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at the end of the period
Top management	3	-	-	3
Senior management	10	-	2	8
Professionally qualified	27	2	2	27
Skilled	30	-	-	30
Semi-skilled	62	-	1	61
Unskilled	40	10	-	41

Equity target and employment equity status

Occupational Levels	MALE							
	African Black		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	2	-	-	-	-	-	-
Senior management	2	4	1	1	1	1	-	-
Professionally qualified and experienced specialists and mid-management	13	36	-	2	3	2	-	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	11	33	-	1	-	2	-	-
Semi-skilled and discretionary decision making	21	45	-	1	-	2	-	1
Unskilled and defined decision making	6	16	-	-	-	1	1	-
TOTAL PERMANENT	56	136	1	5	4	8	1	2
GRAND TOTAL	56	136	1	5	4	8	1	2

Equity target and employment equity status

Occupational Levels	FEMALE							
	African Black		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	-	2	-	1	-	-	-	-
Senior management	3	6	-	1	-	1	1	1
Professionally qualified and experienced specialists and mid-management	8	53	-	4	-	3	1	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	17	45	1	2	-	3	1	4
Semi-skilled and discretionary decision making	34	65	1	6	1	3	2	3
Unskilled and defined decision making	20	21	3	2	-	1	-	1
TOTAL PERMANENT	82	192	5	16	1	11	5	12
GRAND TOTAL	82	192	5	16	1	11	5	12

Occupational levels for disabled staff

Occupational Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professionally qualified and experienced specialists and mid-management	-	-	-	-
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	-	-	-	-
Semi-skilled and discretionary decision making	-	-	-	-
Unskilled and defined decision making	-	-	1	2
TOTAL PERMANENT	-	-	1	2
GRAND TOTAL	-	-	1	2

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	-
Written warning	-
Final written warning	-
Dismissal	1



PERFORMANCE INFORMATION

Situational analysis

Service delivery environment

In spite of the pandemic's effect on the economy and the cidb's performance due in part to unavailability of external stakeholders, the organisation maintained a stable financial position.

In line with the organisation's continuous improvement drive, application of technology will be accelerated to enhance registration services, the core of the cidb's value offering to the industry.

Through the commitment of cidb management and staff, the organisation overcame the setbacks of the first quarter of 2020/2021, during which only 56% of performance targets were met as all eyes were on keeping operations on track.

In the early stages of the lockdown, the cidb adapted its processes to allow employees to perform traditional office duties from home. Once safety measures were in place and the lockdown was eased, the cidb offices reopened and, with some working method adjustments, the organisation started to claw back what was lost. It did so admirably, achieving 94% of its annual performance targets by year-end. Online availability of certain registration services has enabled the cidb to keep the contractor ship afloat through the pandemic.

Organisational environment

Covid-19 notwithstanding, the cidb enjoyed a stable organisational environment with the organisational redesign process, initiated in 2016/2017 to enhance capacity and capability in service delivery to clients. The process was concluded in the review year. An enterprise-wide competence assessment was conducted towards year-end, laying the foundation for targeted skills development initiatives.

Within the framework of the organisational redesign, cidb employees were migrated to suitable positions within the new structure and further critical positions were identified. Significant traction has been made in filling the priority positions.

The redesign has enhanced efficiencies across cidb operations, with the provincial offices offering an expanded range of registration services to contractors. This was also boosted with the phased migration of registration services to online platforms, which will allow cidb people to be used more effectively in advisory services to stakeholders.

To build on the success of the redesign, the cidb will focus increase focus on management development and on improving the performance culture.

Key policy developments and legislative changes

The review year brought an increased focus on harnessing infrastructure as a key enabler for government's Economic Reconstruction and Recovery Plan. Minister Patricia de Lille gazetted the Best Practice Fee (B.U.I.L.D Fund) on 18 September 2020 to formalise the development and transformation agenda. The rollout of the Best Practice Project Assessment Scheme, renamed during the year the B.U.I.L.D Programme, will be implemented in 2021/2022. The programme will drive enterprise and skills development through infrastructure procurement and will enable the B.U.I.L.D Fund to activate the cidb's development support strategy.

Performance information

Programme 1: Administration

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Annual Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to Outputs/ Output Indicators/ Actual Targets
1.6 Ethical performance-driven cidb	1.1 Internal corporate fraud workshop	Number of fraud awareness workshops for staff	-	New	1 fraud awareness workshop for staff	1 fraud awareness workshop conducted with staff in September 2020			
	1.2 System uptime	% system uptime	-	New	90% system uptime	98.28% of system uptime achieved	8.28% of system uptime overachieved	Minimal power outages and limited network failures	
	1.3 National Treasury report	% expenditure was spent on BBBEE-compliant suppliers	-	New	88% of expenditure spent on BBBEE-compliant suppliers	94% of expenditure spent with BBBEE-compliant suppliers	Additional 6% expenditure spent with BBBEE-compliant suppliers	Compliance adherence	
	1.4 Age analysis report	% invoices paid within 30 days	-	100% of invoices paid within 30 days	100% of invoices paid within 30 days	93% of invoices paid within 30 days	7% of invoices not paid within 30 days	Late confirmation of banking details by service providers or suppliers contributed to payment delays	
	1.5 National Stakeholder Forum	Number of stakeholder forums conducted	-	New	1 stakeholder forum conducted	1 stakeholder forum conducted with Minister in attendance			

Programme 2: Research and Development

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Annual Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to Outputs/ Output Indicators/ Actual Targets
1.1 Increased black ownership and participation	1.6 Research report	Number of research studies conducted	-	New	2 research studies conducted	2 research studies conducted and report issued			
1.2 Increased women ownership and participation									

Programme 3: Construction Industry Regulations

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Annual Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to Outputs/ Output Indicators/ Actual Targets
1.1 Increased black ownership and participation	1.7 Revised registration criteria recommendation report	Number of revised registration criteria assessments performed	-	New	1 revised registration criteria assessment performed	1 revised registration criteria assessment performed			
1.2 Increased women ownership and participation									
1.5 Reduced non-compliance and fraud	1.8 List of projects registered on the RoP	Number of non-registered projects identified against the RoP	-	New	1 000 non-registered projects identified against the RoP	2 476 non-registered projects identified against RoP	Additional 1 476 non-registered projects over-identified against RoP	Proper project planning and execution of the project on time	

Programme 4: Construction Industry Performance

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Annual Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to Outputs/ Output Indicators/ Actual Targets
1.1 Increased black ownership and participation	1.9 Monitoring and evaluation report on industry performance	4 industry monitoring and evaluations conducted	-	1 Construction Monitor: Transformation report was achieved	4 industry monitoring and evaluations conducted	4 industry monitoring and evaluations conducted			
1.2 Increased women ownership and participation									
1.4 Performance-driven clients	1.10 Report on public sector expenditure	Number of reports on public sector expenditure	-	New	1 report on public sector expenditure	1 report on public sector expenditure developed			



Programme 5: Procurement and Development

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Annual Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to Outputs/ Output Indicators/ Actual Targets
1.1 Increased black ownership and participation	1.11 cidb-facilitated export promotion trade missions	Number of cidb-facilitated export promotion trade missions	-	2 export advisory services provided to contractors at grades 5 to 9	2 facilitated promotion trade missions	2 export promotion trade missions facilitated with contractors to Swaziland and Lesotho Highlands Water Project			
1.1 Increased women ownership and participation									
1.3 Contractor development	1.12 cidb Business Advisory Framework	Number of cidb Business Advisory Framework developed	-	New	1 cidb Business Advisory Framework developed	1 cidb Business Advisory Framework developed and approved for implementation			
	1.13 TVET colleges participating in WorldSkills SA	Number of TVET colleges participating in WorldSkills SA	-	New	25 TVET colleges participating in WorldSkills SA	25 TVET colleges participated in WorldSkills SA			
	1.14 Review of National Contractor Development Programme (NCDP) Framework	Number of NCDP Framework reviewed	-	New	1 NCDP Framework reviewed	1 NCDP framework reviewed and approved for implementation			

Programme 6: Provincial Offices

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from Planned Annual Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to Outputs/ Output Indicators/ Actual Targets
1.3 Contractor development	1.15 Client departments supported in developing contractors	Number of client departments implementing contractor development	-	New	20 client departments implementing contractor development	0 client departments implemented contractor development	20 client departments not implementing contractor development	Documents were not maintained to support target accomplishment	
	1.16 Contractor development support provided to grades 2 to 6 contractors	Number of grades 2 to 6 contractors provided with contract development support	-	New	283 grades 2 to 6 contractors provided with contract development support	27 grades 2 to 6 contractors offered contract development support	Additional 32 grades 2 to 6 contractors offered contract development support	Business advisory services online guide and tips introduced	
	1.17 Learners offered experiential learning opportunities	Number of learners offered experiential learning opportunities	-	New	500 learners offered experiential learning opportunities	562 learners offered experiential learning opportunities	Additional 62 learners were offered experiential learning opportunities	Improved working relationship with stakeholders e.g. Construction Education and Training Authority and South African Forum of Civil Engineering Contractors	
1.4 Performance-driven clients	1.18 Client officials capacitated on Infrastructure Delivery Management System (IDMS)	Number of client departments capacitated on IDMS	-	New	60 client departments capacitated on IDMS	90 client departments capacitated on IDMS	Additional 30 client departments capacitated on IDMS	Client departments capacitated using virtual communications	
1.6 Ethical and performance-driven cidb	1.19 Contractors registered on the RoC	% grades 1 to 9 contractors with compliant applications registered within 21 working days	-	87% grades 1 to 9 contractors registered within 21 working days	96% grades 1 to 9 contractors with compliant applications registered within 21 working days	96% grades 1 to 9 contractors with compliant applications registered within 21 working days			

There were 19 performance targets to be delivered in 2020/2021, 17 of which were achieved and two not achieved. The overall achievement was 89%.

Reasons for non-achievement	Total
Administrative burden	1
Project management	1

Strategies to overcome underperformance

Strategies to improve performance will include:

- Updated accounts payable procedure to ensure payment is made at least weekly or as and when the need arises.
- Automation of payment days report and reminders to be set up five days before the deadline.
- Use of the CSD to confirm the banking details of service providers/suppliers.
- Improved documentation of portfolios of evidence, including verifications.
- IT-driven project management (automation).
- Review project management approach.



Covid-19 response

Programme/ sub-programme	Intervention	Geographic location	Number of beneficiaries	Disaggregation of beneficiaries: Permanent employees/ (fixed-term contract employees)/ visitors	Total budget allocation per intervention	Budget spent per intervention	Contribution to APP out- puts	Immediate outcomes
Chief Corporate Services Officer/facility management	Provision of personal protective equipment (PPE) at all offices	Nationally	174 employees and 310 visitors	Head office Groenkloof: 103 (3)/50 Provincial offices Bhisho: 8/(-)/20 Bloemfontein: 5/(-)/10 Gauteng: 11/ (9)/140 Durban: 12 permanent Polokwane: 7/ (-)/12 Mbombela: 4/ (10)/75 Mahikeng: 3/ (-)/10 Kimberley: 4/ (-)/15 Cape Town: 4/ (-)/20	R2 000 000	To be confirmed	NA	NA
All heads of departments (Covid champions)	Daily Covid compliance (health) checks and monitoring	Nationally	190		No cost	No cost	NA	NA
Chief Corporate Services Officer/facility management	Provision of daily hygiene services, as well as disinfection services as and when required				• Cleaning cost included in contract • Additional cleaning materials included in PPE cost	• Cleaning cost included in contract • Additional cleaning materials included in PPE cost	NA	NA

The cidb, at the start of the pandemic and in response to the published regulations, introduced a Covid-19 risk management protocol developed with a clinical epidemiologist and comprising:

- Background information on Covid-19;
- Guiding principles;
- Risk analysis; and
- Mitigation approach (disruption of transmission, case finding, case management).

The protocol was implemented and is being monitored by Covid champions, who are all standing members of the Covid Steering Committee chaired by the Chief Operating Officer, and supported by Occupational Health and Safety Committee members throughout the organisation. The cidb had 35 confirmed cases and 100% recovery rate during the review period.

Linking performance with budgets

Programme/ Activity/Objective	2020/2021			2019/2020		
	Budget	Actual Expenditure	(Over-)/Under-expenditure	Budget	Actual Expenditure	(Over-)/Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	86 556	95 712	9 156	90 075	102 694	12 619
Research and Development	7 000	1 542	(5 458)	-	-	-
Construction Industry Regulation	33 343	23 812	(9 531)	33 384	31 900	(1 484)
Construction Industry Performance	16 921	6 721	(10 200)	16 039	12 936	(3 103)
Procurement and Development	15 501	9 088	(6 413)	14 693	14 744	51
Provincial Offices	35 000	27 478	(7 522)	30 000	25 293	(4 707)
Total	194 321	164 353	(29 968)	184 191	187 567	3 376

The cidb spent about 85% of its budget to achieve 94% of the performance objectives of the 2020/2021 APP. The 15% unspent funds were the result of uncollected revenue of R11.4 million and funds earmarked for furniture for the new head office (refurbishments were not finished by year end). Funds will be channelled into capacitating and strengthening from the Research and Development Directorate established during the review year.

Revenue collection

Source of Revenue	2020/2021			2019/2020		
	Estimate	Actual Amount Collected	Over- (under-collection)	Budget	Actual Amount Collected	Over-(Under-collection)
	R'000	R'000	R'000	R'000	R'000	R'000
Transfers	76 446	72 443	(4 003)	76 160	76 160	-
Register income	108 590	102 135	(6 455)	99 200	94 853	(4 347)
Finance income	9 285	7 937	(1 348)	8 831	18 026	9 195
Other income	-	309	309	-	801	801
Total	194 321	182 823	(11 498)	184 191	189 841	5 650

In 2020/2021, the cidb received a grant of R72 442 640 (2019/2020: R76 160 000), R102 134 652 (2019/2020: R94 853 125) of which was registers revenue and R8 245 739 (2019/2020 – restated: R18 815 610) other income. Thus, total income was R182 823 031.00 (2019/2020: R189 841 213.00). The cidb under-collected its total revenue in 2020/2021 by 6% due to the reduction in government grants, interest rates reduction, which affected the finance income earned from short-term deposits, and the under-collection of registers incomes due to Covid-19. The cidb was resilient amid economic challenges during the year. It remains grateful for DPW's continued grants and is hopeful that this support will continue.

Capital investment, maintenance and asset management plan

2020/2021				2021/2022		
Infrastructure project	Budget	Actual Expenditure	(Over-)/ Under-expenditure	Budget	Actual Expenditure	(Over)/Under-expenditure
	R million	R million	R million	R million	R million	R million
Purchase new head office	105	78	27			
Fit out head office	15	12.5	NA	2.5	1.5	NA

The cidb procured a new head office in Centurion, for which the title deed was registered on 2 October 2020. The tender includes a refurbishment project to reflect the cidb brand and image, and ensure that the space meets business requirements, and complies with national building regulations and the Occupational Health and Safety Act 85 of 1993.

The fit-out (refurbishment) project started during the review period and will be completed in 2021/2022, the budget being carried forward accordingly.

Fit-out project outputs will create a baseline for a preventive maintenance plan.

The cidb provincial offices are either leased (Pretoria, Bloemfontein and Mbombela) or provided by the provincial departments of public works and infrastructure.





ANNUAL FINANCIAL STATEMENTS



General information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
BANKERS	Standard Bank of South Africa Limited Investec Limited
AUDITORS	Auditor-General of South Africa
COMPANY SECRETARIAT	First Corporate of Secretaries Proprietary Limited (Term ended 31 November 2020)
ACTING COMPANY SECRETARIAT	Evans Sebata

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Statement of responsibility and confirmation of accuracy for the annual report

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with guidelines on the annual report issued by National Treasury.

The annual financial statements have been prepared in accordance with the prescribed financial reporting framework standards applicable to the public entity.

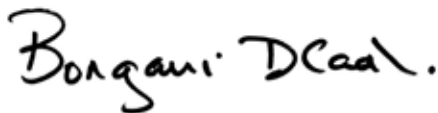
The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.

Yours faithfully



Acting Chief Executive Officer

BONGANI DLADLA

29 July 2021



Chairperson of the Board

DR NATALIE SKEEPERS

29 July 2021

Corporate governance report

Corporate governance comprises the processes and systems by which corporates are directed, controlled and held to account. The cidb strives for high standards of governance through fairness, accountability, transparency and responsibility. It has put in place a compliance programme to assess adherence to good governance principles and to identify areas needing regular improvements.

Accounting Authority

The Minister of Public Works and Infrastructure appoints the Board every three years as per the CIDB Act, 2000.

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

The roles of the Board

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

- Identifying the key risk areas and key performance indicators of the cidb, based on both financial and non-financial aspects such as the socio-political and politico-economic expectations of the shareholder.
- Ensuring that technology and systems are adequate for the proper functioning of the cidb through the most efficient and cost-effective use of its assets, processes and human resources.
- Ensuring that the shareholder's performance objectives are achieved and that they can be measured in terms of performance of the cidb.
- Developing a clear definition of the levels of materiality or sensitivity to determine the scope and delegation of authority, and ensure that the Board reserves specific powers and authority for itself. All delegated authority shall be in writing and shall be regularly evaluated.
- Ensuring that Board members are granted unrestricted access to accurate, relevant and timely information on the Board and that they act on a fully informed basis, in good faith, with care, skill and diligence and in the best interests of the cidb, while taking the interests of stakeholders into account.
- Managing potential conflicts of interest among the CEO, Board members and the shareholder and ensuring that any conflicts of interest, or of independence, are regularly and expeditiously dealt with and resolved.
- Maintaining the highest standards of probity, integrity, responsibility and accountability and ensuring that a fair balance is found between conforming to corporate governance principles and the performance of the cidb.

A Board Charter exists and is reviewed regularly.

Governance

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

Portfolio Committee

The Portfolio Committee of Public Works and Infrastructure exercises oversight over the service delivery of the cidb, which includes reviewing its financial and non-financial performance information contained in the strategic and annual performance plans.

The following meetings were held with the Portfolio Committee during the financial year:

Date of meeting	Purpose
20 May 2020	Annual performance plan
17 November 2020	Annual report

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

Date of meeting	Purpose
4 February 2021	Annual report

Executive Authority

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

Date of submission	Type of reports
30 April 2020	Fourth quarter performance report 2019/2020
30 July 2020	First quarter performance report 2020/2021
31 October 2020	First draft annual performance plan
31 October 2020	Second quarter performance report 2020/2021
30 January 2021	Third quarter performance report 2020/2021
	Final annual performance plan

The following commentaries were issued that need attention:

- Progress on the appointment of cidb executives;
- Progress on amendment of the CIDB Act; and
- The Board ending term and progress.

Risk management

Risk management is the process of identifying, assessing and controlling threats to an organisation's strategic objectives and goals. These threats, or risks, stem from several sources, including financial uncertainty, legal, strategic management errors, accidents and natural disasters.

During the review year, identified strategic risks and their risk mitigation action plan were monitored.

As of 31 March 2021, the top ten risks and their ratings were:

Risk name	Residual risk rating
Non-compliance with cidb prescripts (private sector)	20
Inadequate funds to fill approved positions	16
Possibility of staff infections at the workplace	16
Industry transformation moving slowly	16
Slow transformation in the participation of women-owned companies in the industry	16
Poor client performance	15
Shortage of construction skills (supply pipeline)	8
Poor uptake of the Contractor Development Programme	8
Poor performance of information systems	6
Loss of projected revenue	6

Other areas requiring Board and management attention in the new financial year are:

- Non-compliance with prescripts (private sector);
- Slow pace of transformation (women- and youth-owned construction companies);
- Pace of filling vacancy rate;
- Municipal budget spending; and
- B.U.I.L.D Programme (project management).

Emerging risk

Covid-19, declared a pandemic by the World Health Organisation, reached South Africa on 5 March 2020, posing a threat to health and business continuity. Twenty-six Covid-19 cases that were reported during the review year, but fortunately all employees recovered.

Audit, Risk and Governance Committee

The Committee provides independent assurance and assistance to the Board on control, governance and risk management. It provides the Board with prompt and constructive reports on its findings, especially when issues could present a material risk to the institution. A system is in place to ensure the Committee discharges its oversight responsibility efficiently and effectively.

Good practices include:

- A well-defined charter containing clear scope of responsibilities;
- Coordination of work among the Auditor-General, the Audit, Risk and Governance Committee; and internal auditor to prevent duplicated effort, increased cost and poor effectiveness
- Appropriate frequency and efficiency of meetings

with focused agendas that allow sufficient time and attention for in-depth discussion on crucial areas, and flexibility to add items as they arise; and

- Circulating short summaries outlining discussion areas committee members before meetings.

Internal audit function

The internal auditing function provides independent, objective assurance and consulting services to add value and improve the cidb's operations. It helps the cidb accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The cidb's internal audit evaluates the adequacy and effectiveness of:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

'Adequacy' is defined as determining whether sufficient, efficient and economical controls are in place to provide reasonable assurance that objectives will be achieved.

'Effectiveness' is defined as determining whether the system of internal control is functioning as intended.

The internal audit function's work is based on strategic risk assessment approved by the Audit, Risk and Governance Committee. The audit coverage focuses primarily on high-risk areas and other areas flagged by the Committee. Currently, the function is fully outsourced. It was managed by BIG Consulting until January 2021 and then transferred to SAB-T Consulting.

BIG and SAB-T confirm that assignments were undertaken in line with the approved 2020/2021 annual plan for the year ended 31 March 2021, complying with the requirements of the International Standards for Professional Practice of Internal Auditing in performance of their duties and adhered to the professional code of conduct. A risk-based approach was adopted in planning audit assignments.

The companies considered the cidb's risk assessment and reviewed selected audit areas included in the annual audit plan. The results of those reviews were reported to the Audit, Risk and Governance Committee and cidb management. The results of those assignments, including other management enquiries, form the basis of the internal control assessment ratings shown in the table on the next page.

Compliance with laws and regulations

The cidb does not have a dedicated compliance function, but systems, process and policies are in place to assure the Board of compliance with all laws. Ongoing reviews are performed by the internal and external auditors and non-compliances are reflected in reports issued after audit assignments.

Fraud and corruption

The cidb maintains zero tolerance to fraud and corruption and all incidents and reasonable suspicions are verified and investigated as appropriate.

Legal recourse taken against perpetrators includes:

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

An anti-fraud and corruption awareness session was held on 18 September 2020 to promote ethical behaviour in the workplace, educate all employees on fraud and encourage staff to report fraudulent activities.

Whistleblowing

The cidb's duty of protection extends to an anonymous hotline enabling and empowering employees and other stakeholders (such as contractors) to report concerns, without fearing victimisation and retribution. This independently managed facility is a safe and more constructive alternative to silence and offers various reporting media, each guaranteeing anonymity. The facility complies with the Protected Disclosures Act, Act 26 of 2000. Information on the whistleblowing hotline is available at www.cidb.org.za.

Ethics

The cidb strives to uphold the highest morals and ethics in both its organisational environment and its own conduct. A code of ethics was developed and communicated to all employees during annual awareness sessions.

All employees must:

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

Board Members

The Board code of ethics provides guidance to members to manage the affairs of the entity ethically. Furthermore, it seeks to develop a culture of honesty and accountability.

All Board members shall act jointly when discharging their responsibilities and no individual Board member shall have any authority to act, or to issue instructions, on behalf of the Board unless specifically authorised or requested by the Board to do so.

Audit, Risk and Governance Committee report

We are pleased to present our report for the financial year ended 31 March 2021.

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

Name of Member	Number of meetings
Sipho Mosai (Chairperson) until 7 October 2020	5
Lufuno Nevhutalu (Board member)	6
Mboniseni Dlamini (Board member)	4
Dr Natalie Skeepers (Board member)	6
Danny Masimene (Board member)	2
Nombulelo Tyandela (new Chairperson)	2

There were some changes in the committee composition during the year: Sipho Mosai was chairperson until 7 October 2020 and Nombulelo Tyandela (non-Board member) was appointed chairperson from 8 October 2020. Dr Natalie Skeepers ceased to be a committee member after the Minister appointed her Board Chairperson. Danny Masimene joined the committee in December 2020.

Audit and Risk Committee responsibility

The Audit, Risk and Governance Committee confirms that it has complied with its responsibilities in Section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 27.1.7 and 27.1.10 (b) and (c). The committee also reports that it has conducted its affairs in terms of the approved charter.

The effectiveness of internal controls

The Audit, Risk and Governance Committee has exercised an oversight role over the internal auditors' reports. The internal audit work was conducted based on the approved risk-based internal audit plan. The following internal audit assignment were completed during the financial year:

- Strategic and annual performance plan review
- Governance review
- Quarterly audit of predetermined objectives
- Construction registration compliance review
- Internal audit and Auditor-General follow-up review

Year management and monthly/quarterly report

The cidb submitted to National Treasury quarterly reports in line with PFMA requirements.

Auditor's reports

We exercised oversight on the audit implementation plan for audit issues raised in the prior year, and are satisfied that some matters were adequately resolved.

Reporting of performance information

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

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

NOMBULELO TYANDELA

Chairperson: Audit, Risk and Governance Committee
31 May 2021

Accounting Authority's report

The Accounting Authority is pleased to submit the report, with the cidb's annual financial statements, for the year ended 31 March 2021.

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

Establishment, mandate and services of the cidb

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

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

For the financial year 2020/2021, the cidb received a grant of R72 442 640 (2019/2020: R76 160 000). A total of R102 362 621 (2019/2020: R94 853 125) was received in registers revenue and other income of R8 245 739 (2019/2020 – restated: R18 815 610). Thus, the total income for the cidb was R183 051 000 (2019/2020: R189 860 213). The net surplus for the financial year was R18 729 259 (2019/2020 – restated: R2 300 900). After considering the opening accumulated surplus of R176 217 338, this increased accumulated surplus to R197 247 497 at the end of the financial year.

Internal controls

Internal controls include a risk-based system of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practice, as well as policies and procedures established by the Accounting Authority and independent oversight by the Audit, Risk and Governance Committee.

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

Accounting policies

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

Corporate governance

General

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

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

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

Performance information

The cidb developed an APP for 2020/2021 clearly indicating goals and objectives. Progress reports were tabled at each cidb Board and committee meeting.

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

A detailed report on the activities of the cidb is included in a separate section of the annual report.

New or proposed activities

No new activities were undertaken during the period under review.

Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee comprised four members for the year ended 31 March 2021 and met five times in accordance with its approved terms of reference. Please refer to page 66 for the committee's report.

Events after reporting date

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

Business address

Registered office: Blocks N, R and Z, SABS Campus, No 2
Dr Lategan Road, Groenkloof 0027, Pretoria
Postal: PO Box 2107, Brooklyn Square, 0075

Bankers

Standard Bank of SA Limited
Investec Bank Limited

External auditors

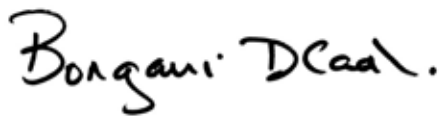
The Auditor-General of South Africa is responsible for the external audit of the cidb.

Internal auditors

The cidb has outsourced its internal audit function to SAB&T Nexia, reporting to the Audit, Risk and Governance Committee.

Approval

The annual financial statements for the year ended 31 March 2021, set out on pages 70 to 103 were approved by the Accounting Authority in terms of Section 51(1)(f) of the PFMA, as amended and are signed on its behalf by:



BONGANI DLADLA

Acting Chief Executive Officer



DR NATALIE SKEEPERS

Chairperson: cidb Board





Report of the Auditor-General

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Construction Industry Development Board set out on pages 74 - 78, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Construction Industry Development Board as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standard of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

Responsibilities of accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Page in the annual performance report
Programme 6 – Provincial Offices	55

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for Programme 6 – Provincial offices.

Other matters

15. I draw attention to the matters below.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 6: provincial office. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

Procurement and contract management

19. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1 and paragraph 3.3.1 of Practice Note 8 of 2007/08 .

Other information

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

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
25. The policies and procedures were not adequately monitored to ensure that performance information reported is reliable and that all activities of the public entity comply with supply chain management's related laws and regulations.

Other reports

26. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not

form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

27. The Special Investigating Unit (SIU) is investigating allegations on the registration of contractors at the Construction Industry Development Board (cidb) in terms of a presidential proclamation. The investigation covers alleged actions between 1 January 2006 and 15 April 2016. At the date of the audit report, the SIU was still in the process of investigating these allegations and the cidb had not received the finalised investigations.

Auditor General

31 July 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

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

basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Construction Industry Development Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Statement of financial position

	Note	2021	2020 Restated*
Assets			
Non-current Assets			
Property, plant and equipment	3	96 555 529	8 754 659
Intangible assets	4	31 266 095	33 892 283
		127 821 624	42 646 942
Current Assets			
Receivables from exchange transactions	5	5 663 452	3 958 489
Cash and cash equivalents	6	169 577 691	241 026 468
		175 241 143	244 984 957
Total Assets		303 062 767	287 631 899
Liabilities			
Current Liabilities			
Income received in advance	7	86 378 222	77 082 571
Payables from exchange transactions	9	14 118 432	25 557 622
Employee benefit cost provision	8	5 469 803	6 012 556
		105 966 457	108 652 749
Total Liabilities		105 966 457	108 652 749
Net Assets		197 096 310	178 979 150
Accumulated surplus		197 096 310	178 979 150
Total Net Assets		197 096 310	178 979 150

Statement of financial performance

	Note	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Assessment fees		48 267 500	45 635 550
Other income	12	58 604	32 389
Finance income	13	7 937 135	18 026 412
Total revenue from exchange transactions		56 263 239	63 694 351
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	14	72 442 640	76 160 000
Donation received	15	250 000	229 508
Contractor fines	11	-	559 690
Annual fees		53 898 491	49 217 575
Total revenue from non-exchange transactions		126 591 131	126 166 773
Total revenue	10	182 854 370	189 861 124
Expenditure			
Employee benefit cost	16	(97 355 665)	(89 904 035)
Members' emoluments	17	(3 008 461)	(3 725 800)
Depreciation and amortisation	18	(3 767 488)	(3 095 819)
Finance costs		-	(4 179)
Debt Impairment	19	(391 022)	(291 203)
Loss on assets written off		(507 074)	(299 664)
Operating expenses	20	(59 706 588)	(89 778 612)
Total expenditure		(164 736 298)	(187 099 312)
Surplus for the year		18 118 072	2 761 812

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Statement of changes in net assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	176 480 002	176 480 002
Prior-year adjustments	(262 664)	(262 664)
Balance at 01 April 2019 as restated*	176 217 338	176 217 338
Surplus for the year	2 761 812	2 761 812
Total changes	2 761 812	2 761 812
Restated* balance at 01 April 2020	178 978 238	178 978 238
Surplus for the year	18 118 072	18 118 072
Total changes	18 118 072	18 118 072
Balance at 31 March 2021	197 096 310	197 096 310

Cash flow statement

	Note	2021	2020 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Registers income		109 674 403	103 550 678
Grants received		72 442 640	76 160 000
Finance income		7 937 135	18 026 412
Other receipts		308 604	32 389
		190 362 782	197 769 479
Payments			
Compensation to employees		(97 704 801)	(88 869 625)
Payments to suppliers and others		(74 657 515)	(81 868 219)
		(172 362 316)	(170 737 844)
Net cash flows from operating activities	23	18 000 466	27 031 635
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(89 499 238)	(306 103)
Purchase from sale of property, plant and equipment	3	49 995	
Purchase of other intangible assets			(26 988 502)
Net cash flows from investing activities	4	(89 449 243)	(27 294 605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments – capital		-	(107 332)
Finance lease payments – finance cost		-	(4 180)
Net cash flows from financing activities		-	(111 512)
Net increase in cash and cash equivalents		(71 448 777)	(374 482)
Cash and cash equivalents at the beginning of the year		241 026 468	241 400 950
Cash and cash equivalents at the end of the year	6	169 577 691	241 026 468

*Statement of comparison of budget and actual amounts***Budget on cash basis**

	Approved budget	Adjust- ments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer- ence
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Assessment fees	55 380 900	-	55 380 900	48 267 500	(7 113 400)	34.2
Other income	-	-	-	58 604	58 604	
Finance income	9 285 000	-	9 285 000	7 937 135	(1 347 865)	34.4
Total revenue from exchange transactions	64 665 900	-	64 665 900	56 263 239	(8 402 661)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	76 446 000	-	76 446 000	72 442 640	(4 003 360)	34.3
Donations	-	-	-	250 000	250 000	
Annual fees	53 209 100	-	53 209 100	53 898 491	689 391	34.2
Total revenue from non-exchange transactions	129 655 100	-	129 655 100	126 591 131	(3 063 969)	
Total revenue	194 321 000	-	194 321 000	182 854 370	(11 466 630)	
Expenditure						
Employee benefit cost	(103 708 000)	-	(103 708 000)	(97 355 665)	6 352 335	34.5
Board remuneration	(2 700 000)	-	(2 700 000)	(3 008 461)	(308 461)	
Depreciation and amortisation	-	-	-	(3 767 488)	(3 767 488)	34.6
Debt impairment	-	-	-	(391 022)	(391 022)	34.6
Operating expenses	(77 913 000)	-	(77 913 000)	(59 706 588)	18 206 412	34.7
Total expenditure	(184 321 000)	-	(184 321 000)	(164 229 224)	20 091 776	
Operating surplus	10 000 000	-	10 000 000	2 435 761	8 625 146	
Loss on assets written off	-	-	-	(507 074)	(507 074)	34.6
Surplus of the year	10 000 000	-	10 000 000	18 118 072	8 118 072	
Capital expenditure	10 000 000	-	10 000 000	89 499 238	79 499 238	34.8
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	-	-	(71 381 166)	(71 381 166)	
Reconciliation						
Basis difference						
Net operating activities				(18 000 466)		
Net investing activities				89 449 243		
Actual amount in the statement of financial performance				67 611		



Accounting Policies

1. Presentation of annual financial statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the cidb.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the

annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. Significant judgments include:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures and judgments made of the estimates are included in note 8 – Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Debtors where status has been modified to cancelled, de-registered, expired, inactive or suspended are considered impaired and are provided for accordingly.

Accounting by principals and agent

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

Additional information is disclosed in note 35.

1.5 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when: it is probable that future economic benefits or service potential associated with the item will flow to the cidb; and the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

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

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

Furniture and fixtures	Straight-line	3 to 20 years
Motor vehicles	Straight-line	8 years
Office equipment	Straight-line	3 to 20 years
Computer equipment	Straight-line	3 to 18 years

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

The cidb separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

The cidb discloses relevant information relating to assets that are not ready for use at reporting date, in the notes to the financial statements (see note 3).

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the cidb; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	1 to 20 Years

The cidb discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

Financial instruments carried in the statement of financial position include cash and bank balances, trade and other receivables, trade and other payables. These instruments are carried at their amortised cost. Interest income is recognised by applying the effective interest rate.

Financial assets are assessed for impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

1.8 Tax

The cidb is a Schedule 3, Part A public entity and is therefore exempt from income tax.

1.9 Leases

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

Operating leases – lessee

The cidb has entered into a 36-month lease agreement through a National Treasury RT3-2018 contract as a participant. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability, if any.

1.10 Commitments

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

1.11 Employee benefits

Short-term employee benefits

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance-related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The cidb recognises the expected cost of bonus, incentive and performance-related payments when the cidb presents legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the cidb pays fixed contributions into a separate entity that administers the fund. The cidb has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Payments to a defined contribution plan are charged as an expense as they fall due. The cidb currently contributes towards the insurance portion of the fund on behalf of its employees. The insurance contributed by the cidb covers guaranteed benefits on disability and death.

Provident fund

The cidb operates a provident fund on behalf of its employees. The provident fund is administered by a single pension fund that is legally separated from the cidb. The cidb has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all eligible employees the benefits. Membership of the provident fund is compulsory for all employees who joined the cidb after 01 September 2010 and optional for all employees who joined the cidb before the said date. The cidb employee benefits structure is on the basic salary plus benefits for bargaining unit employees. The non-bargaining unit employees benefits structure is on total cost to company.

The cidb contributes 7.5% of the annual basic salary towards the provident fund for employees within the bargaining unit and does not directly contribute towards the provident fund for the non-bargaining unit employees who are members of the fund. However all employees are required to contribute towards the provident fund irrespective of the unit they fall under.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.13 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Assessment income

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

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

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions takes the form of grants from the Department of Public Works and Infrastructure and annual fees from contractors. It is received and raised as revenue on receipt.

Measurement

Revenue from a non-exchange transaction is measured at the fair value of the consideration received or receivable by the cidb.

When, as a result of a non-exchange transaction, the cidb recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the cidb.

1.15 Expenditure

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

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

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- a) the PFMA;
- b) the State Tender Board Act, 1968 or any regulations made in terms of the Act;
- c) any provincial legislation providing for procurement procedures in that provincial government; or
- d) National Treasury Practice Note 2 of 2019/20, which was issued in terms of sections 76(1) to 76(4) of the PFMA effective from 01 April 2019 and Irregular Expenditure Framework.

Irregular expenditure that was incurred and identified during the current financial year and that was condoned before year end and/or before finalisation of the annual financial statements for the year ended 31 March 2021 must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required, with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is condoned only in the following

financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and that was not condoned by National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/ expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Segment information - entity wide disclosure

The cidb operates within all South African provinces through its nine provincial offices, with Gauteng provincial office sharing the same office space with the head office.

Up until 2019/2020, the provinces have been regarded as service centres where the applications would be received for processing at the head office. Consequently, the province's activities were considered not to be significant for decision-making, and there was no budget appropriation specific for provincial offices.

The cidb management does not review the results of the provincial offices to make decisions about resources to be allocated or assess each provincial performance for decision-making purposes, and the geographical locations are meant only to ensure the geographical footprint of the cidb. Further, no separate financial information is accurately available, which presentation will not distort the usefulness of the financial information presented.

The Standard on Segmental Reporting (GRAP 18) requires an entity to disclose, where information is available without incurring high costs of disclosure, specified information relating to those said geographical areas as follows:

- (a) external revenues from non-exchange transactions and external revenues from exchange transactions attributed to the geographical areas in which it operates;
- (b) total expenditure attributed to the geographical areas; and

(c) non-current assets other than financial instruments, deferred tax assets (where applicable), post-employment benefit assets, and rights arising under insurance contracts for the geographical areas.

The entity-wide disclosure is not, therefore, practical at this point as this activity is new. However, a reporting tool will be developed for the next financial year through systems development and internal processes going forward.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

1.21 Budget information

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

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

The approved budget covers the fiscal period from 2020/04/01 to 2021/03/31.

1.22 Related parties

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

1.23 Events after reporting date

The cidb will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The cidb will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the annual financial statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the cidb did not adopt any standards and interpretations that are effective for the current financial year as they are not relevant to its operation.

2.2 Standards and interpretations issued, but not yet effective

The cidb has considered all standards and interpretations, which have been published and are mandatory for the cidb's accounting periods beginning on or after 01 April 2021 or later periods, and applied those relevant..

3. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	88 693 346	-	88 693 346	-	-	-
Furniture and fixtures	6 411 100	(4 655 323)	1 755 777	6 415 032	(4 351 339)	2 063 693
Motor vehicles	180 775	(154 563)	26 212	180 775	(146 428)	34 347
Office equipment	3 628 796	(2 611 245)	1 017 551	3 705 972	(2 461 301)	1 244 671
IT equipment	10 271 069	(5 208 426)	5 062 643	10 142 505	(4 730 557)	5 411 948
Total	109 185 086	(12 629 557)	96 555 529	20 444 284	(11 689 625)	8 754 659

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Disposals	Depreciation	TOTAL
Land and buildings	-	88 693 346	-	-	88 693 346
Furniture and fixtures	2 063 693	-	(787)	(307 129)	1 755 777
Motor vehicles	34 347	-	-	(8 135)	26 212
Office equipment	1 244 671	18 499	(25 451)	(220 168)	1 017 551
IT equipment	5 411 948	787 393	(213 437)	(923 261)	5 062 643
Total	8 754 659	89 499 238	(239 675)	(1 458 693)	96 555 529

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Depreciation	TOTAL
Furniture and fixtures	2 437 579	201 725	(247 786)	(327 825)	2 063 693
Motor vehicles	42 482	-	-	(8 135)	34 347
Office equipment	1 499 084	104 376	(48 360)	(310 429)	1 244 671
IT equipment	6 308 399	-	(3 516)	(892 935)	5 411 948
Total	10 287 544	306 101	(299 662)	(1 539 324)	8 754 659

Pledged as security

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

Compensation received for losses on property, plant and equipment – included in operating profit.

IT equipment	49 995	-
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Details of properties

Erf 52 Verwoerdburgstad Township

The cidb purchased a property in Centurion in June 2020 subject to a fit-out agreement before it could be ready for management's intended use. At the reporting date the refurbishments were still work in progress.

- Purchase price: 9 June 2020		78 340 598	-
Additions since purchase – fit out	6 308 399	10 352 748	-
		88 693 346	-

Reconciliation of work-in-progress 2021

	Included within land and buildings	TOTAL
Additions/capital expenditure	88 693 346	88 693 346

Expenditure incurred to repair and maintain property, plant and equipment

There was no repairs and maintenance expenditure incurred during the year towards property, plant and equipment.

4. Intangible assets

	2020			2019		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	23 955 030	(2 744 606)	21 210 424	11 434 336	(9 227 349)	2 206 987
Intangible assets under development	10 055 671	-	10 055 671	31 685 296	-	31 685 296
Total	34 010 701	(2 744 606)	31 266 095	43 119 632	(9 227 349)	33 892 283

Reconciliation of intangible assets – 2021

	Opening balance	Disposals	Transfers	Amortisation	TOTAL
Computer software	2 206 987	(317 394)	21 629 625	(2 308 794)	21 210 424
Intangible assets under development	31 685 296	-	(21 629 625)	-	10 055 671
	33 892 283	(317 394)	-	(2 308 794)	31 266 095

4. Intangible assets

	Opening balance	Additions	Adjustment	Amortisation	TOTAL
Computer software	3 170 352	475 000	118 129	(1 556 494)	2 206 987
Intangible assets under development	5 171 794	26 513 502	-	-	31 685 296
	8 342 146	26 988 502	118 129	(1 556 494)	33 892 283

Pledged as security

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

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of intangible assets

Computer software	10 055 671	31 685 296
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Intangible assets under development relate to the computer software development costs incurred towards the development of a new system. The development started in 2019 and it was still underway at the reporting date.

5. Receivables from exchange transactions

Trade debtors	1 327 822	2 490 911
Prepayments	4 191 753	1 256 987
Other debtors	143 877	210 591
	5 663 452	3 958 489

Trade and other receivables impaired

As of 31 March 2021, trade and other receivables of R1 327 822 (2020: R2 490 911) were impaired and provided for. The amount of the provision was R485 891 as of 31 March 2021 (2020: R331 805).

Provision for bad debt has been determined by reference to the cidb's policy of debt management, past default experience and the current environment. The cidb considers the carrying amount of receivables to approximate their fair value.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(331 805)	(529 815)
Provision for impairment	(190 383)	(331 805)
Amounts written off as uncollectable	36 297	529 815
	(485 891)	(331 805)

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	39 856	34 361
Bank balances	5 281 268	2 663 242
Other cash and cash equivalents	164 256 567	238 328 865
	169 577 691	241 026 468
Cash and cash equivalents held by the entity that are not available for use by the economic entity	3 764 031	2 248 997

The cidb entered into an administrative agreement with the Jobs Fund, an agency of National Treasury where the cidb is administering and monitoring the implementation of the JF8 - 1709 Construction Industry SME Development Project. An amount of R3 764 031 (2020: R2 248 997) is at the bank as at the end of the reporting period, ring-fenced for exclusive use for the project.

7. Income received in advance

	-	
Income received in advance	-	77 082 571

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

8. Employee benefit cost provision

Reconciliation of employee benefit cost provision – 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for long service	10 500	-	-	(10 500)	-
Provision for leave	4 046 083	7 330 509	(5 906 789)	-	5 469 803
Provision for performance bonus	1 955 973	-	(1 759 129)	(196 844)	-
	6 012 556	7 330 509	(7 665 918)	(207 344)	5 469 803

Reconciliation of employee benefit cost provision – 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for long service	9 000	10 500	(9 001)	1	10 500
Provision for leave	3 179 165	6 959 171	(6 092 253)	-	4 046 083
Provision for performance bonus	1 948 216	1 955 973	(1 948 215)	(1)	1 955 973
	5 136 381	8 925 644	(8 049 469)	-	6 012 556

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

Long-service awards are provided to employees who achieve certain predetermined milestones of service within the cidb. The liability for long-service is calculated at a predetermined rate for all qualifying employees in respective categories. From this financial year, the long-service liability as at reporting date has been accrued for and included in payroll liabilities in note 9.

The best estimate of the long service provision could not be determined and the correction for the comparative year will not be adjusted as the transaction is considered not material.

9. Payables from exchange transactions

Trade payables	4 044 997	13 659 958
Jobs Fund payable	3 764 031	2 248 997
Unallocated deposits	3 797 559	5 927 199
Trade accruals	849 656	2 205 396
Payroll liabilities	1 662 189	1 516 072
	14 118 432	25 557 622

10. Revenue

Assessment fees	48 267 500	45 635 550
Other income	58 604	32 389
Interest received – investment	7 937 135	18 026 412
Government grants and subsidies	72 442 640	76 160 000
Donations received	250 000	229 508
Contractor fines	-	559 690
Annual fees	53 898 491	49 217 575
	182 854 370	189 861 124

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

Assessment fees	48 267 500	45 635 550
Other income	58 604	32 389
Interest received – investment	7 937 135	18 026 412
	56 263 239	63 694 351

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

Taxation revenue

Transfer revenue

Government grants and subsidies	72 442 640	76 160 000
Donations	250 000	229 508
Contractor fines	-	559 690
Annual fees	53 898 491	49 217 575
	126 591 131	126 166 773

11. Contractor fines

Contractor fines	-	559 690
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Contractor fines are levied on contractors registered with the cidb for breaching applicable laws, regulations and code of conduct.

12. Other income

Other income	58 604	32 389
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Other income for 2020/2021 refers to the amounts spent and realised into income from the Jobs Fund liability as and when the condition of the fund is met by the cidb.

13. Investment revenue

Interest revenue

Bank	7 937 135	18 026 412
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The amount included in investment revenue arising from exchange transactions amounted to R7 937 135.

14. Government grants and subsidies

Operating grants

Government grant	72 442 640	76 160 000
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15. Donations

Donations	250 000	229 508
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Donations for 2020/2021 refers to the R250 000 cash received from the Department of Public Works and Infrastructure to sponsor the ERWIC awards for the year. For 2019/2020 the cidb received donations of office equipment, furniture and fixtures of R229 508 from Northern Cape Department of Roads and Public Works

16. Employee Related Costs

Basic	77 172 243	68 157 620
Bonus	(196 844)	1 834 956
Medical aid – company contributions	1 545 997	1 392 655
Unemployment Insurance Fund	291 947	295 399
Other payroll levies	389 588	367 299
Leave pay provision charge	1 738 825	1 103 710
Defined contribution plans	7 294 942	6 357 795
Long-service awards	83 000	25 500
Housing benefits and allowances	953 028	389 500
	89 272 726	79 924 434

Remuneration of executive directors

Annual Remuneration	7 640 202	8 900 707
Other allowances	241 718	558 553
Performance bonuses	201 019	520 341
	8 082 939	9 979 601

17. Members' remuneration

Members' emoluments	3 008 461	3 725 800
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18. Depreciation and amortisation

Property, plant and equipment	1 458 693	1 539 324
Intangible assets	2 308 795	1 556 495
	3 767 488	3 095 819

19. Debt impairment

Debt impairment	391 022	291 203
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20. Operational expenses

Advertising	5 602 643	1 789 398
Auditors' remuneration	3 377 079	2 336 673
Bank charges	417 615	689 056
Cleaning	1 099 144	712 019
Consulting and professional fees	16 854 021	38 045 050
Consumables	1 210 183	186 436
Rentals	9 204 656	8 836 246
Insurance	461 328	483 614
IT expenses	7 309 094	12 819 016
Motor vehicle expenses	12 749	21 707
Placement fees	283 786	201 415
Postage and courier	124 813	163 624
Printing and stationery	705 992	1 890 453
Repairs and maintenance	72 397	172 417
Security	1 838 769	1 287 936
Subscriptions and membership fees	242 050	451 145
Telephone and fax	4 034 357	5 471 073
Training and welfare	1 207 687	722 820
Travel – local	960 403	6 483 301
Travel – overseas	17 290	1 587 351
Electricity	3 602 297	1 939 858
Storage fees	524 949	598 199
Board expenses	299 236	66 080
Sponsorships	53 564	589 503
Venue expenses	190 486	2 234 222
	59 706 588	89 778 612

21 Auditors' remuneration

External audit	2 632 143	1 520 828
Internal audit	744 936	815 845
	3 377 079	2 336 673

22. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	507 074	299 664
Amortisation on intangible assets	2 308 795	1 556 495
Depreciation on property, plant and equipment	1 458 693	1 539 324
Employee costs	97 355 665	89 904 035

23. Cash generated from operations

Surplus	18 118 072	2 761 812
Adjustments for:		
Depreciation and amortisation	3 767 488	3 095 819
Loss on sale of assets and liabilities	507 074	299 664
Finance costs – finance leases	-	4 179
Debt impairment	391 022	291 203
Movements in provisions	(542 753)	876 175
Changes in working capital:		
Receivables from exchange transactions	(1 704 963)	4 551
Consumer debtors	(391 022)	(291 203)
Payables from exchange transactions	(11 439 191)	12 055 044
Income received in advance	9 294 739	7 934 391
	18 000 466	27 031 635

24. Financial instruments disclosure

Categories of financial instruments

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 471 699	1 471 699
Cash and cash equivalents	169 579 990	169 579 990
2020	171 051 689	171 051 689

Financial liabilities

	At amortised cost	Total
Trade and other receivables from exchange transactions	17 381 426	17 381 426

Gains and losses from financial instruments

2021

	At amortised cost	Total
Interest income from financial instruments	7 937 135	7 937 135

2020

	At amortised cost	Total
Interest income from financial instruments	18 026 412	18 026 412
Interest expense from financial instruments	(4 179)	(4 179)
	18 022 233	18 022 233

25. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment	4 647 251	-
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Total capital commitments

Already contracted for but not provided for	4 647 251	-
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Authorised operational expenditure

Already contracted for but not provided for

Operational expenditure	36 271 734	43 498 895
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Total operational commitments

Already contracted for but not provided for	36 271 734	43 498 895
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Operating leases – as lessee (expense)

Minimum lease payments due

– within one year	1 376 647	825 861
– in second to fifth year inclusive	985 644	134 550
	2 362 291	960 411

Operating lease payments represent rentals payable by the cidb for its office printers. Leases are negotiated for an average term of three years and rentals are fixed for three years. No contingent rent is payable.

Head office, Mpumalanga and Free State offices leases were on month-to-month basis at year end.

26. Contingencies

The cidb is in a dispute with a former employee who alleges that the cidb dismissed him unfairly. The matter is currently at Council for Conciliation, Mediation and Arbitration. The outcome is unknown at this stage.

The cidb has a cash surplus of R69 274 686 (2020: R136 332 208) classified as contingent liability as at 31 March 2021 as there is no approval to retain it yet. In terms of PFMA Section 53(3) entities are not allowed to accumulate cash surpluses unless approved by National Treasury. The cidb is obliged to repay to National Treasury any amount of the surplus not approved for retention. The cidb is currently in engagements with National Treasury regarding this surplus. The surplus below is either committed or earmarked for certain projects and is calculated as follows:

Retention of surplus

Cash and cash equivalents for the year	169 577 691	241 026 468
Add: Receivables	5 663 452	3 958 489
Less: Current liabilities	(105 966 457)	(108 652 749)
	69 274 686	136 332 208

27. Related parties

Relationships

Parent department	DPWI	By virtue of the cidb being a national public entity under control of DPWI, it is considered to be connected to all entities under DPWI control.
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Related-party balances

Amounts included in trade receivable (trade payable) regarding related parties

Mpumalanga Department of Public Works, Roads and Transport	-	(386 485)
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In the previous financial year, the cidb was in a rental agreement with the Mpumalanga Department of Public Works, Roads and Transport, whereby the cidb reimbursed the department monthly rental incurred for office accommodation. The arrangement has since ended and the cidb has found alternative accommodation.

Related-party transactions

Grants and any other income received from related parties

Department of Public Works and Infrastructure	(72 692 640)	(76 160 000)
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Rent paid to related parties

Mpumalanga Department of Public Works, Roads and Transport	54 708	318 272
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28. Key management remuneration

Members' emoluments for the Board in respect of all meetings and activities, which excludes reimbursed travel expenses, subsistence and cellphone allowance amounted to a total of R3 008 461 (2020: R3 725 800).

Board meetings include:

Statutory meetings, all pre-scheduled Board/Exco and committee meetings for the year, this includes Board induction and strategic planning meetings
All provincial stakeholder liaison meetings
All NSF meetings

Committee meetings include:

All board committee meetings for the year

Other Activities include:

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

Retainer:

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

Executive

2021

	Salary	Acting allowance	Performance bonus	Other allowances	Total
Gamede C (CEO)	2 887 427	-	-	24 000	2 911 427
Raphiri R (Acting COO)	1 170 480	169 718	87 513	12 000	1 439 711
Nsibande S (CFO)	1 891 058	-	113 506	18 000	2 022 564
Naka E (CIO)	1 691 238	-	-	18 000	1 709 238
	7 640 203	169 718	201 019	72 000	8 082 940

2020

	Salary	Acting allowance	Performance bonus	Total
Total emoluments – executive management	8 900 708	558 552	520 341	2 911 427

*Non-executive***2021**

	Board meetings	Committees meetings	Other activities	Retainer	Total
Nonkululeko Sindane	27 053	8 324	8 675	55 935	99 987
Mboniseni Dlamini	63 886	41 205	9 022	119 007	233 120
Danny Masimene	66 920	102 277	29 516	104 436	303 149
Eric Manchidi	66 919	45 337	24 025	104 436	240 717
Bongekile Zulu	64 760	68 539	35 365	104 436	273 100
Mpendulo Ndlazi	53 968	59 369	26 995	104 436	244 768
Thuthuka Songelwa	50 189	80 689	19 710	104 436	255 024
Dr Natalie Skeepers	66 604	81 413	37 406	114 372	299 795
Sipho Mosai	29 142	36 699	2 700	104 436	172 977
Kennedy Maimela	58 824	51 278	36 171	104 436	250 709
Malebo Matolong	39 537	32 382	10 530	104 436	186 885
Lufuno Nevhutalu	53 969	50 456	24 834	104 436	233 695
Denzel Maduray	37 778	41 827	13 226	104 436	197 267
Nombulelo Tyandela (Independent Audit, Risk and Governance Committee Chair)	17 268	-	-	-	17 268
	696 817	699 795	278 175	1 333 674	3 008 461

2020

	Members' fees	Committees fees	Other Activities	Retainer	Total
Total emoluments – executive management	469 446	1 239 875	619 511	1 396 968	3 725 800

29. Prior-year adjustments

Presented below are items contained in the statement of financial position and statement of financial performance. They were as a result of the following:

- a) Travel credit notes relating to invoices that were disputed in the prior year and were resolved and issued only in the current year. They resulted in a decrease of travel expenditure, decrease in professional fees of R589 and a decrease in payables by R73 196
- b) VAT for imported services for prior years declared and paid in the current year – resulted in an increase in payables and a decrease in accumulated surplus of R262 664
- c) The group life contributions liability was erroneously expensed. The adjustment resulted in a decrease in employee costs and a decrease in payables from exchange transactions of R94 490
- d) An invoice for professional services was not accounted for in the correct financial year and this resulted in an increase in professional services fees and an increase in payables from exchange transactions for R21 354
- e) The registration fee was under-recovered by R19 380. This resulted in an increase in revenue and decrease in payables from exchange transactions
- f) Bank charges for the Jobs Fund were not processed leading to an increase in operational expenditure and an increase in other income of R911
- g) The income received in advance was removed from the financial instruments as it does not meet the requirements of the financial instruments
- h) Assets invoice was incorrectly expensed instead of capitalisation – the correction will result in increase in intangible assets and a decrease in operational expenditure by R460 000.

Statement of financial position
2020

	Note	As previously reported	Correction of error	Restated
Payables from exchange transaction		(25 460 670)	(96 952)	(25 557 622)
Accumulated surplus (opening balance)		(176 480 002)	262 664	(176 217 338)
Intangible assets		31 225 296	460 000	31 685 296
		(170 715 376)	625 712	(170 089 664)

Statement of financial performance
2020

	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions		189 840 833	20 291	189 861 124
Employee benefits costs		(89 998 525)	94 490	(89 904 035)
Operating expenditure		(90 289 546)	510 934	(89 778 612)
Finance costs		(4 179)	-	(4 179)
Depreciation and amortisation		(3 095 819)	-	(3 095 819)
Members' emoluments		(3 725 800)	-	(3 725 800)
Loss on assets written off		(299 664)	-	(299 664)
Debt impairment		(291 203)	-	(291 203)
Surplus for the year		2 136 097	625 715	2 761 812

30. Risk management

Liquidity risk

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

At 31 March 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	6 691 270	-	-	-

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	17 381 426	-	-	--

Credit risk

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

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.

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

Financial instrument	2021	2020
Cash and cash equivalents	169 579 990	241 026 468
Trade and other receivables	1 399 979	2 701 508
Trade and other payables	6 691 270	17 381 426

Aging of financial assets

The following table provide information regarding the credit quality of financial assets that may expose the cidb to credit risk.

2021	Neither past due nor impaired	Past due but not impaired – fewer than two months	Past due but not impaired – more than two months	Carrying value
Cash and cash equivalents	169 567 990	-	-	169 567 990
Trade and other receivables	337 438	398 598	663 943	-
	169 905 428	398 598	663 943	170 967 969

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

Interest rate risk

The cidb is exposed to interest rate changes in respect of returns on its investments with financial institutions. The cidb's interest rate profile consists of fixed and floating rate bank balances, which expose the cidb to fair value interest rate risk and cash flow interest rate risk. The cidb's exposure is managed by investing in current accounts, call accounts and short-term maturity accounts with credible financial institutions.

Interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	1% - 4 %	169 579 990	-	-	-	-

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

31. Events after the reporting date

There were no significant adjustments after the reporting date.

32. Fruitless and wasteful expenditure

Opening balance as previously reported	26 266	-
Opening balance as restated	26 266	-
Add: Expenditure identified – prior period	-	26 266
Closing balance	26 266	26 266

VAT

Fruitless and wasteful expenditure identified this year relates to financial years between 2016/17 and 2018/19 and is as a result of penalty incurred due to late VAT payment. The cidb is not a VAT vendor in terms of the Value Added Tax Act. The cidb sometimes imports ICT-related services and for some time the the South African Revenue Service (SARS) did not have the seamless process/systems of declaring such expenditures for non-VAT vendors. Unfortunately by the time the systems were developed and guidance provided by SARS, cidb had already incurred the penalties amounting to R26 266.

Expenditure identified in the current year includes those listed below:

Disciplinary steps taken/criminal proceedings

Operational expenditure (VAT)	241 026 467	-	26 266
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33. Irregular expenditure

Opening balance as previously reported	-	1 010 046
Opening balance as restated		1 010 046
Add: Irregular expenditure – current	123 875	-
Less: Amount written off	-	(1 010 046)
Closing balance	123 875	-

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Competitive bidding process not followed	Still at the determination stage	123 875

Cases under investigation

A possible irregular expenditure amounting to R1 161 777 was identified during the audit and is currently being investigated by management.

34. Budget differences

Material differences between budget and actual amounts

- 34.1) The cidb budget is approved on accrual basis by functional classification. The approved budget covers the period from 01 April 2020 to 31 March 2021. The revenue collected exceeded the expenditure incurred, resulting in a net surplus of R18 118 072. For the purpose of this note, only differences above R1 million will be explained.
- 34.2) Annual fees and assessment fees were undercollected by R10 million due to the negative effect posed by Covid-19.
- 34.3) The transfers and subsidies were undercollected due to the revenue foregone to contribute towards other government priorities that emerged due to Covid-19.
- 34.4) Finance income was under-achieved by the R1.3 million due to reduced interest rates and the significant reduction in cash surpluses held by the cidb for investment purposes. Some of the funds were utilised to purchase property this year.
- 34.5) Employee costs were underspent due to some of the key positions not filled for the part of the year.
- 34.6) Depreciation and amortisation, debt impairment and loss on sale of assets do not have budgets allocated to them because they are non-cash items.
- 34.7) Operating expenditure underspent by R18 million because of savings that were realised on IT expenditure, professional fees and travel expenditure during the year.
- 34.8) Capital expenditure of R10 000 000 not spent this financial year as this was budgeted for the furniture for the new property. As at year end, the property was still being refurbished, it was impractical to purchase the furniture during the financial year under review. This activity has been postponed to 2021/2022 financial year. The overspending of R89 million was as a result of the property, plant and equipment purchased during the year from the approved surpluses of the previous year.
- 34.9) After considering the restated opening accumulated surplus of R178 518 238, this resulted in an increase in the accumulated surplus to R197 096 310 at the end of the financial year.

35. Accounting by principals and agents

The entity is a party to a principal-agent arrangement

Details of the arrangement are as follows:

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

Entity as agent

Resources held on behalf of the principal, but recognised in the entity's own financial statements. The cash resource amounting to R3 764 031 (2020: R2 248 997) is held as at the reporting date. It is ring-fenced and held exclusively for the project. This is expected to be realised within the next 12 months as the requirements of the project are being met.

Revenue recognised

Revenue to the value of R58 604 together with the corresponding expenditure was realised this financial year from the monitoring work facilitated by the cidb for the Jobs Fund.

Liabilities and corresponding rights of reimbursement recognised as assets

A payable amounting to R3 764 031 (2020: R2 248 997) was held as at the reporting date. It represents the funds held by the cidb still awaiting the fulfillment of the agreement. They are expected to be settled within the next 12 months as the requirements of the agreement are being met.

36. BBBEE performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled 'BBBEE compliance performance information'.



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