ANNUAL REPORT

2021/2022

cidb

Construction Industry Development Board

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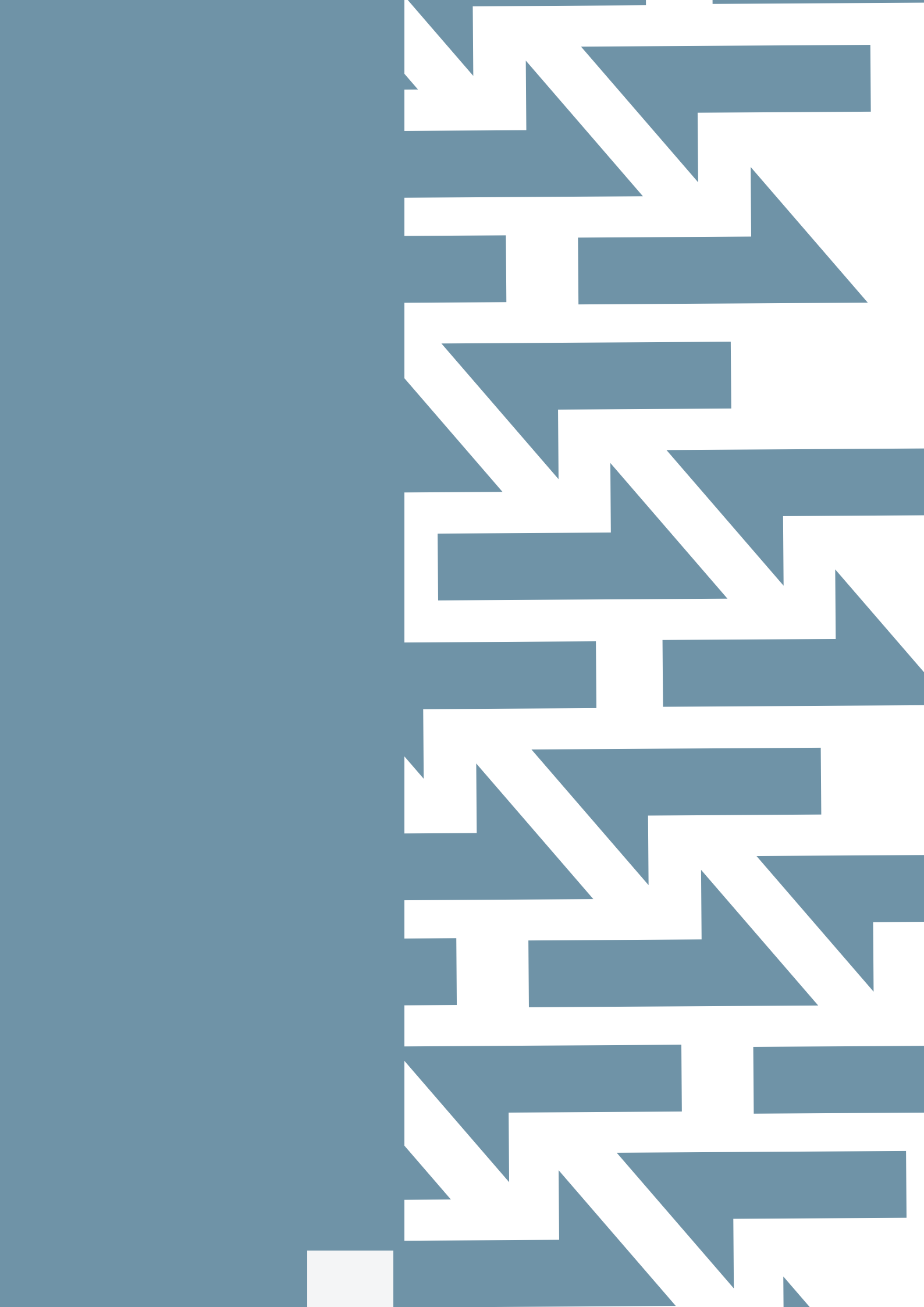


ACRONYMS

AGSA	Auditor-General of South Africa
BBBEE	Broad-based black economic empowerment
CCSO	Chief Corporate Services Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
cidb	Construction Industry Development Board
CIO	Chief Information Officer
CIRP	Construction Industry Recovery Plan
COO	Chief Operating Officer
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
NIP	National Infrastructure Plan
NSF	National Stakeholder Forum
PFMA	Public Finance Management Act
RoC	Register of Contractors
RoP	Register of Projects
SMEs	Small and medium enterprises
SIU	Special Investigating Unit
TVET	Technical and Vocational Education and Training

MINISTER'S FOREWORD

With the tremendous challenges facing our economy and requiring an urgent and appropriate response, the importance of the Construction Industry Development Board (cidb) cannot be overemphasised.

Infrastructure is a catalyst for economic health, thus the organisation is crucial to the fulfilment of the industry's transformation and development goals.

> “I am supremely confident in the ability of the new Board to take the cidb forward and in the cidb team to take its lead from Board members and robustly drive the contribution of the organisation to economic growth and the effort to address poverty, unemployment and inequality. ”

With the tremendous challenges facing our economy and requiring an urgent and appropriate response, the importance of the Construction Industry Development Board (cidb) cannot be overemphasised. Infrastructure is a catalyst for economic health, thus the organisation is crucial to the fulfilment of the industry's transformation and development goals.

During the year, the cidb partnered with us to advance the Construction Industry Recovery Plan (CIRP), the Department of Public Works and Infrastructure (DPWI) response to the current depressed state of the sector, but which recognises its undoubted ability to rebound with the resilience and steadfastness that have become synonymous with South Africa.

The plan covers the entire infrastructure delivery and maintenance value chain, and will promote tangible interventions across government and the private sector to improve project rollout, delivery, transformation, labour absorption and skills.

By the end of the fourth quarter of the 2021 calendar year, South Africa's unemployment rate stood at 35.3% from the 34.9% of the third quarter, with youth unemployment at 65.5%. In the same period, construction shed 25 000 jobs. In decline for five years, the industry's contribution to gross domestic product has now dropped by 24.3%.

In offering solutions to these problems, CIRP complements other government interventions, such as the Economic Reconstruction and Recovery Plan and the National Infrastructure Plan (NIP). It will involve multiple stakeholders in stimulating construction industry activity from the 2022/23 year until 2027/28, with a second phase from 2027/28 to 2032/33. Our CIRP priority list is short, but powerful, and covers key imperatives including transformation, capacity building and the green economy.

During the year, I held further productive sessions with the members of the cidb National Stakeholder Forum, a key mandated structure that explores issues affecting the performance of the industry and advises the Ministry and the cidb Board on possible resolutions and ways forward.

The cidb has drawn up a very detailed action plan to achieve its short-term goals and I have entreated the team to follow the goals assiduously and adhere to strict deadlines to strengthen the regulatory environment and provide a policy and capacity foundation more conducive to accelerating the pace of transformation and development.

I am supremely confident in the ability of the new Board to take the cidb forward and in the cidb team to take its lead from Board members and robustly drive the contribution of the organisation to economic growth and the effort to address poverty, unemployment and inequality.

Anyone who is aligned to or has encountered the DPWI will know the priority I attach to preparation. Many of the cancelled, delayed and over-budget or failed projects that are commonplace in the sector would be avoided with proper preparation.

This essential first step de-risks projects so that they go according to plan. In line with the Infrastructure Investment Plan, we are doing infrastructure delivery differently today. No project must start until the preparation process is complete.

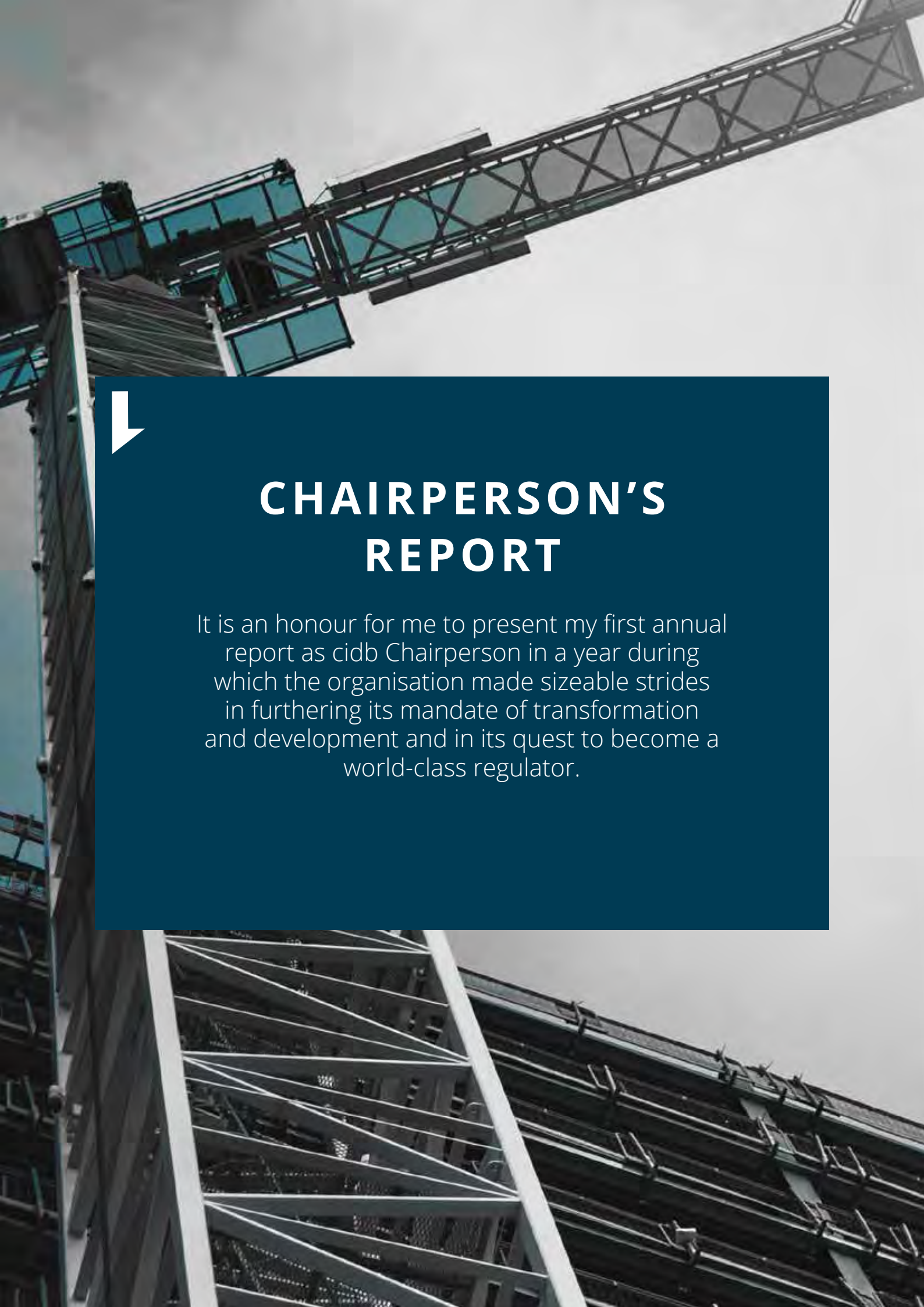
I will continue to promote the importance of adequate project preparation in my dealings with the cidb, the National Stakeholder Forum and the sector, knowing that the cidb's client capacitation programme will reinforce the message at every turn and provide government entities, municipalities and state entities with the tools to ensure effective implementation.

Then we can truly get down to the business at hand; the business that will elevate the industry and economy to the heights of which we know it is capable. And that business is implementation, implementation, implementation.

P. de Lille

Patricia de Lille

Minister of Public Works and Infrastructure



CHAIRPERSON'S REPORT

It is an honour for me to present my first annual report as cidb Chairperson in a year during which the organisation made sizeable strides in furthering its mandate of transformation and development and in its quest to become a world-class regulator.

> “I’m proud to head an accounting and accountable authority whose primary role is to provide insight and guidance on strategies and priorities. Ours is a medley of skills that cannot but make the Board effective in this role.”

To say the financial year was challenging would be a euphemism. Coming into the year, Covid-19 was still exacting its wrath across the world, and did not leave the cidb unscathed, claiming the then-still new Chief Executive Officer (CEO), Cyril Gamede, just as he was putting his stamp on the organisation.

The country also had to contend with the devastation of the July 2021 riots, which will go down as a most unfortunate episode in our recent history, but one that it has been agreed could have been handled more competently and promptly to contain the impact, particularly on small businesses and society’s most vulnerable citizens.

New Board

In appointing the new Board in December 2021, Minister of Public Works and Infrastructure Patricia de Lille considered carefully the type of oversight that would take the organisation through the final three years of its five-year strategic plan and the mix of skills that would provide it.

I am proud to head an accounting and accountable authority whose primary role is to provide insight and guidance on strategies and priorities. Ours is a medley of skills that cannot but make the Board effective in this role. Municipal, financial, risk, strategy, law, compliance and entrepreneurial expertise combine to advance areas most crucial to the cidb’s greater success. More than half the Board are business founders and owners with an intimate knowledge of the issues facing entrepreneurs, start-up enterprises and established companies, all of which are in the cidb service scope.

The Minister’s views on transformation are well known and these, too, are reflected in our composition, with eight of the 13 Board members being women of considerable knowledge and influence in their spheres. Four individuals are returning members, who bring invaluable organisational knowledge, will contribute context to agenda issues and will ensure continuity of efforts in areas identified for scrutiny.

The Board endorses the five pillars adopted by the organisation to dovetail with government plans and National Development Plan outcomes and against which its action plans are structured. These are:

- Transforming the industry by increasing ownership and participation of black- and woman-owned contractors and involvement of youth
- Development by providing mechanisms and support for enterprises to be competitive and sustainable, and to deliver value for money
- Regulating the industry in the public interest to ensure a fair, inclusive, ethical, transformed, enabling and reputable construction environment
- Capacitating client departments to increase infrastructure budget to stimulate economic growth
- Establishing the cidb as an effective, efficient and appropriately structured, well-governed and sustainable institution

Board matters

The cidb remains financially sound. There were also no audit findings on the performance information in 2021/2022.

At our first Board meeting on 27 January 2022, the new members, in particular, acquainted themselves with the issues currently occupying the organisation’s thoughts and plans.

We took particular interest in areas identified as needing keen oversight to ensure that challenges would be addressed and sticking points overcome.

Accordingly, we will keep a watchful oversight eye on the Register of Contractors (RoC), with the enhancements that are being introduced to safeguard its integrity. The RoC, with the Register of Projects (RoP), form the backbone of the cidb’s regulatory process and must, through our attention and vigilance, remain our most effective tools for transformation and development, as envisaged when the CIDB Act was promulgated in 2000.

The Covid-19 pandemic has driven the use of technology

CHAIRPERSON'S REPORT CONTINUED

to do business better, and the cidb is on its own digitalisation journey. It has already achieved early milestones in automating registration at Grade 1, which has eased the administrative burden on contractors and clients and helped to remove the red tape that frustrates businesses wishing to concentrate on contracts rather than paperwork.

Progress in this area is encouraging and will be monitored.

The B.U.I.L.D Programme is particularly exciting as it will bring the private sector under the cidb's transformation and development wing to ensure effective sector-wide change.

In its first phase, which came into force during the review year, enterprise development and skills development became mandatory on all construction projects above prescribed thresholds, including the strategic integrated projects. By channelling a percentage of the value of each project into a development fund, the programme will capacitate emerging contractors and create experiential learning opportunities for those in and wishing to enter the industry.

B.U.I.L.D holds great promise for the industry and we will be keeping it firmly in our sights, as will the Minister, who established the programme through Government Notice of 18 September 2020 to enhance the cidb's leadership role.

Mandate-bolstering review

The world changes constantly, just as sure as the earth spins on its axis, and legislation and regulations cannot afford to stand still as they will just encumber progress. Amendment of the CIDB Act (38 of 2000) to better align with the 21st century business environment and demands of the sector is well underway, with the cidb having engaged extensively with DPWI during 2021/2022.

The realities of South Africa's construction environment, with its many chronic challenges, made revitalisation of the Act essential. It is not an easy nor short process, but when they come to pass, recommendations put forward will definitely enhance efforts to promote sustainable growth, transformation, participation of the emerging sector and the contribution of those in the construction value chain. Performance of infrastructure clients will be elevated for effective infrastructure delivery and the role of professional service providers boosted.

Bringing the private sector into the regulatory fold is also a key aspect of the review as it seeks to widen the base for professionalising the industry and ensuring consistent standards of quality in infrastructure delivery across the board. Most importantly, though, a rejuvenated Act will expand the cidb's powers to enforce its prescripts, which will give it the firepower lacking to date and dissuade dishonest and unscrupulous elements in our midst from pouncing on loopholes to secure ill-gotten gains.

In relooking at the legislation, the organisation has solicited the views of a wide cross-section of industry and government stakeholders, including many interactions during the review year. Thus, we are confident that the amended Act will be a better fit for both the cidb and the sector.

Recovery plan on track

In her overview, the Minister touched on the DPWI's Construction Industry Recovery Plan, an action-oriented blueprint to breathe new life into an industry that, sadly, has struggled for many years.

The cidb has contributed to the formulation of the plan and continues to be a partner to DPWI, with work done in 2021/2022 having set the stage for stakeholder consultations early in 2022/2023.

The plan acknowledges that a coordinated response is required to resuscitate the construction industry, underpinned by partnership between the public and the private sector. Five intervention categories were identified:

- Implement a robust and capable infrastructure project pipeline based on feasible and bankable funding proposals
- Capacitate the industry to meet its transformation and delivery targets. This will include mainstreaming women in the industry, and contractor and skills development
- Fulfil green economy commitments such as reduction of energy consumption
- Reduce construction costs to improve industry performance through modern business processes, information technology and effective value-chain management
- Capacitate the public sector and remove impediments to infrastructure delivery by creating institutional capacity and streamlining approval processes

Appreciation

My commitment to the construction sector is all-consuming, whether through my own business activities or my role on the cidb Board. I'm thankful for the opportunity afforded me by the Minister to play, with my Board colleagues, a meaningful part in one of the sector's most important organisations. We will ensure that we all use our talents and knowledge to best possible effect in guiding the organisation in its quest for a more professional, ethical and effective sector.

In our short tenure to date, we have come to appreciate the Minister's insightful decision-making and her commitment to keeping the interests of the sector at heart. To my fellow Board members, your contributions in the limited time we have spent together have been greatly appreciated and I am confident that with your depth of expertise, no challenge is insurmountable for us as an oversight body. I would also like to thank the previous Board for carrying out this task before our appointment, and construction stakeholders for their continued support.

To echo what the Minister states in her foreword, if the country is to fulfil its economic potential and be recognised globally for its performance and professionalism, what it needs more than anything is implementation.

In that context, the cidb is more relevant than ever and its role more crucial.

Khulile Nzo

Khulile Nzo
Board Chairperson

BOARD MEMBERS

Khulile Vuyisile Nzo
Board Chairperson

Founder of and senior professional quantity surveyor at Lakhanya Quantity Surveyors cc, Khulile has a master's in development finance and a postgraduate qualification in project management. He is a strong advocate for development of small, micro and medium enterprises.

Professor Susan Bouillon
Deputy Chairperson

Law specialist Susan is extraordinary associate professor in the law faculty of North-West University. She is also executive head and co-owner of Delacon Group. She is well versed in municipal legislation, town planning and land use management.

Khuliso Kennedy Maimela

Managing director of Vari Consulting and Chairman and CEO of Vari Holdings, Kennedy is also managing member of Makulane Development and Projects, and director of Maimela Primary Agriculture Cooperative. He has a keen interest in public administration.

Danny Masimene

Danny is president of the Black Business Council in the Built Environment, an organisation committed to influencing the drafting and implementation of legislation to promote black representation in the sector. He has 20 years of construction industry experience.

Tumelo Gopane

Engineering executive at iX Engineers and former managing director of Ekurhuleni Water Care Company, Tumelo has a strong and proud history in engineering. He has worked in local government extensively, particularly in management and engineering.

Attwell Sibusiso Makhanya

A member of the Water Institute of South Africa, Institute for Directors Southern Africa and Institute of Municipal Engineers of South Africa, Attwell has 27 years of engineering, senior management, strategic leadership and governance experience.

Celeste Margo le Roux

Celeste is chief executive officer of React24. Her qualifications span project management, property management and management practice. Her numerous awards include the ERWIC title 'exceptional woman of the year' for 2021.

Boitumelo Mokgatle

BCom and MBA graduate, Boitumelo's many technical competencies include strategy development, project and change management, corporate compliance and governance, and workshop facilitation.

BOARD MEMBERS CONTINUED

Karabo Siyila

A chartered accountant, Karabo is head of the auditing department at Unisa and a longstanding senior lecturer at the institution. Her strengths include problem-solving, decision-making, results orientation, communication, and critical and analytical thinking.

Yvonne Mbane

Yvonne holds an MBA, a master's diploma in human resources, and BEd and BA degrees. She set up Gubevu Consultancy, for which she established a database of professionals with expertise who are contracted as projects require.

Moloko Rabosiwana

Moloko brings a wealth of specialty services in the management of risk associated with the financial industry regulatory and legislative landscape across various sectors. Her experience spans research of regulations, strategies and policies in South Africa and across the African diaspora.

Thuthuka Songelwa

Co-founder and managing member of BNTS Consulting Services, quantity surveyor Thuthuka has amassed significant knowledge of contracts, project management, procurement, risk management, value engineering, government policies, regulations and legislation.

Bongekile Zulu

Practising attorney and director of Zulu Law Inc since 2011, Bongekile serves on many municipal committees and on structures such as the Companies Tribunal and South African Revenue Service Tax Appeals Board. She is an internationally accredited mediator and consulted previously on the PFMA and other key legislation.

CHIEF EXECUTIVE OFFICER'S REPORT

The South African economy and construction industry are on a slow, multiyear recovery path as they try to shake off the lingering impact of Covid-19, which compounded an already gloomy outlook.

> “The cidb is strategically placed to promote the contribution of the construction industry to South Africa’s economy and society.”

Construction, according to a researchandmarkets.com report, is expected to expand by 9.1% in real terms during 2022 before stabilising at an annual average growth of 3.1% between 2023 and 2025. Output will not, however, return to pre-pandemic levels in that time.

Several factors are combining to realise the forecasted growth, including the government’s planned R791 billion spending on public-sector infrastructure over the Medium-term Expenditure Framework period of 2021/2022 to 2023/2024, and National Treasury’s R2.3 billion injection in 2021/2022 to rebuild businesses affected by the pandemic and restore infrastructure damaged in the riots of July 2021 in KwaZulu-Natal and Gauteng. Longer term, the 10-year R2.2 trillion infrastructure plan comprising 276 projects will boost output.

Despite the prolonged downturn, industry trends bode well for a brighter period during which opportunities will emerge to do things better, more productively and more sustainably.

The 4IR-driven emphasis on technological solutions and innovations, for example, is already heavily influencing the way both established participants and newcomers are gearing for the future. Ironically, it was the initial pause in construction caused by the pandemic that forced the use of technology, which gave the industry breathing space to reimagine its future and consider how technology can lead to a more agile, responsive and transformed industry.

This realisation is particularly profound given the poor track record of construction globally on issues such as health and safety, ethics and malpractice, and lack of regard for wellbeing of workers and stakeholders.

The solutions delivered by 4IR respond to most of these and can significantly transform the way in which infrastructure is planned, procured, delivered and maintained.

The industry’s manifestation of the phenomenon – Construction 4.0 – is revolutionising processes and its presence is already being felt in South Africa.

Designers and building clients can view before a brick is laid the final product through 3D modelling. Robots can access areas of projects that no human can enter. Drones provide progress reports, reducing the cost of time and travel for project managers. Big data is further reducing costs and increasing access to information.

The cidb is strategically placed to lead the evolving transition in line with its mandate to facilitate and promote the contribution of the construction industry to South Africa’s economy and society.

Performance

The cidb acquitted itself well against its annual performance targets, achieving 98% of its 15 targets across four programmes, namely administration, research and development, construction industry regulation and construction industry performance. This is an increase from the 94% of 2020/2021.

Particularly noteworthy were our systems uptime of 99%, contractor development support provided to 367 grades 1 to 6 contractors against the target of 270 and 108 client department officials capacitated on the Infrastructure Delivery Management System (IDMS), 38 more than envisaged.

B.U.I.L.Ding the future

The B.U.I.L.D programme, which took flight in 2021, is more than just a catchy handle. It is the key to inclusive development, with R8 billion worth of contracts a year to be directed to developing enterprises when it is fully operational. Every year for five years, B.U.I.L.D will provide developmental support to emerging enterprises, workplace training, and education and training for learners, artisans and other candidates.

The cidb believes implicitly in the power of this initiative to change the face and make-up of the construction industry and, as such, is aggressively promoting it and conducting extensive stakeholder capacitation on its implementation. Having encountered a lack

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

of compliance in the first stages of its rollout, we are prepared for robust enforcement of its requirements in 2022/2023.

Stakeholder engagement

The NSF remains our primary vehicle for stakeholder engagement as it ensures that resolutions and interventions meet the expectations of stakeholders and are aligned with construction industry developments. It weighs in with considerable knowledge and experience on the most pertinent threats and opportunities for the organisation and provides authoritative recommendations to the Minister.

It was particularly active in the review year, meeting three times to debate matters deemed most crucial to the wellbeing of the sector. In addition, four smaller working groups were convened and met twice each to examine more intensively the most pressing topics, namely empowering contractors, capacitating clients, strengthening the Register of Contractors and establishing the professional service providers register.

In October 2021, we partnered with the University of Johannesburg to host a virtual seminar on the state of the South African construction industry, during which leading lights from here and overseas enlightened the 700 delegates on challenges, opportunities and prospects for our sector. Topics ranged from the digital disruption to health matters and each presenter provided invaluable insights that we all would do well to heed.

Gender agenda

At the cidb, we constantly encourage stakeholders to embrace gender diversity and transformation in their organisations to enhance the sustainability of women in construction. With women ownership of 51% and above having fallen from 27% to 18% from the second quarter of 2021 to the corresponding period in 2022, this is particularly crucial.

Flying the cidb gender-equality flag are the annual Empowerment and Recognition of Women in Construction (ERWIC) awards. The most heartening aspect of the ERWICs is their promise of becoming the premier women awards in the industry, with the potential to inspire a new generation of female entrepreneurs to take on the challenge of bricks and mortar.

There are also signs that new development initiatives could incubate under the ERWIC banner that could further the cause of women in the industry.

And ERWIC judge Melita Mohlala – having been named just after 2021/2022 year-end one of 15 global winners of a BRICS Mulan award for innovation for her positive and altruistic response to Covid-19 – is on the verge of launching an app, the Women's Building Legacy Store, which will make it easier for women to thrive in construction by giving them support, resources and contacts.

My favourite example of ingenuity, albeit not related to the awards, is that of female entrepreneurs Kekeletso and Kedibone Tsiloane from Sasolburg, who have brought to market a strong, durable and environment-friendly brick made of recycled plastics, They are effectively taking discarded products out of the wastestream and redirecting them into our infrastructure … and to great effect. With that depth of expertise and creativity in the sector, we will see many more innovations. And the cidb will remain a catalyst for these developments, as evidenced by the recent publication of its database of construction-related fourth industrial revolution research in South Africa as a professional resource.

Authoritative communication

The cidb continued to produce its respected construction industry commentaries in the form of the annual Compliance Monitor, published this review year in January 2022, and four issues of the SME Business Conditions Survey. In addition, thought-provoking articles were released regularly to the media to heighten the cidb's profile and reinforce its leadership. These included positions on the construction industry, alternative building materials and digitalisation.

The well-entrenched cidb newsletter, Concrete, stepped up its momentum midway through the year, moving with the demands of modern, time-constrained business from an indepth quarterly publication to a shorter, more succinct bimonthly news digest capturing current issues in a quick-to-read format. Five issues were published during the review year.

The website was revamped for better navigation and easier access to important information.

Internal affairs

The organisational redesign neared completion during the review year, with almost all key positions filled. The structure will enable us to deliver more effectively, while optimising our limited resources. We are already reaping the benefits of enhanced outputs in research, procurement reform and registration services.

We also effected improvements in key functions for consistency, to alleviate process variance and to detect deviations. The areas involved included competency recognition, the construction management system, B.U.I.L.D invoicing, enforcement, memoranda of understanding approval and accounts payable, all of which have an impact on our service quality.

Conclusion

A turning point for the cidb during 2020 was the appointment of a permanent CEO in Cyril Gamede after many years of acting capacity appointments. Tragically, however, this was followed in August 2021 by his untimely death. I had been Chief Operating Officer for three months by then and was entrusted with the acting CEO position. In that time, I had come to appreciate Cyril's impact on the organisation and I acknowledge him for creating a sound engine to drive the organisation forward.

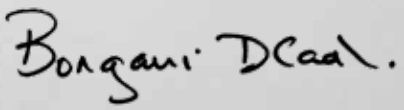
I have been consistently impressed by the commitment and effort of the cidb team. Our people, many of whom have been with the organisation for many years, some even since inception in 2000, possess considerable intellectual property and insight. After being shellshocked by Covid-19 in the previous year, they emerged stronger and more determined than ever to fulfil the organisation's mandate and achieve its strategic objectives.

Ours is a crucial structure in the construction sector and we must never underestimate its standing. To my colleagues and the stakeholders I have had the privilege to meet to date, I thank you for your contribution to edging the sector closer to achieving its promise.

Into 2022/2023, the cidb will further exert its influence in the construction ecosystem through internal initiatives and contribution to pivotal external programmes. The Economic Reconstruction and Recovery Plan calls for 'aggressive infrastructure investment' with a strong emphasis on localisation, job creation and streamlining of the regulatory framework; the Construction Industry Recovery Plan seeks a 'significant expansion in public infrastructure delivery, creating jobs, unlocking investment and boosting aggregate demand', and the NIP foresees a sector that is 'vibrant and respected – a world-class African full-service built environment delivery provider'. We are ready to assist each to achieve its vision.

While amendments to our founding legislation are a work in progress, we need go no further than the original wording to reaffirm our reason for being – 'an integrated strategy for the reconstruction, growth and development of the construction industry'. Twenty-two years later, that remains timeless.

The Auditor-General of South Africa (AGSA) has noted substantial improvements in our compliance and control. This reflects our commitment to ensuring proper governance of our financial affairs over the years. For this review period, however, we dispute AGSA's audit conclusion on the B.U.I.L.D revenue, which we believe we have accounted for in line with GRAP 23 and other appropriate GRAP standards. The cidb looks forward to working with the relevant bodies in seeking a declaratory order on the recognition treatment of this revenue.



Bongani Dladla

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 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 97 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

ARTIKEL

CONSTRUCTION INDUSTRY REGULATION

The cidb Act 38 of 2000 mandates regulation of the construction industry through the Register of Contractors, Register of Projects and code of conduct for all involved in construction procurement. The Construction Industry Development (CID) Regulations of 2004, as amended, give effect to these prescripts and the cidb is to operationalise and enforce them.

Register of Contractors

The RoC grades and categorises contractors according to financial and works capabilities. It is mandatory for contractors wishing to do business with organs of state awarding construction works tenders and any organ of state awarding a tender to an unregistered contractor commits an offence. The RoC facilitates public sector construction procurement and promotes contractor development.

During the review year, 77 459 applications were received and processed on the RoC, which is a decline of 1.48% from 2020/2021.

Registration turnaround time for the financial year improved from 96% the previous year to 99%.

The table below details applications processed per type.

Number of applications processed in 2021/2022					
Application type	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Three-year renewal	3 609	3 530	2 822	3 338	13 299
Additional classes of works	3 336	3 385	2 803	2 793	12 317
Annual updates	1 969	1 451	1 051	1 138	5 609
New applications	8 300	7 350	5 473	7 354	28 477
Three-year moratorium	1 103	1 316	1 116	1 279	4 814
Confirmation of updates	1 589	1 652	1 242	1 474	5 957
Update of tax clearance certificate	334	168	110	90	702
Upgrade	1 754	1 695	1 349	1 486	6 284
Total	**21 994**	**20 547**	**15 966**	**18 952**	**77 459**

About 7% of these registrations are at Grade 1, indicating that potential entrepreneurs are drawn to the industry. Many, however, lack skills and experience. The number of Grade 1 contractors is expected to drop once the proposed qualifying criteria are introduced. The criteria will also enhance the quality of the register.

The table below shows applications processed by region and online, the latter accounting for 66% of applications. Grades 2 to 9 annual updates make up 23% of online applications. The objective is to encourage contractors to consistently use the online registration service for updates so that the current 23% can be improved for a quicker and more efficient registration service.

Processing centre	Number of applications processed	%
Durban	3 888	5.02
Eastern Cape	2 311	2.98
Free State	1 429	1.84
Gauteng	6 691	8.64
Head office	42	0.05
Limpopo	1 445	1.87
Mpumalanga	1 594	2.06
North West	1 095	1.41
Northern Cape	1 278	1.65
Western Cape	6 401	8.26
Online	51 285	66.21
TOTAL	77 459	100.00

Investigating non-compliance

Regulation 28(1) stipulates that if the cidb has:

a. received a complaint from any person who is aggrieved by an action taken in terms of the code of conduct or an omission to take such action; or

b. reasonable grounds to suspect that a person has acted contrary to, or has omitted to act in terms of, the code of conduct, the cidb must appoint an investigating officer to investigate that complaint or suspicion.

During the review year, 139 code of conduct breaches were investigated, 72 of which were resolved and closed. Cases were reported through the anonymous fraud hotline, or from case management and referrals from law enforcement agencies such as the Hawks and the Special Investigating Unit (SIU).

Cases related to RoC applications included:

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

Total number of cases investigated for the financial year

New cases received	Cases brought forward from previous financial year	Total number of cases for the financial year	Number of cases closed	Cases carried over to the new financial year
55	84	139	72	67

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. It is mandatory for public and private sector clients to register contracts on the cidb RoP.

Section 18(1A) of the CID Regulations stipulates that the RoP applies to every project comprising a single construction works contract whose value exceeds R200 000 for public sector and, for the private sector and a public entity listed in Schedule 2 of the Public Finance Management Act, 1 of 1999, for projects of more than R10 million.

RoP and cidb i-tender compliance remains low, although the cidb has a longstanding capacitation programme for public sector clients to compensate for the turnover of supply chain management personnel.

To improve compliance, infrastructure construction projects not registered on the RoP are flagged. On 31 March 2022, 4 231 tenders were advertised on cidb i-tender, a drop of 8% from the previous year. There were 2 779 awarded projects on the RoP at 31 March 2022.

The tables below show the breakdown of tenders advertised and contracts awards registered on RoP during the review period:

Number of tenders advertised at 31 March 2022

Client type	Number of tenders advertised
Local municipality	1 205
District municipality	161
Metropolitan municipality	244
Municipal entity	36
National department	198
Other	127
Private sector	-
Provincial department	848
State-owned enterprise	1 412
Total	4 231

Number of awards registered at 31 March 2022

Client type	Number of awards registered
Local municipality	414
District municipality	163
Metropolitan municipality	405
Municipal entity	42
National department	118
Other	16
Private sector	-
Provincial department	554
State-owned enterprise	1 067
Total	**2 779**

Regulation amendments

The cidb consulted extensively with stakeholders on the proposed amendments to the CID Regulations, which include the review of registration criteria. The proposed revisions will better align the RoC with the construction industry, given particularly the state of emerging sector development.

Regulation amendments are in progress for:

- Registration financial and performance criteria
- Registration grades
- Classes of work
- External/foreign companies tendering limitation
- Transfer of records
- Labour-only track record
- Three-year renewal criteria
- Downraiding
- Tender value limit adjustments
- Grade 1 entry level requirements
- Registration of subcontractors
- Broad-based black economic empowerment (BBBEE) scorecard
- Joint ventures
- Demographic representation
- Registration fees
- Private sector contractor registration
- Trade contractors

Regulatory monitoring and compliance

The cidb continues to monitor and enforce compliance with the CIDB Act, 2000, CID Regulations, 2004, as amended, Standard for Uniformity in Construction Procurement, the cidb Code of Conduct for parties involved in construction procurement and the newly implemented B.U.I.L.D Programme.

The table below indicates non-compliance with the requirements in the award of tenders among top infrastructure clients.

Top 20 public sector clients by infrastructure spend	Budget (Rm)	RoP compliance rate 2021 quarter 4
Eskom	45 418	36%
Transnet	33 659	41%
Passenger Rail Agency of South Africa	13 313	21%
Sanral (toll and non-toll)	10 766	59%
City of Cape Town Metropolitan Municipality	8 751	60%
Department of Transport and Public Works: KwaZulu-Natal	8 118	27%
Rand Water	5 794	25%
eThekwini Metropolitan Municipality	5 522	-
City of Johannesburg Metropolitan Municipality	4 981	-
National Department of Higher Education and Training	4 813	-
Property Management Trading Entity	4 695	-
City of Ekurhuleni Metropolitan Municipality	4 625	13%
National Department of Water and Sanitation	4 436	76%
Department of Transport and Public Works: Western Cape	4 009	67%
City of Tshwane Metropolitan Municipality	3 812	53%
Department of Transport and Public Works: Limpopo	3 381	47%
Department of Transport and Public Works: Gauteng	2 810	41%
Department of Transport and Public Works: Eastern Cape	2 573	4%
Department of Education: KwaZulu-Natal	2 447	-
Umgeni Water	2 145	62%

The cidb continues to improve its capacity to monitor and enforce compliance to the prescripts, including establishment of a Regulatory Compliance Unit and appointment of a compliance manager to oversee its work during the review year. When fully capacitated, this unit will go a long way in increasing client compliance.

INDUSTRY DEVELOPMENT

Building through B.U.I.L.D

The B.U.I.L.D Programme came into effect on 1 April 2021, when national government departments and public enterprises implementing contracts for cidb grades 7 to 9 contractors had to start allocating 0.2% of projects to a maximum of R2 million to the B.U.I.L.D Fund for development.

To encourage compliance, the cidb hosted 25 stakeholder engagements during the year to acquaint clients, contractors and industry associations with the requirements. The B.U.I.L.D Programme being an integral part of infrastructure procurement, the sessions focused on how to incorporate the programme into procurement processes and implement the standards for indirect targeting and skills development in projects. All engagements were virtual, which allowed more people to participate.

During 2021/2022, the cidb billed R43.4 million in B.U.I.L.D revenue, of which R12.3 million, or 28%, was collected, which translates to about 28%. As the concept is new, the collection rate is expected to improve with time and continuous client liaison.

Business advisory services

In collaboration with enterprise development agencies, development and finance institutions, the cidb continued providing development and advisory support services to contractors to improve their understanding of business and construction management. This included advice on tax compliance and submission, and understanding of the construction industry and its regulatory environment.

A core focus is on supporting contractors on registration requirements such as completion of documents and grading progression. During 2021/2022, advisory support was provided to more than 300 contractors.

Skills for the future

During the review year, the cidb maintained its lead role in construction-related skills competitions that form part of WorldSkills South Africa. It supported contestants through provision of tools and aids, and technical and vocational education and training (TVET) lecturers involved in training competitors through capacitation, which improves quality of construction trades skills training.

WorldSkills aims to transform the skills of the world – to improve individual understanding and opportunity, and promote economic competitiveness of all countries and regions. Involvement in the initiative is part of cidb Programme 5: Procurement and Development, which has among its goals the promotion of a sustainable skills pipeline for the construction industry.

The second WorldSkills Africa competition, in Namibia from 28 March to 2 April 2022, drew 70 competitors from nine African countries to compete in 16 skills. South Africa competed in 14 of the categories and topped the medals table with five golds, two silvers and one bronze. Lungelwa Mtetwa from Coastal TVET College and Siphesihle Masina from Gert Sibande TVET College took gold for bricklaying and plumbing respectively.

The focus is now on the finale, WorldSkills International, taking place in Salzburg, Austria in November 2022.

Aside from WorldSkills, the cidb supported two competitors to participate in the BRICS Future Skills Challenge on building information modelling.

Research and development

The cidb continues to support and work in partnership with the Centre of Excellence at the Department of Construction Management and Quantity Surveying of the University of Johannesburg.

In the review year, the organisations partnered to host an inaugural 'State of the South African construction industry' seminar at which national and international experts presented on issues affecting the industry, with special emphasis on how the industry can mitigate the effects of the Covid-19 pandemic.

Also in partnership, the cidb hosted a virtual doctoral workshop for students registered or intending to register for doctoral studies. This event was beamed to more than 120 participants across five African countries.

During the review year, the centre produced five honours, two masters and two PhD candidates. Both PhDs are South African women who were retained as lecturers and postdoctoral fellows to enable them to enhance their research skills and start their academic careers.

Research into issues pertinent to the construction sector on behalf of the cidb is among the centre's activities. During 2021/2022, two study reports were published. The first documented construction-related fourth industrial revolution research in South Africa. It provides a database of studies presenting the latest thinking and trends to guide those driving skills development and transformation in the sector and highlighting skills and talents needed for the current and future workplace. The next phase will include the development of a database of educational programmes offered by South African universities, universities of technology and TVET colleges.

The second study examined the causes and effects on stakeholders of construction tender cancellation, a practice that is costly and time consuming for tenderers, may disrupt service delivery and is suspected to fuel industry corruption.

A developmental partnership was initiated during the year with the Faculty of the Built Environment at Walter Sisulu University to support lecturers to undertake research and obtain higher degrees at masters and doctoral levels. In addition, 10 journal articles were published on subjects ranging from construction digitalisation and skills for 21st century employment to construction sector health and safety practices. Books were published on the first two topics.

MONITORING INDUSTRY PERFORMANCE

Business conditions

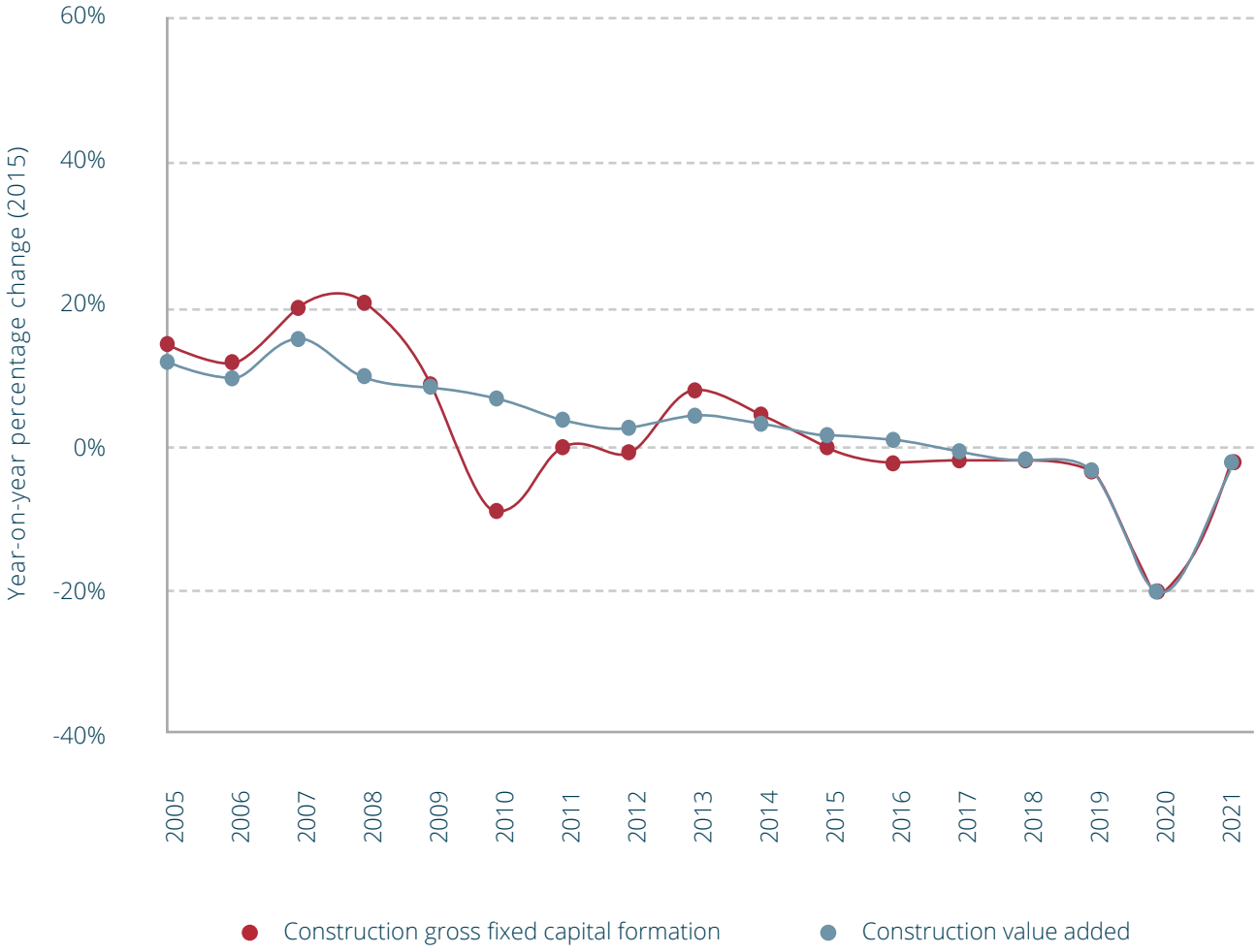
The South African economy is underperforming, with low growth and an expanding budget deficit, at 7.7% of GDP, according to National Treasury Budget Review 2022. As a result, the government is fiscally constrained, limiting its capacity to provide stimulus to the economy by increasing infrastructure expenditure. The budget review also notes that Covid-19 prompted the reallocation of budget from public sector infrastructure to relief measures. The construction industry was affected by economic underperformance, the Covid-19 lockdown and fiscal constraints. Underspending of infrastructure budget is also detrimental to the construction industry.

The construction sector now accounts for around 2% of GDP, down from the 4% last recorded in 2014 and the 3% of 2019, making it the second smallest contributor to GDP. In 2021, the value added by the construction industry to South Africa's GDP was around R111 billion (real prices), with a year-on-year decrease of -2% or declining by R2 billion, reported by Stats SA in the fourth quarter of 2021. Although much lower than the decline of 2020 , the sector remains an underperformer. According to Stats SA, the output of the construction sector was dented by the decreased activity in residential, non-residential and construction works.

This can also be seen in the figure below.

Construction value added

Public sector capital and infrastructure spend



A National Development Plan goal is to increase public sector infrastructure expenditure to 10% of GDP by 2030. However, over the past couple of years, it has declined to end 2021 at around 4% of GDP, according to the National Treasury Budget Review 2022. This has tailed off from 2007 to 2009, that peak coming courtesy of construction projects for the 2010 FIFA World Cup.

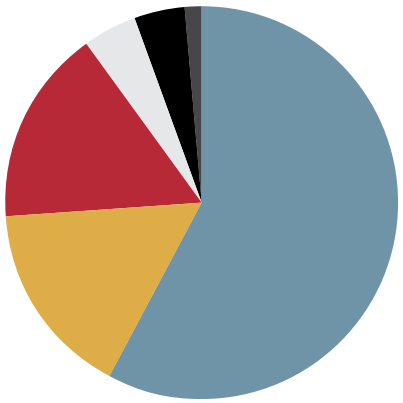
Municipal capital spending

By the end of the 2020/2021 financial year, municipal underspending had decreased to around R14 billion, metros having contributed about R9 billion. In that year, most municipalities had difficulties spending their budgets, with 242 of 257 spending less than 40% of their budgets.

According to National Treasury's analysis of public sector infrastructure spend, the causes were lack of planning, supply chain issues and the impact of Covid-19.

Performance of municipal capital spending

Indicator	2018/19	2019/20	2020/2021
Budgeted capital expenditure (Rm)	73 563	68 808	69 255
Actual capital expenditure (Rm)	54 887	41 245	55 622
Underspending (Rm)	-18 676	-27 563	-13 634
Number of metros, municipalities and district municipalities	257	257	257
Those spending under budget			
Less than 100%	222	251	256
Less than 80%	158	249	256
Less than 60%	71	248	252
Less than 40%	30	243	242
Those spending over budget			
Greater than 100%	33	5	-
Greater than 150%	11	5	-
Greater than 200%	7	5	1
Greater than 300%	3	5	-
Those spending against budget			
Less than 40%	30	243	242
Between 40% and 60%	41	5	10
Between 60% and 80%	87	1	4
Between 80% and 100%	64	2	-
Between 100% and 150%	24	-	-
Between 150% and 200%	4	-	-
200% and above	**7**	**5**	**1**



- 87% State-owned companies
- 24% Municipalities
- 24% Provincial departments
- 7% Public entities
- 6% National departments
- 2% Public-private partnerships

State-owned company spend

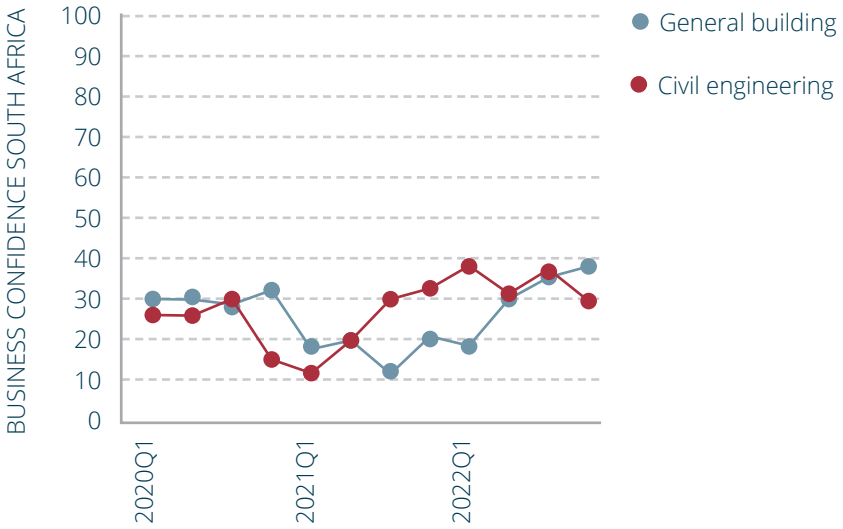
State-owned companies and public entities account for 44% of the total public infrastructure budget, as seen in the figure below. Municipalities and provincial departments also account for 24% each of public sector infrastructure budget. The remaining entities, national departments and public-private partnerships stand at about 8%.

During the 2018/2019 to 2020/2021 financial years, state-owned entities underspent significantly – spending less than 70% of their budget – while municipalities spent less than 80% of theirs. The companies had spent only 48% of their budget and 65% of their adjusted budget by 2020/2021 year-end, contributing greatly to the deterioration in spending on public sector infrastructure.

Entities	R million		Contribution (%)		Expenditure (%)		
	2020/21 Budget	2020/21 Expenditure	2020/21 Budget	2020/21 Expenditure	% Expenditure in 2018/19	% Expenditure in 2019/20	% Expenditure in 2020/21
State-owned companies	104 045	50 816	37%	28%	69%	50%	48%
Municipalities	70 109	55 622	25%	30%	74%	62%	79%
Provincial departments	63 108	51 787	23%	28%	98%	100%	82%
Public entities	19 050	8 837	7%	5%	110%	86%	46%
National departments	17 655	11 446	6%	6%	84%	90%	65%
Public-private partnerships	5 494	4 872	2%	3%	83%	100%	89%
Total	279 462	183 380	100%	100%	82%	71%	65%

Business conditions

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



In 2022Q1, the cidb small and medium enterprise business conditions index decreased by two to 34 off the back of a slight deterioration in activity. The overall results reveal that tendering competition decreased and expectations for 2022Q2, especially for activity, improved. However, delays in the awarding of tenders kept order books weak.

The confidence of general building contractors declined from 35 to 30 despite stable building activity.

Civil engineering confidence rose to 38 in the first quarter of 2022, notwithstanding deterioration in civil construction activity.

Sentiment among contractors in grades 3 and 4 was the highest despite a decline in that quarter. Meanwhile, contractors in grades 5 and 6 were the most optimistic about future business conditions. Grades 7 and 8 contractors remained the least confident, while their rating for insufficient demand also increased above its long-term average. This implies that larger-scale projects remain scarce.

Confidence in three provinces decreased, while confidence in the Western Cape was stable.

Transformation

The cidb's vision of an inclusive and a transformed society has never been more crucial and the RoC is a key tool. The cidb's approach towards transformation looks at ownership and participation.

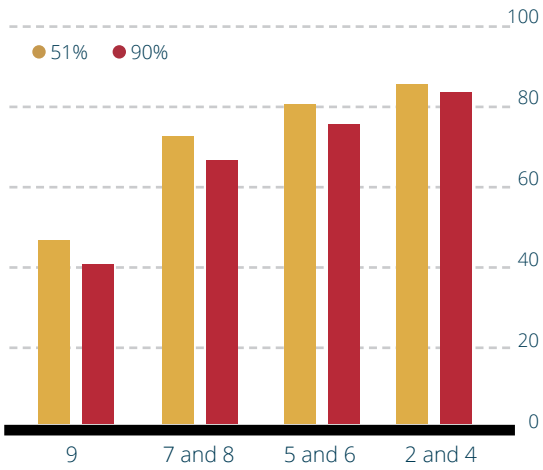
Ownership

Ownership is based on statistics of black-, woman- and youth-owned contractor enterprises. Details of ownership of cidb-registered contractors nationally are given on page 37 for ownership control 51% or more and for ownership control 90% or more.

Details of black ownership of cidb-registered contractor enterprises are given on the right.

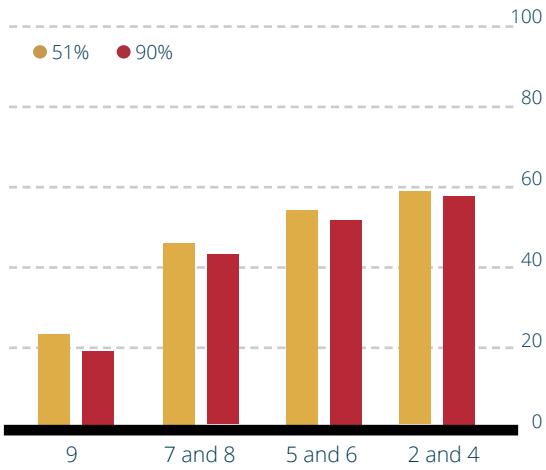
Black ownership 2021Q1

Grade	Number	Black (%)
Black ownership 51%+		
9	100	46%
7 and 8	1 454	72%
5 and 6	3 117	80%
2 to 4	10 400	85%
Total	**15 071**	**82%**
Black ownership 90%+		
9	87	40%
7 and 8	1 339	66%
5 and 6	2 957	75%
2 to 4	10 146	83%
Total	**14 529**	**79%**



Black ownership 2022Q1

Grade	Number	Black (%)
Black ownership 51%+		
9	56	23%
7 and 8	1 074	46%
5 and 6	2 489	54%
2 to 4	8 283	59%
Total	**11 902**	**56%**
Black ownership 90%+		
9	46	19%
7 and 8	995	43%
5 and 6	2 388	52%
2 to 4	8 185	58%
Total	**11 614**	**55%**



Construction – including professional service providers, contractors and materials suppliers – remains largely undertransformed. Lack of transformation in contractor ownership and access to work opportunities remains particularly evident in grades 7 to 9.

Black ownership across grades 2 to 9 decreased markedly from 2021Q1 to 2022Q1. Transformation decreases with increasing cidb grade (size of the company), specifically black ownership of above 51% and 90%.

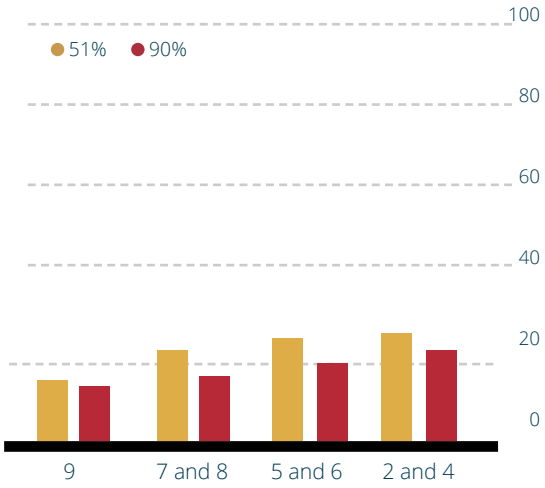
These enterprises include public listed companies and wholly owned subsidiaries for which black ownership other than directors is excluded. However, removing public listed and international companies from the profile has little impact.

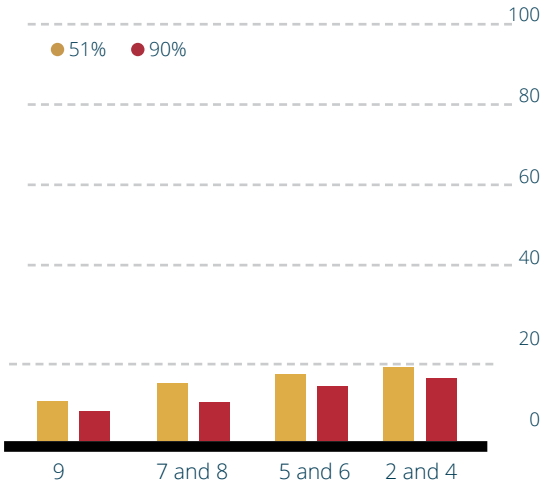
Women ownership 2021Q1

Grade	Number	Black (%)
Women ownership 51%+		
9	37	17%
7 and 8	483	24%
5 and 6	1 015	26%
2 to 4	3 456	28%
Total	**4 991**	**27%**
Women ownership 90%+		
9	32	15%
7 and 8	352	17%
5 and 6	839	21%
2 to 4	2 992	24%
Total	**4 215**	**23%**

Women ownership 202201

Grade	Number	Black (%)
Women ownership 51%+		
9	24	10%
7 and 8	338	15%
5 and 6	775	17%
2 to 4	2 682	19%
Total	**3 819**	**18%**
Women ownership 90%+		
9	19	8%
7 and 8	232	10%
5 and 6	627	14%
2 to 4	2 301	16%
Total	**3 179**	**15%**





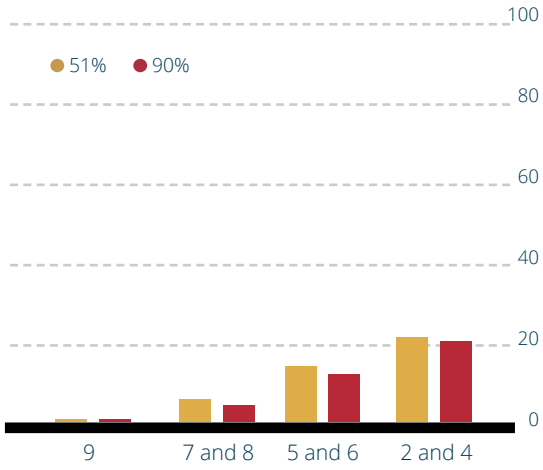
Women ownership of 51% and above amounted to around 27% of all contractors in the second quarter of 2021, showing a significant decrease to 18% in the first quarter of 2022. Women ownership above 90% dropped to 15% in 2022Q1, but overall, women ownership increased.

Youth ownership of 51% and over was around 18% in 2021Q1.

In 2022Q1, 90% youth-owned entity numbers had dropped to around 10% of active cidb-registered entities.

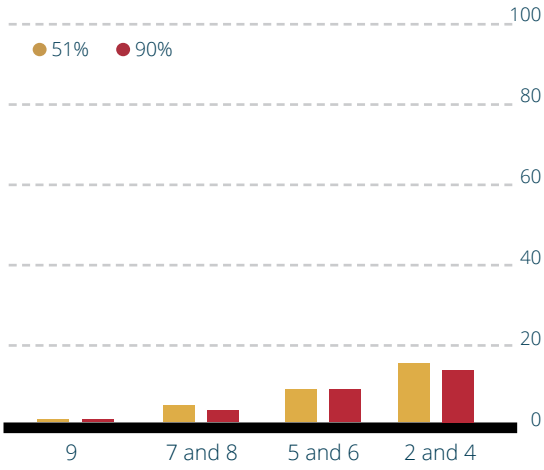
Youth ownership 2021Q1

Grade	Number	Black (%)
Youth ownership 51%+		
9	2	1%
7 and 8	118	6%
5 and 6	491	14%
2 to 4	2 431	22%
Total	**3 042**	**18%**
Youth ownership 90%+		
9	2	1%
7 and 8	91	5%
5 and 6	415	12%
2 to 4	2 244	21%
Total	**2 752**	**17%**



Youth ownership 2022Q1

Grade	Number	Black (%)
Youth ownership 51%+		
9	3	1%
7 and 8	91	4%
5 and 6	366	8%
2 to 4	1 875	14%
Total	**2 335**	**12%**
Youth ownership 90%+		
9	2	1%
7 and 8	70	3%
5 and 6	309	7%
2 to 4	1 735	13%
Total	**2 116**	**10%**



Participation

Estimates of the ratio of public sector contracts awarded to black- and women-owned contractors during the second quarters of 2021 and 2022 are shown on the right.

Black-owned contractors (51% and more), which make up 56% of registered contractors, accessed around 33% of public sector awards in 2022Q1, compared to 43% in 2021Q1. Percentages of work accessed in grades 2 to 4 decreased from 99% to 43% against 2021Q1. This exacerbates the historically low numbers of Grade 9 contracts awarded to black-owned contractors and compounds the challenge of closing the gap between the low and higher grades.

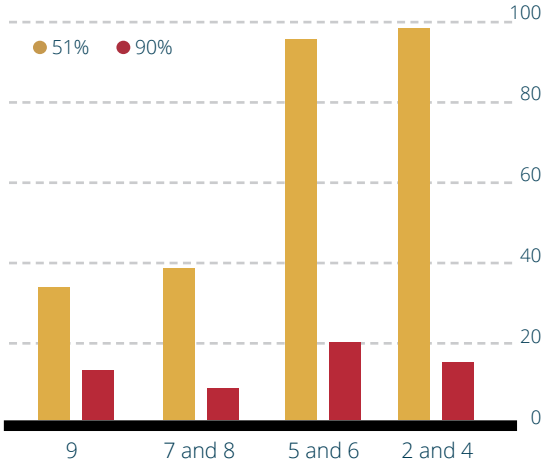
Similar conclusions can be drawn for women-owned contractors, which accessed around 17% of total public contract awards in 2022Q1, down from 11% in 2021Q1. The reduction at grades 7 and 8 categories is the largest, as with the black-owned contractors. However, women-owned public sector contract numbers increased, while grades 2 to 6 awards decreased.

The decrease in work opportunities for black- and women-owned companies is a threat to transformation goals.

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

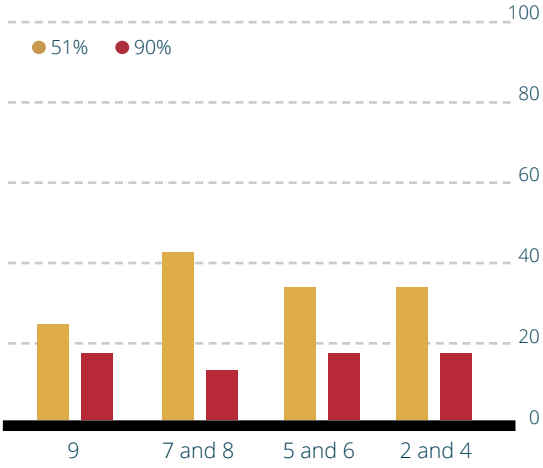
Public sector awards 2021Q1

Grade	Black (%)	Women (%)
9	34%	13%
7 and 8	38%	8%
5 and 6	96%	20%
2 to 4	99%	15%
Total	**43%**	**11%**



Public sector awards 2022Q1

Grade	Black (%)	Women (%)
9	24%	18%
7 and 8	43%	17%
5 and 6	42%	13%
2 to 4	43%	14%
Total	**33%**	**17%**



STAKEHOLDER ENGAGEMENT

National Stakeholder Forum

The National Stakeholder Forum is a structure mandated by Section 13 of the CIDB Act to advise the Minister and the cidb Board on matters affecting construction industry development.

It provides insight into industry development priorities and input into policies and programmes for construction industry development. The NSF also monitors how the cidb responds to issues and interprets and delivers its mandate.

During the review year, the 2021 to 2023 NSF started its tenure. It comprises 40 members, 23 new appointees and 17 returning members to ensure continuity, as the NSF is tasked with building on the work of its predecessor, NSF 2018 to 2020.

The structure enjoys broad representation across industries and from business, labour, professional bodies, academia and government.

The new membership began its work with a virtual meeting on 28 May. This was followed by one more meeting, one attended by Minister Patricia de Lille, as legislated. Smaller working groups tackled particular projects and held eight meetings in 2021/2022.

ERWIC awards

The ERWIC awards marked their second year in 2021, showing signs of becoming a popular and eagerly anticipated event on the construction industry calendar.

Delivering the keynote speech, Deputy Minister Noxolo Kiviet stressed that the awards are not a final achievement. 'They are a call to commit to more, to work harder and to pull other women with you,' she said.

'Women on the job site are no longer an unfamiliar sight. While women are on the rise, much still needs to be done to truly overcome gender disparity.'

With Covid-19 rife throughout the year over which performances were judged, entry numbers for certain categories dropped. However, this was balanced by the addition of two new awards that reflected the new business imperatives – business resilience and innovation.

Delivering a master shot, Lebogang Zulu of Tshitshirisang Construction and Projects claimed four of the 12 awards – mentorship, transformation, innovation and the cidb Chairperson's award for outstanding performance.

Client liaison

In the year under review, the cidb provincial offices continued to promote contractor development and support clients in conceptualising and implementing sustainable contractor development programmes.

This support includes developing the guiding policy, aligning existing policy to the cidb framework for contractor development, selecting contractors needing development, and evaluating and assessing them on entering a programme.

It also involves advice on training and mentoring, assessment of beneficiaries exiting programmes, monitoring the performance of contractors being developed and sharing of success factors and principles of contractor development.

The initiative has a strong element of capacity-building for public sector clients to optimise their planning, management and implementation of programmes and projects.

The cidb also shares knowledge and promotes best development practices through webinars, conferences and meetings, including aspects of the B.U.I.L.D Programme. Clients also benefit from guidance on procurement processes and practices and through information and news on support schemes for contractor development.

Court challenges to inconsistencies in the application of the 2017 Preferential Procurement Policy Framework Act delayed the allocation of projects for contractor development. Now that the Constitutional Court has confirmed that the suspension of the matter has been extended until 15 February 2023, the programmes will resume with vigour.

In 2022/2023, the cidb will monitor their implementation and continue its capacitation of clients.

The following clients were supported during 2021/2022:

Province	Contractor development programme
Limpopo	Polokwane Municipality
	Vhembe District Municipality
	Greater Sekhukhune District Municipality
	Provincial Department of Public Works and Infrastructure
	Lephalale Local Municipality
KwaZulu-Natal	Department of Public Works
	Department of Transport
	KwaDukuza Local Municipality
Gauteng	Johannesburg Water
	Department of Roads and Transport
	Ekurhuleni Metropolitan Municipality
North West	Department of Public Works
Northern Cape	Department of Cooperative Governance, Human Settlements and Traditional Affairs
Free State	Department of Police, Roads and Transport
	Department of Public Works and Infrastructure
Mpumalanga	Department of Public Works Roads and Transport
Eastern Cape	Ingquza Hill Local Municipality
	Buffalo City Metropolitan Municipality
	Department of Public Works
	Department of Transport
	East London Industrial Development Zone
Western Cape	City of Cape Town Rental Stock Programme
	Department of Transport and Public Works

ИЗЫСКАНИЯ

INTERNAL CAPACITY

Human resource management

Human resources strategies are aligned to the organisational strategy to enable and support the achievement of the mandate.

The cidb must have competent and skilled employees to ensure fulfilment of goals, and an environment must be maintained that is supportive of and conducive to superior performance.

Employee health, safety, mental and physical wellness are priorities that involve employees, line managers and the wellness services provider.

Staff complement

Employment type	31 March 2022
Permanent staff	162
Fixed-term contract staff	6
Temporary staff	1
Total	169

Organisational structure staffing

	Organisational structure
Total staff establishment as per the approved structure	382
Budgeted structure	191
Actual headcount	168
Vacant and budgeted positions	23

Filled vacancies

Job title	Engagement date
Chief Operating Officer	1 May 2021
Human Resources Director	1 June 2021
Director: Corporate Legal	1 July 2021
Director: Finance	1 April 2021
Manager: Internal Audit and Risk	1 May 2021
Provincial Manager: Western Cape	1 July 2021
Manager: Enforcement	14 June 2021
Manager: Compliance	1 April 2021
Financial Accountant	1 August 2021
Chief Corporate Services Officer	1 September 2021
Secretary: Information and Communications Technology	1 September 2021
Manager: Information Systems	1 September 2021
Company Secretary	1 October 2021

At year-end, the cidb had an occupancy rate of 88% and a vacancy rate of 12% based on budgeted positions.

Terminations

Resignations	Dismissals	Deceased
2	3	2

The cidb employs 169 employees, including fixed-term contractors and temporary staff, 64 of whom are males and 105 female. Most management positions are occupied by males, which can be addressed by ring-fencing certain management positions for women, skills development and succession planning.

Occupancy per gender

Occupational level	Male	Female	Vacancies
Executive	4	1	1
Senior management	5	6	4
Middle management	19	9	6
Non-management	37	88	12
Total	65	104	23

Employment equity statistics

Occupational levels	Male				Female				Foreign nationals		Total	%
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		
Top management	3	-	-	-	1	-	-	-	-	-	4	2.47
Senior management	3	1	1	-	5	-	-	1	-	-	11	6.79
Professionally qualified and experienced specialists and mid-management	17	-	2	-	9	-	-	-	-	-	28	17.9
Skilled technical and academically qualified workers, junior management, supervisors and superintendents	10	-	-	-	17	1	-	2	-	-	29	17.9
Semi-skilled and discretionary decision-making	20	-	-	-	37	1	1	2	-	-	61	37.7
Unskilled and defined decision-making	5	-	-	1	19	2	-	-	-	-	27	16.7
Total permanent	**58**	**1**	**3**	**1**	**88**	**4**	**1**	**5**	**-**	**-**	**160**	
Fixed-term contract	**1**	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**-**	**6**	
Employees with disabilities	-	-	-	-	1	-	-	-	-	-	1	0.62
Temporary employees	-	-	-	-	1	-	-	-	-	-	1	
Grand total	**59**	**1**	**3**	**1**	**95**	**4**	**1**	**5**	**-**	**-**	**168**	**100**

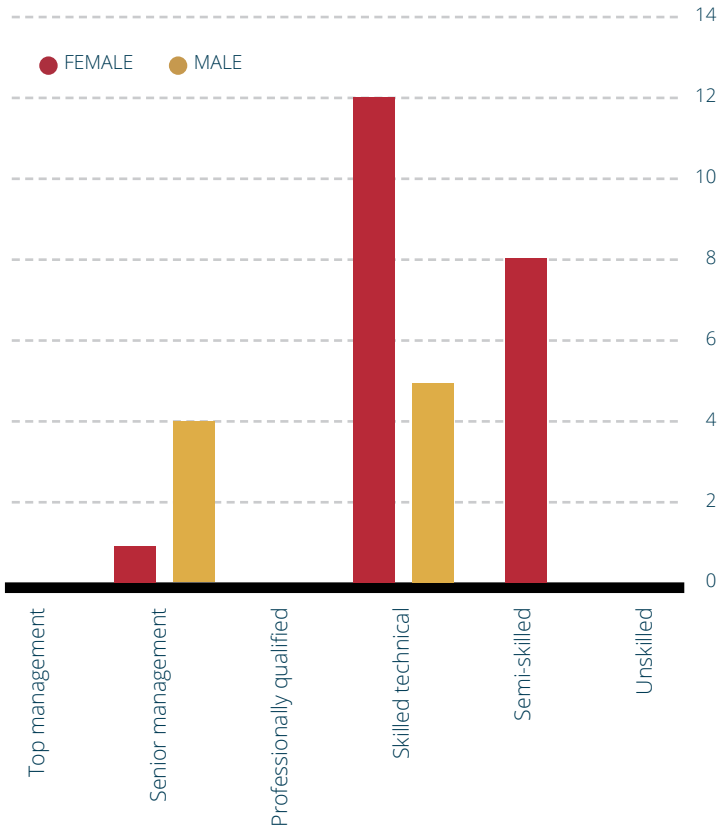
Skills development

Skill development of employees is informed by employee development plans, which are contained in performance contracts signed between employees and their managers.

In the review year, the cidb spent almost R1.3 million on development, R500 000 on training and R700 000 on bursaries for 30 staff.

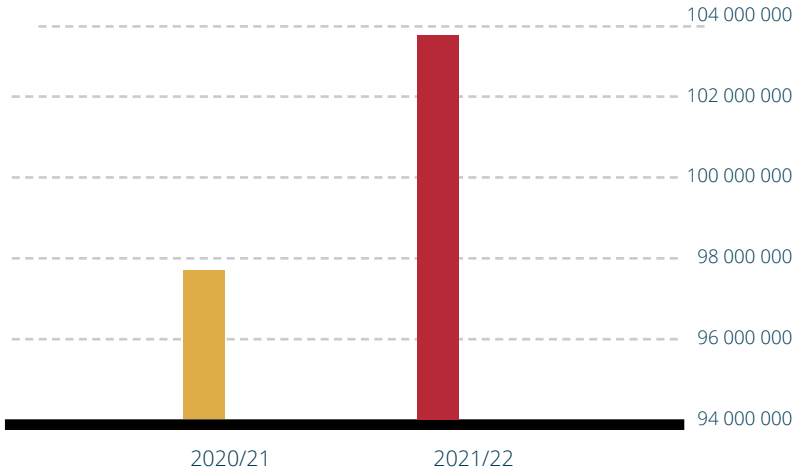
Bursaries

Bursaries enable the cidb to address skills gaps, while allowing employees to expand their knowledge and skills. Since the scheme's inception in 2014, the programme has produced 21 graduates, eight of whom were postgraduates.



The Recruitment and Selection Policy, Leave Policy and Acting Policy were reviewed during the year and were approved by the Board.

Below is a staff remuneration comparison for 2020/2021 and 2021/2022:



Annual training report

Occupational levels	Male				Female				Foreign nationals		Total	%
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		
Top management	3	-	-	-	1	-	-	-	-	-	4	2.47
Senior management	3	1	1	-	5	-	-	1	-	-	11	6.79
Professionally qualified and experienced specialists and mid-management	12	-	1	-	6	-	-	-	-	-	19	17.9
Skilled technical and academically qualified workers, junior management, supervisors and superintendents	7	-	-	-	10	-	-	2	-	-	18	17.9
Semi-skilled and discretionary decision-making	12	-	-	-	21	-	1	2	-	-	36	37.7
Unskilled and defined decision-making	1	-	-	-	12	-	-	-	-	-	13	16.7
Total permanent	**38**	**1**	**2**	**-**	**55**	**-**	**1**	**4**	**-**	**-**	**101**	
Fixed-term contract	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Employees with disabilities	-	-	-	-	1	-	-	-	-	-	1	0.62
Temporary employees	-	-	-	-	-	-	-	-	-	-	-	
Grand total	**38**	**1**	**2**	**-**	**56**	**-**	**1**	**4**	**-**	**-**	**102**	**100**

ANNUAL FINANCIAL STATEMENTS

General information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
BOARD MEMBERS	Nzo K (Chairperson) Bouillon S (Deputy Chairperson) Masimene D Songelwa T Zulu B Maimela K Gopane T Mbane Y Siyila K Rabosiwana B Makhanya S Mokgatle B Le Roux C
REGISTERED OFFICE	Block N, R and Z SABS Campus 2 Dr Lategan Road Groenkloof, Pretoria 0027
BANKERS	Standard Bank of South Africa Limited Investec Limited
AUDITORS	Auditor-General of South Africa
SECRETARY	Evans Sebata (acting)

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Statement of responsibility and confirmation of accuracy for the annual report

The annual financial statements set out on page 65 to 92, which have been prepared on the going concern basis, were approved by the board on 31 July 2022 and were signed on its behalf by:

Dladla B

Chief Executive Officer

31 July 2022

Nzo KV

Board Chairperson

31 July 2022

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. Its compliance programme assesses adherence to good governance principles and identifies areas needing regular improvements. It subscribes to the stipulations of the PFMA and the principles of King IV.

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 must provide effective corporate governance and strategic direction, which involve adhering to the principles of good governance, risk management and internal controls stipulated in the PFMA and Treasury Regulations.

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.

The Board Charter is reviewed regularly.

Portfolio committees

The Portfolio Committee on Public Works and Infrastructure oversees the cidb's service delivery, which includes reviewing the financial and non-financial performance information contained in the strategic and annual performance plans.

Three meetings were held with portfolio committees during the financial year.

Portfolio Committee on Public Works and Infrastructure:

Date of meeting	Purpose
12 November 2021	Annual report

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

Date of meeting	Purpose
23 February 2022	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 legislative mandates.

The Minister has the power to appoint and dismiss the Board in terms of the CIDB Act, and continuously monitors and evaluates cidb performance 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
29 April 2021	Fourth quarter performance report 2020/2021
30 July 2021	First quarter performance report 2021/2022
28 October 2021	First draft annual performance plan
28 October 2021	Second quarter performance report 2021/2022
31 January 2022	Third quarter performance report 2021/2022
4 February 2022	Final annual performance plan

Risk management

Enterprise management is a process, effected by an entity's board management and other personnel, applied in a strategy setting and across the whole organisation. It identifies potential events that may affect the entity and manages risks to acceptable levels.

A strategic risk assessment was conducted to identify and rate strategic risks facing the organisation. These risks were categorised and monitored for performance.

To identify the risks that could have an impact on operations, the organisation first identified or confirmed its business/strategic objectives or goals.

In the context of an entity's established vision, management sets strategic objectives, selects strategy and determines aligned objectives cascading through the organisation.

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

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

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

At 31 March 2022, the top 10 risks were:

Risk name	Inherent risk rating	Residual risk rating	Status
Non-compliance with cidb prescripts (private sector)	20	16	Priority 1
Slow pace of industry transformation	25	15	Priority 1
Slow transformation in the participation of women-owned companies in the industry	25	15	Priority 1
Shortage of construction skills-supply pipeline	20	12	Priority 3
Poor-performance clients	20	12	Priority 1
Poor uptake of the contract development programme	20	12	Priority 2
Non-compliance to cidb prescripts (public sector)	20	12	Priority 1
Low compliance with the B.U.I.L.D Programme	16	10	Priority 1
Cybercrime and system hacking	25	9	Priority 3
Loss of projected revenue	20	12	Priority 2

Annual performance against key indicators of strategic risks

The following risks require Board and management attention in 2022/2023:

Number	Strategic risks	Key performance indicator	Performance against key performance indicators	Material issues	Root causes	Interventions to be implemented in 2022/2023
1	Slow pace of industry transformation	70% of grades 7 to 9 contractors are black-owned	45% average of grades 7 to 9 active contractors are black-owned	Court ruling on the implementation of the PPPFA Infrastructure budget underspending	Public impact of Covid-19 Low business confidence Decreased public and private sector spending	Develop a system to expand and align the RoC to RoP to improve performance and contractor information Implementation of the National Immovable Asset Maintenance Management Standard Upgrade cidb contractor registration systems to fully integrate with National Treasury Central Supplier Database Monitor implementation of projects against the National Infrastructure Plan Increase collaboration with National Treasury Work with and regulate the private sector Use the RoP to monitor projects awards Promote the revised NCDP Framework
2	Slow transformation in the participation of women-owned companies in the industry	33% of grades 2 to 9 contractors are women-owned	11% average of grades 2 to 9 active contractors are women-owned	Court ruling on the implementation of PPPFA Infrastructure budget underspending	Public impact of Covid-19 Low business confidence Both public and private sector spending have decreased	As above
3	Poor-performance clients	84% municipal budget spend	69% municipal budget spending	Lack of internal capacity	Lack of capacity and skills The cidb has no direct influence on clients' budgets management Political interference	Look into the causes and impacts of cancellation of tenders, and identify responses to address them Enhance client capacitation on IDMS, Framework for Infrastructure Delivery and Procurement Management etc Implement a client recognition scheme

4	Non-compliance to cidb prescripts (public sector)	60% public sector compliance	38% % of compliance with RoP (public sector)	Lack of internal capacity	Monitoring of compliance is not effective No enforcement was implemented on government institutions due to intergovernmental relationship Lack of appetite to institute criminal action against a government department Ineffective strategy to improve private sector compliance status	Improve registration on and compliance with the RoP Implement punitive measures against defaulters Generate reports for the DPWI ministers, directors-general, parliamentarians etc Improve reporting to the Auditor-General Develop intergovernmental policy. Memoranda of understanding signed with Auditor-General (to add to scope of work)

Covid-19 statistics at 31 March 2022

Cases				Action taken
Consolidated	**Recoveries**	**Death**	**Total**	
April to June 2021	13	-	13	The cidb offices were closed, sanitised and disinfected before business resumed
July to September 2021	16	1	17	
October to December 2021	6	-	6	
January to March 2022	3	-	3	
Total	38	1	39	

Emerging risks

- Non-compliance with requirements was identified in the internal audit report that requires attention
- Unforeseen delays to relocate into the new property

Incidents and events in 2021/2022

Disciplinary action was initiated against three officials, one at Gauteng provincial office and two in Free State, for soliciting bribes. All were found guilty and dismissed.

Assets damaged and stolen at the KwaZulu-Natal office during the July 2021 riots were valued at R901 000. A claim was lodged with the insurer and payment was received.

Internal audit report

The internal audit function is managed by an in-house director with SAB&T. The function provides independent, objective assurance and consulting services designed to add value to 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 scope of work of the internal auditing function is reflected in the internal audit charter. The nature and scope of the work were set out in the approved

2021/2022 internal audit coverage plan. Audit coverage focused primarily on high-risk and other areas indicated by the Audit, Risk and Governance Committee and management.

SAB&T confirms that assignments were undertaken in line with the approved 2021/2022 annual plan for the year ended 31 March 2022. SAB&T complied with the requirements of the International Standards for Professional Practice of Internal Auditing in the performance of its duties and adhered to the professional code of conduct. It followed a risk-based approach in planning audit assignments.

It considered the risk assessment of the cidb 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 Executive Committee. The results of those assignments, including other enquiries directed at management, formed the basis of the internal control assessment ratings for each audit area.

Internal controls assessment

Below are the audit areas covered during the review year by the internal auditors. They assessed the adequacy and effectiveness of internal controls and provided independent assurance on audit areas, and orderly and efficient conduct of the business, including adherence to the organisation's policies, paying attention to:

- Safeguarding of assets
- Prevention and detection of fraud and errors
- Accuracy and completeness of accounting records
- Timely preparation of reliable financial and performance information

Activities	Control environment rating	Period final reports issued	Rating
Internal financial controls	Moderate	March 22	Satisfactory
Human resources review	Moderate	September 21	Satisfactory
Supply chain management internal control report	Moderate	March 22	Satisfactory
Audit of predetermined objectives – quarter 1	Low	July 21	Good
Audit of predetermined objectives – quarter 2	Moderate	October 21	Satisfactory
Audit of predetermined objectives – quarter 3	Moderate	January 22	Satisfactory
Audit of predetermined objectives – quarter 4	Moderate	October 21	Satisfactory
Construction industry regulation internal audit report	Moderate	February 22	Satisfactory
Internal IT audit report	Moderate	December 21	Satisfactory
Occupational health and safety, and Covid-19 compliance audit review internal audit report	Significant	October 21	Less than satisfactory
Performance bonus review internal audit report	Moderate	November 21	Satisfactory
Ad-hoc review procurement assurance on Microsoft maintenance support tender: Internal audit report	Moderate	August 21	Satisfactory
Annual Performance Plan 2022/2023: Internal audit report	Low	January 22	Good

Report of the audit, risk and governance committee

Audit and risk report

We are pleased to present our report for the financial year ended 31 March 2022.

Audit, Risk and Governance Committee members and attendance

The Audit, Risk and Governance Committee was operational during the financial year. The committee members listed below met as follows during the financial year until 31 December 2021:

Name of member	Number of meetings
Nombulelo Tyandela (Chairperson)	6
Lufuno Nevhutalu (Board member)	6
Mboniseni Dlamini (Board member)	6
Danny Masimene (Board member)	5
Lindelani Mathobo	3

Board membership for Lufuno Nevhutalu and Mboniseni Dlamini terminated in December 2021 while that of Mr Danny Masimene was renewed, however Mr Masimene was allocated to other sub-committee of the Board. Lindelani Mathobo, a non-Board member, was appointed on 31 August 2022 but resigned at the end of December 2021.

The committee members have changed since the new Board was appointed, and the committee is now comprised of the members listed below. The meeting attended is for the remaining period until 31 March 2022.

Name of member	Number of meetings
Nombulelo Tyandela (Chairperson)	-
Lufuno Nevhutalu (Board member)	1
Mboniseni Dlamini (Board member)	1
Danny Masimene (Board member)	1
Lindelani Mathobo	1

Audit, Risk and Governance Committee responsibility

The Audit, Risk and Governance Committee confirms that it has complied with its responsibilities as contained 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 overseen the internal audit reports. Internal auditing was carried out in accordance with the approved three year rolling risk-based Internal Audit Plan, and all internal audit assignments, including ad hoc projects, were completed.

Year management and monthly/quarterly report

The cidb has reported to National Treasury the required reports in line with the PFMA requirements every quarter.

Auditor's reports

We exercised oversight on the audit implementation plan for audit issues raised in the prior year, and we were 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 confirms that it was satisfied with reporting on the performance information throughout the year by verifying an independent assessment by the internal auditors.

The committee received the Auditor-General's conclusions on the Audited Annual Financial Statements. In addition, the committee has engaged the AGSA on the basis of its conclusion, which renders the Audited Annual Financial Statement qualified for the interpretation and application of accounting standard GRAP 23. The committee is of a different opinion from the AGSA's conclusion of the standards above. Consequently, the committee resolved that the cidb should sign the acceptance of the audit outcome. The cidb is seeking a declaratory order on the recognition treatment of this revenue. The Committee is of the opinion that the outcome of the audited financial statements does not represent a fair interpretation of applied accounting standards, as per the submitted supporting documentation.

Signed on behalf of the Audit, Risk and Governance Committee.

Nombulelo Tyandela

Chairperson: Audit, Risk and Governance Committee

31 August 2022

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

Report of the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the construction industry Development Board set out on pages 65 to 92, which comprise the statement of financial performance, statement of financial position as at 31 March 2022, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Construction Industry Development Board as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 PFMA).

Basis for qualified opinion

Revenue and receivables from non-exchange transactions

3. The public entity did not bill and collect all the revenue due to the entity in accordance with GRAP 23, Revenue from non-exchange transactions. I identified construction contracts that qualify for best practice project assessment scheme but for which a build fee was not billed and recorded. I was unable to determine the full extent of the understatement of build fees, stated at R43 419 216 in note 16 to the financial statements, and related receivables from non-exchange transactions build fees, stated at R31 107 602 in note 6 to the financial statements, as it was impracticable to do so. There was a resultant impact on the surplus for the period and on the accumulated surplace.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISA). 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.

5. I am independent of the public entity in accordance with the International Ethics Standards Board for Accounts' 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.

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

Responsibilities of the accounting authority for the financial statements

7. 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 of error.

8. 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

9. 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.

10. 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

11. 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 programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

12. 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.

13. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 6 – provincial offices	98

14. 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.

15. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

    - Programme 6 – provincial offices.

Other matter

16. I draw attention to the matter below.

Achievement of planned targets

17. Refer to the annual performance report on pages 95 to 98 for information on the achievement of planned targets for the year and management's explanations provided for the under- and overachievement of targets.

Introduction and scope

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

19. The material findings on compliance with specific matters in key legislation are as follows:

Revenue management

20. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Annual financial statements, performance report and annual report

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) and (b) of the PFMA.

22. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.

Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual

performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

27. 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 qualified opinion, the findings on compliance with legislation included in this report.

28. The public entity did not have documented policies and procedures to guide the operations of best practice project assessment scheme (B.U.I.L.D fees), resulting in non-compliance with the PFMA.

29. The public entity did not implement adequate monitoring controls to ensure that the annual financial statements submitted for auditing were free of material misstatements and that compliance was adequately monitored.

Other reports

30. 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.

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

Auditor General

Pretoria

31 August 2022

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 programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, 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 the 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 preparation of the financial statements. I also concluded, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubts 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 communicate with it 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

Statement of financial position at 31 March 2022

	Note	*2021*	*2020* Restated*
Assets			
Non-current Assets			
Property, plant and equipment	3	106 007 902	96 555 529
Intangible assets	4	29 438 002	33 892 283
		135 445 904	**127 821 623**
Current Assets			
Receivables from exchange transactions	5	9 270 594	5 663 452
Receivables from non-exchange transactions	6	31 107 602	-
Cash and cash equivalents	7	174 462 698	169 577 691
		214 840 894	**175 241 143**
Total Assets		**350 286 798**	**303 062 766**
Liabilities			
Current Liabilities			
Income received in advance	9	94 279 023	86 378 222
Finance lease obligation	8	277 232	-
Payables from exchange transactions	11	17 744 471	14 118 432
Employee benefits	10	6 873 903	5 469 803
		119 174 629	**105 966 457**
Non-current Liabilities			
Finance lease obligation	8	351 707	-
Total Liabilities		**119 526 336**	**105 966 457**
Net Assets		**230 760 462**	**197 096 309**
Accumulated surplus		230 760 462	197 096 309
Total Net Assets		**230 760 462**	**197 096 309**

Statement of financial performance

	Note	*2022*	*2021*
Revenue			
Revenue from exchange transactions			
Assessment fees		50 537 921	48 267 500
Other income	13	371 606	58 604
Finance income	14	6 986 443	7 937 135
Total revenue from exchange transactions		**57 895 970**	**56 263 239**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	15	78 166 000	72 442 640
B.U.I.L.D fees	16	43 419 216	-
Donation received	17	250 000	250 000
Annual fees		46 789 628	53 898 491
Service in-kind		1 018 739	1 292 011
Total revenue from non-exchange transactions		**169 643 583**	**127 883 142**
Total revenue	**12**	**227 539 553**	**184 146 381**
Expenditure			
Employee benefit cost	18	(111 784 209)	(97 355 665)
Members' emoluments	19	(3 145 516)	(3 008 461)
Depreciation and amortisation	20	(3 732 953)	(3 767 488)
Finance costs	21	(7 336)	-
Debt impairment reversal/(loss)	22	180 780	(354 725)
Bad debts written off		(141 014)	(36 297)
Operating expenses	23	(75 742 158)	(60 998 600)
Total expenditure		**(194 372 406)**	**(165 521 236)**
Operating surplus	**25**	**33 167 147**	**18 625 145**
Gain/(Loss) on disposal of property, plant and equipment		**497 005**	**(507 074)**
Surplus for the year		**33 664 152**	**18 118 071**

Statement of changes in net assets

	Accumulated surplus	Total net assets
Balance at 01 April *2020*	**178 978 238**	**178 978 238**
Surplus for the year	18 118 071	18 118 071
Balance at 01 April *2021*	**197 096 310**	**197 096 310**
Surplus for the year	33 664 152	33 664 152
Balance at 31 March *2022*	**230 760 462**	**230 760 462**

Cash flow statement

	Note	*2022*	*2021*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Registers income		96 561 728	109 674 403
Grants received		78 166 000	72 442 640
Finance income		6 986 443	7 937 135
Other receipts		12 934 405	308 604
		194 648 576	**190 362 782**
Payments			
Compensation to employees		(109 951 368)	(97 704 801)
Payments to suppliers and others		(69 513 554)	(74 657 515)
		(179 464 922)	**(172 362 316)**
Net cash flows from operating activities	**26**	**15 183 654**	**18 000 466**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(12 391 752)	(89 499 238)
Proceeds from sale of property, plant and equipment	3	1 471 502	49 995
Net cash flows from investing activities		**(10 920 250)**	**(89 449 243)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments – capital		628 939	-
Finance lease payments – finance cost		(7 336)	-
Net cash flows from financing activities		**621 603**	**-**
Net increase in cash and cash equivalents		**4 885 007**	**(71 448 777)**
Cash and cash equivalents at the beginning of the year		169 577 691	241 026 468
Cash and cash equivalents at the end of the year	**7**	**174 462 698**	**169 577 691**

Statement of comparison of budget and actual amounts

Budget on cash basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Assessment fees	59 881 140	(7 140 000)	**52 741 140**	50 537 921	**(2 203 219)**	37.2
Other income	-	-	**-**	371 606	**371 606**	
Finance income	9 795 000	(4 000 000)	**5 795 000**	6 986 443	**1 191 443**	37.4
Total revenue from exchange transactions	**69 676 140**	**(11 140 000)**	**58 536 140**	**57 895 970**	**(640 170)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	78 166 000	-	**78 166 000**	78 166 000	-	37.3
B.U.I.L.D fee	-	-	**-**	43 419 216	43 419 216	37.8
Donations	-	-	**-**	250 000	**250 000**	
Annual fees	57 532 860	(6 860 000)	**50 672 860**	46 789 628	**(3 883 232)**	37.2
Service in kind	-	-	**-**	1 018 739	**1 018 739**	37.6
Total revenue from non-exchange transactions	**135 698 860**	**(6 860 000)**	**128 838 860**	**169 643 583**	**40 804 723**	
Total revenue	**205 375 000**	**(18 000 000)**	**187 375 000**	**227 539 553**	**40 164 553**	
Expenditure						
Employee benefit cost	(114 285 372)	-	**(114 285 372)**	(111 784 209)	**2 501 163**	37.5
Members' emoluments	(3 443 153)	450 000	**(2 993 153)**	(3 145 516)	**(152 363)**	
Depreciation and amortisation	-	-	**-**	(3 732 953)	**(3 732 953)**	37.6
Finance costs	-	-	**-**	(7 336)	**(7 336)**	
Debt impairment	-	**-**	**-**	180 780	**180 780**	37.6
Bad debts written off	-	**-**	**-**	(141 014)	**(141 014)**	37.6
Operating expenses	(87 646 475)	**17 550 000**	**(70 096 475)**	(75 742 158)	**(5 645 683)**	37.7
Total expenditure	**(205 375 000)**	**18 000 000**	**(187 375 000)**	**(194 372 406)**	**(6 997 406)**	
Operating surplus	**-**	**-**	**-**	**33 167 147**	**33 167 147**	
Gain on assets written off	-	-	-	497 005	497 005	
Surplus of the year	**-**	**-**	**-**	**33 664 152**	**33 664 152**	
Actual amount on comparable basis as presented in the budget and actual comparative statement	**-**	**-**	**-**	**33 664 152**	**33 664 152**	

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. 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 entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for the foreseeable future. The cidb receives its funding from the Department of Public Works and Infrastructure and recovers some of its costs through the Register of Contractors. There has not been any indication that these financial sources may be significantly affected in the foreseeable future.

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 that may be material to the annual financial statements. Significant judgments include:

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

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 10.

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 either 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 the cidb in a principal-agent arrangement concludes that it undertakes transactions with the third parties for the benefit of another entity, then it is the agent. If the cidb concludes that it is not the agent, then it is the principal in the transactions.

Additional information is disclosed in Note 38.

Assessment of the impacts of Covid-19

Quantifying the impacts of Covid-19 on a non-arbitrary basis may require significant judgment – distinguishing between income and expenses that are part of normal operations versus those that specifically relate to Covid-19.

The cidb will disclose the impact of Covid-19 when there is deemed material uncertainty about the cidb's ability to continue as a going concern.

Useful lives and residual values of assets

Management makes judgments in estimating the useful lives and the residual values of property, plant and equipment and intangible assets. This may affect the depreciation/ amortisation and the carrying values of the assets.

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 is initially measured at cost.

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

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 is carried at cost less accumulated depreciation and any impairment losses.

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

Furniture and fixtures	Straight-line	3 – 20 years
Motor vehicles	Straight-line	8 – 10 years
Office equipment	Straight-line	3 – 20 years
Computer equipment	Straight-line	3 – 18 years

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. Some of the indicators that the cidb considers are the changes in replacement practices and physical conditions of the assets.

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

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.

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 – 20 years

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.

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
Receivables from exchange transactions	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 transaction	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

The cidb has entered into a finance lease agreement for its telephone equipment for a period of 36 months.

Finance leases – lessee

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

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

Operating leases – lessee

The cidb has entered into a 36-month lease agreement through a National Treasury R3-2018 contract as a participant and is a party to lease agreements for some of its provincial offices accommodation. 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 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 twelve months after the end of the reporting period in which the employees render the related service.

  The cidb recognises the expected cost of bonus, incentive and performance-related payments when the cidb present 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 pension 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 employee 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;

1.12 Provisions and contingencies (continued)

- 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 29.

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, annual fees from contractors, fines and fees from the B.U.I.L.D Programme.

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. 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.

B.U.I.L.D income

The Minister of Public Works and Infrastructure published the implementation dates for the Standard for Indirect Targeting for Enterprise Development and Standard for Developing Skills through Infrastructure Contracts in Government Gazette 43726. The first phase of implementation started in 01 April 2021 for national government departments, public entities and strategic infrastructural projects.

All construction contracts above a prescribed tender value are subject to assessment compliance with best practice standards and guidelines as gazetted. Every client that engages in B.U.I.L.D must pay to the cidb 0.2% of the contract value as determined at the time of the awarding of the contract as a B.U.I.L.D fee.

B.U.I.L.D Programme fees satisfy the definition of the assets and revenue when it is probable that the future economic benefits will flow to the cidb, and the fair value of the assets can be measured reliably.

Clients are required to register their projects on the Register of Projects where cidb identifies qualifying projects to contribute to the B.U.I.L.D Programme. The cidb charges the B.U.I.L.D fee on all qualifying projects on the Register of Projects in the period the declaration is made.

Additional information is included in note number 16.

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

The cidb receives free accommodation from the DPWI provincial departments for its six provincial offices based in Eastern Cape, Western Cape, Limpopo, Northern Cape,

North West and KwaZulu-Natal in a form of shared office space. The cidb uses the Rode's Report on South African Property Market to estimate the value of the services received. Where data of the town or city where the offices are located is not available in the report, the data of the nearest similar town is used for the estimate.

1.15 Expenditure

Expenditure is classified in accordance with the nature of the expenditure in the period in which it is incurred. The cidb recognises expenditure in surplus or deficit when a decrease in future economic benefits or service potential relates in 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

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

The cidb records as irregular expenditure any expenditure that is not incurred in a manner that is prescribed by the PFMA and/or any applicable National Treasury instruction notes and frameworks.

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 2022 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 Africa 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 were 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 entity-wide disclosure is not, therefore, practical at this point as this activity is new. However, a reporting tool will be developed 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 an accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

The cidb has considered all standards and interpretations, which have been published and are mandatory for the cidb's accounting periods beginning on or after 01 April 2022 or later periods, and applied all relevant ones.

3. Property, plant and equipment

	2022			2021		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	93 258 786	-	93 258 786	88 693 346	-	88 693 346
Furniture and fixtures	6 160 089	(5 004 656)	1 155 433	6 411 100	(4 655 323)	1 755 777
Motor vehicles	180 775	(162 698)	18 077	180 775	(154 563)	26 212
Office equipment	4 257 121	(2 750 865)	1 506 256	3 628 796	(2 611 245)	1 017 551
IT equipment	**14 206 916**	**(4 137 566)**	**10 069 350**	**10 271 069**	**(5 208 426)**	**5 062 643**
Total	**118 063 687**	**(12 055 785)**	**106 007 902**	**109 185 086**	**(12 629 557)**	**96 555 529**

Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	TOTAL
Land and buildings	88 693 346	4 565 440	-	-	-	**93 258 786**
Furniture and fixtures	1 755 777	177 840	(62 694)	(27 834)	(687 656)	**1 155 433**
Motor vehicles	26 212	-	-	-	(8 135)	**18 077**
Office equipment	1 017 551	1 047 762	(67 544)	(32 186)	(459 327)	**1 506 256**
IT equipment	5 062 643	6 600 710	(683 603)	-	(910 400)	10 069 350
	96 555 529	**12 391 752**	**(813 841)**	**(60 020)**	**(2 065 518)**	**106 007 902**

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**

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.

Furniture and fixtures	460 276	-
Office equipment	167 905	-
IT equipment	843 321	49 995
	1 471 502	**49 995**

Assets subject to finance lease (net carrying amount)

Office equipment	**626 433**	**570**

Other information

The following furniture was approved for disposal in 2019/2020 with the anticipation of replacement during the relocation to new premises. With the delay in the move, it has been impractical to replace the furniture. As a result, this furniture is still in use (carrying value)

Furniture and fixtures	81 755	163 510

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 fit-out was completed, the cidb was in the process of applying for the occupancy certificate from the City of Tshwane.

Opening balance	88 693 346	-
Purchase price: 9 June 2020	-	78 340 598
Additions since purchase	4 565 440	10 352 748
	93 258 786	**88 693 346**

Reconciliation of work-in-progress 2022

	Included within land and buildings	TOTAL
Opening balance	88 693 346	88 693 346
Additions/capital expenditure	4 565 440	4 565 440

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

Expenditure incurred to repair and maintain property, plant and equipment included in statement of financial performance

General expenses	467 469	-

Repairs expenditure was incurred during the year towards property, plant and equipment.

During the financial year, the cidb paid the amount of R140 875 and R326 594 for the repair of a pipe burst and roof leak respectively.

4. Intangible assets

	2022			2021		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	32 200 316	(2 762 314)	29 438 002	34 010 700	(2 744 606)	31 266 094

Reconciliation of work-in-progress 2022

	Opening balance	Disposals	Amortisation	Total
Computer software	31 266 094	(161 109)	(1 666 983)	29 438 002

Reconciliation of work-in-progress 2021

	Opening balance	Disposals	Amortisation	Total
Computer software	33 892 283	(317 395)	(2 308 794)	31 266 094

Pledged as security

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

Intangible assets being constructed or developed

Cumulative expenditure recognised in the carrying value of intangible assets

Computer software, other	**10 055 671**	**10 055 671**

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 as at the reporting date.

5. Receivables from exchange transactions

Trade debtors	767 121	1 327 822
Prepayments	8 309 792	4 191 753
Other debtors	193 681	143 877
	9 270 594	**5 663 452**

Trade and other receivables impaired

As of 31 March 2022, trade and other receivables of R1 006 453 (2021: R1 327 822) were impaired and provided for.

The amount of the provision was R239 332 as of 31 March 2022 (2021: R485 891).

Provision for bad debts has been determined in accordance with the cidb's policy on debt management. The cidb considers the carrying value of its receivables to approximate their fair value.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	485 891	331 805
Provision for impairment/(reversal)	180 780	190 383
Amounts written off as uncollectible	(141 014)	(36 297)
Unused amounts reversed	(286 325)	-
	239 332	**485 891**

6. Receivables from non-exchange transactions

B.U.I.L.D fees	31 107 602	-
Statutory receivables included in receivables from non-exchange transactions above are as follows:	31 107 602	**-**
B.U.I.L.D fees		
Total receivables from non-exchange transactions	31 107 602	**-**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19 755	39 856
Bank balances	20 199 933	5 281 268
Other cash and cash equivalents	154 243 010	164 256 567
	174 462 698	**169 577 691**
Cash and cash equivalents held by the entity that are not available for use by the economic entity	**18 279 468**	**3 764 031**

The cidb entered into an administrative agreement with the Jobs Fund, an agency of National Treasury. The cidb is administering and monitoring the implementation of the JF8 - 1709 Construction Industry SME Development Project. An amount of R5 966 669 (2021: R3 764 031 was at the bank at the end of the reporting period, ringfenced for exclusive use for the project.

Another portion of cash and cash equivalent that is not available for use by the entity is an amount of R12 312 799 held for the B.U.I.L.D Programme. Cidb launched the Best Practice Project Assessment Scheme aimed at developing a sustainable construction industry. These funds will be spent exclusively on the B.U.I.L.D Programme.

8. Finance lease obligation

minimum lease payments due:		
• within one year	283 840	-
• in second to fifth year inclusive	354 800	-
less: future finance charges	638 640	-
	(9 701)	
Present value of minimum lease payments	**628 939**	**-**
Non-current liabilities	351 707	-
Current liabilities	277 232	
	628 939	-

9. Finance lease obligation

Income received in advance	94 279 023	86 378 222

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.

10. Employee benefit cost provision

Reconciliation of employee benefit cost provision – 2022

	Opening balance	Additions	Utilised during the year	Total
Provision for leave	5 469 803	3 474 072	(3 126 783)	5 817 092
Provision for performance bonus	-	1 056 811	-	1 056 811
	5 469 803	**4 530 883**	**(3 126 783)**	**6 873 903**

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**

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 12 months.

The provision for performance bonus is calculated based on a sliding scale of between 7% and 25% of salaries as determined by the cidb remuneration policy. The bonuses are payable to non-bargaining unit employees who qualify for the performance bonuses. A liability is recognised for an amount expected to be paid if the cidb has a present legal or constructive obligation to pay this amount as a result of a past service rendered by the employees to the cidb and the amount can be measured reliably. A provision for performance bonuses is raised on an estimated amount payable based on measurement tools applied by the cidb. This provision is expected to be settled within 12 months.

11. Payables from exchange transactions

Trade payables	2 905 936	4 044 997
Jobs Fund payable	5 966 669	3 764 031
Unallocated deposits	2 826 913	3 797 559
Trade accruals	3 467 696	849 656
Operating lease payables	139 038	-
Payroll liabilities	2 438 219	1 662 189
	17 744 471	**14 118 432**

12. Revenue

Assessment fees	50 537 921	48 267 500
Other income	371 606	58 604
Interest received – investment	6 986 443	7 937 135
Government grants and subsidies	78 166 000	72 442 640
B.U.I.L.D fees	43 419 216	-
Donations received	250 000	250 000
Annual fees	46 789 628	53 898 491
Service in-kind	1 018 739	1 292 011
	227 539 553	**184 146 381**

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

Assessment fees	50 537 921	48 267 500
Other income	371 606	58 604
Interest received – investment	6 986 443	7 937 135
	57 895 970	**56 263 239**

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

Taxation revenue
Transfer revenue

Government grants and subsidies	78 166 000	72 442 640
B.U.I.L.D fees	43 419 216	-
Donations	250 000	250 000
Annual fees	46 789 628	53 898 491
Service in-kind	1 018 739	1 292 011
	169 643 583	**127 883 142**

Nature and type of services in-kind are as follows:

The free accommodation for cidb provincial offices in Eastern Cape, Western Cape, Northern Cape, North West, Limpopo and KwaZulu-Natal received from respective provincial departments of public works and infrastructure.

13. Other income

Jobs Fund project income	371 606	58 604

Other income for 2021/2022 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. The income realise by the cidb relating to the Jobs Fund project amounts to R371 606.

14. Investment revenue

Interest revenue

Bank	6 986 443	7 937 135

The amount included in investment revenue arising from exchange transactions amounted to R6 986 443.

15. Government grants and subsidies

Operating grants

Government grant	78 166 000	72 442 640

16. B.U.I.L.D fees

Fees	43 419 216	-

17. Donations

Donations	250 000	250 000

Donations for 2021/2022 refers to the R250 000 cash received from the Department of Public Works and Infrastructure to sponsor the ERWIC awards for the year.

18. Employee-related costs

Basic	87 368 438	77 172 243
Bonus	1 630 642	(196 844)
Medical aid – company contributions	1 637 482	1 545 997
Unemployment Insurance Fund	356 225	291 947
Other payroll levies	495 691	389 588
Leave pay provision charge	851 719	1 738 825
Defined contribution plans	8 976 186	7 294 942
Long-service awards	31 000	83 000
Housing benefits and allowances	952 939	953 028
	102 300 322	**89 272 726**

Remuneration of executive directors

Annual remuneration	9 066 226	7 640 202
Other allowance	417 661	241 718
Performance bonuses	-	201 019
	9 483 887	**8 082 939**

Remuneration of non-executive directors

19. Members' remuneration

Members' emoluments	3 145 516	3 008 461

20. Depreciation and amortisation

Property, plant and equipment	2 065 518	1 458 693
Intangible assets	1 667 435	2 308 795
	3 732 953	**3 767 488**

21. Finance costs

Finance leases	7 336	-

Total interest expense, calculated using the implicit interest rate, on financial instruments not at fair value through surplus or deficit amounted to R7 336.

22. Debt impairment

Debt impairment	(180 780)	354 725

23. Operational expenses

Advertising	4 519 582	5 602 643
Auditors' remuneration	3 800 354	3 377 079
Bank charges	1 084 275	417 615
Cleaning	1 285 961	1 099 144
Consulting and professional fees	15 944 301	16 854 021
Consumables	365 893	1 210 183
Fines and penalties	39 429	-
Rentals	11 166 153	10 496 668
Insurance	403 609	461 328
IT expenses	14 770 288	7 309 094
Motor vehicle expenses	17 894	12 749
Placement fees	574 000	283 786
Postage and courier	51 510	124 813
Printing and stationery	710 099	705 992
Repairs and maintenance	2 127 461	72 397
Security	2 916 177	1 838 769
Subscriptions and membership fees	835 824	242 050
Telephone and fax	4 338 315	4 034 357
Training and welfare	1 477 951	1 207 687
Travel – local	1 947 688	960 403
Travel – overseas	93 492	17 290
Assets expensed	60 021	-
Electricity	5 398 508	3 602 297
Storage fees	567 320	524 949
Board expenses	104 979	299 236
Sponsorships	496 842	53 564
Venue expenses	641 547	190 486
Other expenses	2 685	-
	75 742 158	**60 998 600**

24. Auditors' remuneration

External audit	3 109 320	2 632 143
Internal audit	691 034	744 936
	3 800 354	**3 377 079**

25. Operating surplus

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

Gain (loss) on sale of property, plant and equipment	(497 005)	507 074
Amortisation on intangible assets	1 667 435	2 308 795
Depreciation on property, plant and equipment	2 065 518	1 458 693
Employee costs	111 784 209	97 355 665

26. Cash generated from operations

Surplus	33 664 152	18 118 071
Adjustments for:		
Depreciation and amortisation	3 732 953	3 767 488
(Loss) gain on sale of assets and liabilities	(497 005)	507 074
Finance costs – finance leases	7 336	-
Debt impairment	(180 780)	354 725
Bad debts written off	141 014	36 297
Movements in provisions	1 404 100	(542 753)
Small assets	60 020	-
Changes in working capital:		
Receivables from exchange transactions	(3 607 142)	(1 704 962)
Consumer debtors	39 765	(391 022)
Other receivables from non-exchange transactions	(31 107 602)	-
Payables from exchange transactions	3 626 041	(11 439 191)
Income received in advance	7 900 802	9 294 739
	15 183 654	**18 000 466**

27. Financial instruments disclosure

Categories of financial instruments

2022 Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	960 802	960 802
Cash and cash equivalents	174 462 698	174 462 698
	175 423 500	**175 423 500**

Financial liabilities

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 950 888	8 950 888

2021 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
	171 051 689	**171 051 689**

Financial liabilities

	At amortised cost	Total
Trade and other receivables from exchange transactions	6 556 842	6 556 842

28. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Property, plant and equipment	-	4 647 251
Intangible assets	13 092 750	-
Total capital commitments		
Already contracted for but not provided for	13 092 750	4 647 251
Authorised operational expenditure		
Already contracted for but not provided for		
Operational expenditure	48 887 989	36 271 734
Total operational commitments		
Already contracted for but not provided for	48 887 989	36 271 734
Total commitments		
Authorised capital expenditure	13 092 750	4 647 251
Authorised operational expenditure	48 887 989	36 271 734
	61 980 739	40 918 985
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	2 386 856	1 376 647
– in second to fifth year inclusive	2 958 237	985 644
	5 345 093	**2 362 291**

29. Contingencies

The cidb has a cash surplus of R95 666 265 (2021: R69 274 686) classified as contingent liability as at 31 March 2022 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. In the past three years National Treasury has permitted the cidb to retain the surplus. Management believes that due to the past trend and the strength of the projects committed for the surplus, it won't have to surrender these funds. 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	174 462 698	169 577 691
Add: Receivables	40 378 196	5 663 452
Less: Current liabilities	(119 174 629)	(105 966 457)
	95 666 265	**69 274 686**

30. Related parties

Relationships			
Parent department	DPWI	National Department of Public Works and Infrastructure (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 control of the DPWI.	
Related-party balances			
Amounts included in the trade receivable (trade payable) regarding related parties			
Department of Public Works and Infrastructure (B.U.I.L.D fees)		2 839 137	-
Related-party transactions			
Revenue paid to (received from) related parties			
Department of Public Works and Infrastructure (transfers and donations)		(78 416 000)	(72 692 640)
Department of Public Works and Infrastructure (B.U.I.L.D fees)		(2 839 137)	-

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 interdependence 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.

31. Key management remuneration

Members' emoluments for meetings and activities, which exclude reimbursed travel expenses, subsistence and cellphones allowance, amounted to R3 145 516 (2021: R3 008 461).

Board meetings include:

- Statutory meetings, all pre-scheduled Board/Exco and committee meetings for the year. These include board induction and strategic planning meetings
- All provincial stakeholder liaison meetings and 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

2022

	Salary	Acting allowance	Performance bonus	Other allowances	Total
Dladla B (Acting CEO)	1 723 333	202 098	-	16 500	1 941 930
Ngwenya M (CCSO)	1 050 000	-	-	10 500	1 060 500
Gamede C (CEO)	1 263 249	-		8 000	1 271 250
Raphiri R (Acting COO)	1 268 234	132 563	-	12 000	1 412 797
Nsibande S (CFO)	1 985 610	-	-	18 000	2 003 610
Naka E (CIO)	1 775 800	-	-	18 000	1 793 800
	9 066 226	**334 661**	**-**	**83 000**	**9 483 887**

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
Total emoluments – Executive Management	**7 640 203**	**169 718**	**201 019**	**72 000**	**8 082 940**

30. Related parties

2022

	Board meetings	Committee meetings	Other activities	Retainer	Total
Dlamini M (Deputy Chairperson) #@	37 672	54 450	18 250	75 952	186 324
Masimene D #@	85 262	97 944	30 184	104 436	317 826
Manchidi E @	38 835	21 047	5 400	69 624	134 906
Zulu B #@	78 246	49 377	31 304	104 436	263 363
Ndlazi M @	33 188	29 681	7 829	69 624	140 322
Songelwa TS #@	54 503	69 614	15 383	104 436	243 936
Nzo KV (Chairperson) #	50 635	-	67 812	44 748	163 195
Skeepers N (Chairperson) @	58 265	16 647	76 313	89 496	240 721
Bouillon S (Deputy Chairperson) #	35 907	14 423	33 219	37 976	121 525
Maimela K #@	52 076	50 709	31 305	104 436	238 526
Matolong YM @	32 918	12 951	3 780	69 624	119 273
Mbane Y #	32 378	24 015	11 604	34 812	102 809
Nevhutalu L @	38 853	48 027	9 990	69 624	166 494
Maduray G *	-	-	-	26 109	26 109
Makhanya S #	39 393	15 381	27 660	34 812	117 246
Siyila KJ #	32 918	22 395	6 477	34 812	96 602
Rabosiwana MB #	32 918	12 682	21 993	34 812	102 405
Gopane T #	32 378	2 430	27 123	34 812	96 743
Mokgatle EB #	37 235	24 553	6 477	34 812	103 077
Le Roux CM #	36 694	21 585	8 459	34 812	101 550
Tyandela N (Independent Audit, Committee Chair)	34 536	21 318	-	-	55 854
Mbambale-Mathobo MM (Independent Audit, Risk and Governance Committee member)*	3 110	3 600	-	-	6 710
	877 920	**612 829**	**440 562**	**1 214 205**	**3 145 516**

 # Board member appointed 01 December 2021

@ Board member term ended 30 November 2021

*** Member resigned during the year**

2021

	Board meetings	Committee 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**

31. 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:

The free accommodation for provincial offices in Eastern Cape, Western Cape, Northern Cape, North West, Limpopo and KwaZulu-Natal received from respective provincial departments of public works and infrastructure for the 2020/2021 financial year. The estimated service in-kind revenue of R1 292 011 was omitted in the previous financial year together with its corresponding rental expenditure of R1 292 011. This resulted in zero movement in the surplus/ deficit for the year.

Statement of financial position

2021

	Note	Correction of error
Service in-kind revenue		1 292 011
Rental expenditure		(1 292 011)
Surplus for the year		**-**

33. 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 undisclosed cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

At 31 March 2022	Less than one year	Between one and two years	Between two and five years	Over five years
Payables from exchange transactions	8 950 888	-	-	-

At 31 March 2020	Less than one year	Between one and two years	Between two and five years	Over five years
Payables from exchange transactions	6 556 841	-	-	--

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity 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	*2022*	*2021*
Cash and cash equivalents	174 462 698	169 579 990
Receivables from exchange transactions	960 802	1 471 699
Payables from exchange transactions	8 950 888	6 556 841

Ageing of financial assets

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

2022	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	174 462 698	-	**-**	**174 462 698**
Trade and other receivables	165 436	103 084	**498 601**	**767 121**
	174 628 134	**103 084**	**498 601**	**175 229 819**

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**

Market risk

Interest rate risk

The entity 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 that 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 %	174 462 698	-	-	-	-

34. Events after the reporting date

There were no significant adjustments after the reporting date and no material uncertainty about the cidb's ability to continue as a going concern, including the impact of Covid-19.

35. Fruitless and wasteful expenditure

	2022	2021
Opening balance as restated	26 266	-
Operational expenditure (VAT penalties)	-	26 266
Operational expenditure – penalties on late payments	13 162	-
Closing balance	**39 428**	**26 266**

Expenditure identified in the current year includes those listed below:

	Disciplinary steps taken/criminal proceedings	2022	2021
Operational expenditure — penalties on late payments	Still at the determination stage	13 162	-

36. Irregular expenditure

Opening balance as previously reported	123 825	-
Opening balance as restated	**123 825**	**-**
Add: Irregular expenditure — current	-	123 825
Closing balance	**123 825**	**123 825**

37. Budget differences

Material differences between budget and actual amounts

a. The cidb budget is approved on accrual basis by functional classification. The approved budget covers the reported period from 01 April 2021 to 31 March 2022. The revenue earned exceeded the expenditure incurred, resulting in a net surplus of R33.7 million. Management undertook a mid-year budget adjustment, which saw a downward adjustment of R18 million this financial year.

b. Annual fees and assessment fees were undercollected by just over R6 million due to the unfavourable economical changes in the construction industry.

c. There were no changes in government subsidies for the period. Transfers were received as projected.

d. Finance income was over-achieved by R1.1 million due to budget adjustments and some investment strategies employed by management.

e. Employee costs were underspent by R4.1 million due to vacant positions that were not filled during the year.

f. Depreciation and amortisation, debt impairment, loss on sale of assets and service in-kind do not have budgets allocated to them because they are non-cash items.

g. Some of this year's operational expenditure was funded from the previous year's surplus.

h. B.U.I.L D income is a fairly new revenue stream and management is in the process of planning the activities of the programme.

38. 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, and agency of National Treasury where the cidb is administering and monitoring the implementation of the JF8 - 1709 Construction Industry 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(s), but recognised in the entity's own financial statements

The cash resource amounting to R5 966 668 (2021: R3 764 031) is held as at the reporting date. It is ringfenced and held exclusively for the project. This is expected to be disbursed within the next 12 months as the requirements of the project are being met.

Revenue recognised

The revenue to the value of R371 606 together with the corresponding expenditure of R371 606 included under operating expenditure was realised this financial year for the monitoring work facilitated by the cidb for the Jobs Fund.

Liabilities and corresponding rights of reimbursement recognised as assets

A payable amounting to R5 966 668 (2021: R3 764 031) was held as at the reporting date. It represents the funds held by the cidb still awaiting the fulfilment of the agreement. They are expected to be settled within the next 12 months as the requirements of the agreement are being met.

PERFORMANCE INFORMATION

Performance indicators

Programme 1: Administration									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	**Actual Achievement 2021/2022**	**Deviation from Planned Annual Target to Actual Achievement 2021/2022**	**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	1	1	-	N/A	N/A
	1.2 System uptime	% system uptime	New	98%	93%	99%	6%	Implementation of latest patches and updates on all applications Employ change management system Manage and monitoring of the cloud infrastructure Disaster recovery plan in place	N/A
	1.3 National Treasury report	% expenditure was spent on BBBEE-compliant suppliers	New	94%	90%	96%	6%	The cidb has a BEE-targeted procurement policy, whose quotation process has a BEE compliance rate of 96%, as supply chain management is able to approach BEE-compliant suppliers	N/A
	1.4 Age analysis report	% invoices paid within 30 days	100%	93%	100%	100%	-	N/A	N/A
	1.5 National Stakeholder Forum	Number of stakeholder forums conducted	New	1	1	1	-	N/A	N/A

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 1.2 Increased women ownership and participation	1.6 Research report	Number of research studies conducted	New	2	2	2	-	N/A	N/A

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 1.2 Increased women ownership and participation	1.7 Revised registration criteria recomendation report	Number of revised registration criteria assessments performed	New	1	1	1	-	N/A	N/A
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	2 476	1 500	1 507	7	Proper project planning and execution of the project on time	N/A
1.6 Ethical and performance-driven cidb	1.9 Contractors registered on the RoC	% of grades 1 to 9 contractors registered within 21 working days for compliant applications	87%	96%	90%	99%	9%	Improved registration process that included the automated registration service for grading designation(s) Effective subprocess target monitoring system	N/A

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	1.10 Monitoring and evaluation report on industry performance	Number of industry monitoring and evaluations conducted	1	4	4	4	-	N/A	N/A
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	1	1	-	N/A	N/A

Programme 5: Procurement and Development									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	**Actual Achievement 2021/2022**	**Deviation from Planned Annual Target to Actual Achievement 2021/2022**	**Reasons for Deviations**	**Reasons for Revisions to Outputs/ Output Indicators/ Actual Targets**
1.1 Increased black ownership and participation	1.12 Learners offered experiential learning opportunities	Number of learners offered experiential learning opportunities	New	562	150	153	3	N/A The deviation is not significant	N/A

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	1.13 Client departments capacitated on contractor development	Number of client departments capacitated on contractor development	New	-	22	-	22	Client capacitation was conducted, but documents were not maintained to target accomplishment	N/A
	1.14 Contractor development support provided to grades 1 to 6 contractors	Number of grades 1 to 6 contractors provided with contractor development support	New	283	270	367	97	The significant increase in contractor development programmes rolled out by client departments in the financial year required the cidb to provide development support to contractors on registration. These meeting were well attended	N/A
1.4 Performance-driven clients	1.15 Client officials capacitated on the Infrastructure Delivery Management System (IDMS)	Number of client departments capacitated on IDMS	New	90	70	108	38	Many client departments participated in cidb-facilitated forums, seminars and workshops	N/A

Performance against 2021/2022 Annual Performance Plan

Fourteen of the 15 performance targets planned for 2021/2022 (93%) were achieved.

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