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RESEARCH UNIT

PO Box 15 Cape Town 8000 Republic of South Africa  
Tel: 27 (21) 403 8273 Fax: 27 (21) 403 8118  
www.parliament.gov.za

**An Analysis of the 2006/07 Annual Report of Agrément South Africa**

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**1. Introduction**

This brief is an analysis of the performance of Agrément South Africa, an entity established by the Minister of Public Works in 1969 and reporting to the executive authority on its annual financial and non-financial position. The role of Agrément South Africa is "enabling the introduction of innovation into the markets, and minimising associated risks".<sup>1</sup> Agrément South Africa is internationally affiliated through its membership of the World Federation of Technical Assessment Organisations (WFTAO).

In terms of an agreement with the Council for Scientific and Industrial Research (CSIR), the Board's Agency is operated by the CSIR's Built Environment Operating Unit. All the finances of the Board, as administered by the Agency, are subject to the CSIR financial systems and auditing processes. The project management system of the CSIR is used for managing individual projects.<sup>2</sup>

**2. Legislative mandate**

The legislative mandate of Agrément South Africa stems from the time it was established. This is to be an "independent organisation to bring impartial judgements to the evaluation of innovative construction products and systems in the interest of the consumer".<sup>3</sup> Its mandate states that Agrément South Africa shall support and promote the process of integrated socio-economic development in South Africa as it relates to the construction industry. The entity will further facilitate the introduction, application and utilisation of satisfactory innovation and technology development, in a manner which will add value to this process. Agrément South Africa's position as the internationally acknowledged, objective South African centre for the assessment and certification of non-standardised construction products is enhanced by its facilitation of the introduction, application and utilisation of non-standardised systems.<sup>4</sup>

**3. Mission statement**

The mission of the entity is the certification of non-standardised construction products and systems through technical assessment as being fit-for-purpose or otherwise of innovative construction products, building systems, and road products and thereby contributing to the transformation of the built environment by allowing the

<sup>1</sup> Agrément SA, 2007, 2006/07 Annual Report of Agrément SA, p. 1.

<sup>2</sup> Agrément SA, 2004, Agrément South Africa Business Plan 2004/05 – 2006/07, p.4.

<sup>3</sup> Agrément SA, 2007, 2006/07 Annual Report of Agrément SA, p. 1.

<sup>4</sup> Agrément South Africa is one of twenty-one member countries across the global market that is internationally affiliated through its membership of the World Federation of Technical Assessment Organisations (WFTAO). These member countries include: Australia, Brazil, Czech Republic, Canada, Denmark, Finland, France, Hungary, Israel, Italy, Japan, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Spain, United Kingdom and the United States. WFTAO, 2007, <http://www.wftao.com/user/members.aspx>.



benefits of innovation to enter the industry.<sup>5</sup> In addition, it seeks to serve the national interest by being an independent centre serving the building, construction and engineering communities by providing assurance to specifiers and users via technical approvals of fitness for purpose of non-standardised and/or non-conventional products.

#### 4. Government strategy and objectives

The Government's objectives as identified in the 2006 State of the Nation Address are listed below:<sup>6</sup>

- The Expanded Public Works Programme (EPWP) is an important tool for poverty alleviation and the promotion of social transformation.
- Investment in delivery of infrastructure through the Municipal Infrastructure Grant (MIG).
- Provision of skills training opportunities to promote job creation through the Accelerated and Shared Growth Initiative of South Africa (ASGISA).
- Introduction of better supervision of the infrastructure projects undertaken by government, to ensure that capital budgets are spent without roll-overs, and that labour-intensive methods are prioritised.
- Promotion of gender equity and involvement of people with disabilities at decision making levels of all public services. This includes an increase in the number of women and people with disabilities in the construction development sectors.

#### 5. Agrément's key strategic objectives and planned outputs

The strategic objectives of the certification function of Agrément South Africa for the next three years are to:

- Meet the expectations of its shareholders.
- Grow Agrément certification.
- Deliver socio-economic value.

According to the entity's business plans, Agrément South Africa's main business remains the certification of innovative non-standardised products in the construction industry. Since Government, through the Department of Public Works, finances the major part of the entity's operational costs, it is the main stakeholder and its expectations and objectives are to be met.<sup>7</sup>

The number of traditional assessments for housing systems, which is one of National Government's priorities, in terms of reducing housing backlogs and delivery, will remain a key objective. Agrément maintains close links with the National Home Builder's Registration Council (NHBRC), and the NHBRC's insistence on Agrément certification for non-standard houses continues to support the demand for certification.<sup>8</sup>

<sup>5</sup> Agrément SA, 2007, 2006/07 Annual Report of Agrément SA, p. 1.

<sup>6</sup> Information Services Section, Research Unit, Parliament of South Africa, 2006, p. 145.

<sup>7</sup> Agrément SA, 2004, Agrément South Africa Business Plan 2004/05 – 2006/07, p.4.

<sup>8</sup> Agrément SA, 2004, Agrément South Africa Business Plan 2004/05 – 2006/07, p.5.



Agrément South Africa notes that it will also play a role in the socio-economic objectives of Government, by using the Agrément Open Certificate on modified earth construction as a means of transferring non-proprietary technology to Small to Medium Enterprises and disadvantaged communities.<sup>9</sup>

**Issues for consideration:**

- To what extent has the entity's objectives been aligned to the outcomes as reported in the Annual Report?
- Have the socio-economic objectives been realised? ...

## 6. Analysis of Performance

### 6.1. Stakeholders

Agrément South Africa maintains a database of about 1 000 stakeholders in the construction industry. It maintains close working relationships with the:

- Construction Industry Development Board (CIDB).
- Development Bank of Southern Africa (DBSA).
- National, provincial, and local government departments.
- South African Bureau of Standards (SABS).
- South African National Roads Agency Limited (SANRAL).
- National Home Builders' Registration Council (NHBRC).

Its support structures bridge the public and private sectors, and include local and international professional and academic advisors. Agrément South Africa serves the construction communities, by providing assurance to specifiers, regulators, financial institutions and users thereby facilitating entry into the market by entrepreneurs.

**Issues for consideration:**

- How often does the entity interact with all its stakeholders?
- What does this interaction involve?

### 6.2. Certification

All Agrément certificates and other technical work are the subject of peer review. The technical work of the Agency is also scrutinised by Technical Committees before being submitted to the Board. During the year under review, Agrément South Africa granted twelve certificates, bringing the total number of valid certificates to 133. In the past 38 years since Agrément South Africa's founding, 793 applications have been received for certification and a total of 434 certificates have been granted by the Board.<sup>10</sup>

<sup>9</sup> Agrément SA, 2004, Agrément South Africa Business Plan 2004/05 – 2006/07, p.6.

<sup>10</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, p. 8. The total number of certificates increased by 50% in the year under review from eight granted in 2005/06 to 12 in 2006/07.



The twelve certificates that have been granted include eight new certificates that have been approved by the Board. These certificates are viewed as having the potential to bring socio-economic and environmental benefits to communities. Three examples are provided below:

- The *Isoboard Nail Up Insulated Ceilings* materials are non-toxic and resistant to bacteria and micro-organism growth. Isoboard improved thermal performance of dwellings resulting from the use of this insulation which will help to reduce the occurrence of mould growth with its associated health problems.<sup>11</sup>
- The *Protea Umbomo Building System* consists of a modular load bearing wall and roof structure of cold-formed lipped steel channel sections manufactured from Z275 galvanized steel sheets. Performance in terms of safety, health and habitability meets the requirements of the National Building Regulations. Factory production of components will reduce the need for large numbers of unskilled and skilled workers on site.<sup>12</sup>
- *Ikhaya Futurehouse Building System* are single-storey buildings that are constructed under the control of a professional engineer or competent person who prepares a rational design that ensures the structural integrity of the entire building adheres to the conditions of the certificate holder's detailed specifications and quality management documentation. The social-economic benefits of the system to the home-owner are seen in energy savings because of superior insulation. The construction benefits are in the form of the speed of construction and deployment, as opposed to traditional building methods.<sup>13</sup>

### 6.3. Achievements

During the year under review Agrément South Africa highlighted some of its activities which yielded local and international impact. These included the following:<sup>14</sup>

- An increase in international applications, resulting in the certification of building systems. These overseas applications are viewed as signs of confidence in both the certification process of Agrément as well as the South African economy, which has the potential to promote socio-economic development and growth in the construction industry.
- A 50% increase in the number of innovative construction products, building systems and road products whose certification was finalised, as compared to the previous year.
- Five of the twelve certificates granted were for innovative building systems. This is in contrast to the average number of building systems that were approved over the previous five years, which numbered two.

### 6.4. Financial Statements of Agrément South Africa

Below is a breakdown of the costs incurred in terms of projects managed by Agrément South Africa for the period April 2006 to March 2007. The table indicates that Agrément South Africa received its funding from a number of sources.

<sup>11</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, p. 11.

<sup>12</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, p. 12.

<sup>13</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, p. 15.

<sup>14</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, p. 7.



Income: <sup>15</sup>	R
Department of Public Works: Grant Received	7 025 000
Private	505 366
International	58 070
<b>Total Income</b>	<b>7 638 436</b>
<b>Expenditure:</b>	
<i>Operational costs</i>	<b>6 241 392</b>
Manpower	2 882 545
Running Costs -	3 358 847
<i>Overhead Costs</i>	<b>1 214 005</b>
Depreciation -	48 355
Shared Service Costs	712 050
Executive Levies	454 500
<b>Total Expenses</b>	<b>7 456 297</b>
<b>Surplus</b>	<b>182 139</b>

**Issues for consideration:**

- The above financial statement gives a brief indication of the income and expenditure of the entity. But can a further explanation be given of what the private and international income relates?
- What projects the funds were the funds used for?
- In terms of the overhead costs, what does the shared service cost refer to?

The financial statements of the entity were assessed along with the financials of the CSIR. The Internal Audit Report indicates that the records agree with the CSIR's balances for projects.

According to this report, "The validity, accuracy and completeness of transactions charged to these projects have not been audited. A Key Control Audit where the above objectives are addressed is performed twice a year where a sample of transactions of the Operating Unit is audited. The results of previous internal audits have not yielded any issues of concern".<sup>16</sup>

The entity has received an unqualified audit report with a brief financial statement attached.

### 6.5. Human Resources

As the entity has an agreement with the CSIR the staff of the Agency will be managed and developed in line with the CSIR policies and procedures. The staff complement of Agrément South Africa from its website comprises a total of 11 people. These include the:

- Manager.

<sup>15</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, p. 5.

<sup>16</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, p. 6.



- Secretary.
- Four Technical Assessors.
- Two Technical Assessors in Training.
- One Structural Engineer.
- One Quality System's Engineer.
- One Draughts Person/Technical Assessor.<sup>17</sup>

Agrément South Africa places emphasis on human resource development. In line with national Government's emphasis on human resource development to address the challenge of scarcity of skilled technical personnel, the Agency has allowed its staff complement to pursue additional training as indicated below:

- Two female Technical Assessors in training completed their formal structured internship programme.
- Two technical assessors graduated from the Tshwane University of Technology with a B. Tech in construction management and a National Diploma in Civil Engineering respectively.
- Four technical assessors made progress in their studies towards additional qualifications.
- One person is studying towards a PhD in civil engineering at Tshwane University of Technology.
- A female staff member is pursuing a B. Comm degree at University of South Africa.
- Two staff members are studying towards B. Tech qualifications at the University of Johannesburg and the Tshwane University of Technology respectively.<sup>18</sup>

**Issues for consideration:**

- Is the staff complement of the entity adequate to perform all the requirements?
- Does the entity have an adequate recruitment and retention policy?
- Is the remuneration offered adequate?
- Does the entity make use of consultants in addition to its staff complement?

## 7. Conclusion

Agrément South Africa has a newly appointed chairperson of the Board, Mr Phetola Makgathe, since September 2006. Its current Board's term of office expired on 15 March 2007 and the Minister of Public Works must constitute new one.

Agrément South Africa is an active member of the WFTAO, the worldwide network for co-ordinating and facilitating the technical assessment of innovation in the construction field. The WFTAO comprises officially recognised national bodies active in the field of technical assessments for construction products and systems.<sup>19</sup>

Agrément South Africa has undertaken to continue to play a role in the large Government initiatives, such as the EPWP. It also assisted with the implementation of pilot projects in co-operation with organisations, such as the DBSA and the Independent Development Trust.

<sup>17</sup> Agrément SA, 2007, About Us – Staff, <http://www.agrement.co.za/about/staff.html>.

<sup>18</sup> Agrément SA, 2007, Agrément South Africa Annual Report 2006/07, pp. 9-10.

<sup>19</sup> About WFTAO, 2007, <http://www.wftao.com/user/about.aspx>.



Finally, the entity continues to fulfil its mandate of the certification of non-standardised systems. It has also attempted to close the skills gap by mentoring individuals in structured mentorship programmes.

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