


2006/07 Annual Report





cidb IS CONSTITUTED TO
LEAD CONSTRUCTION
INDUSTRY DEVELOPMENT
IN SOUTH AFRICA

Our aim:

A regulatory and development framework to build

- A total construction capability for South Africa's social and economic growth
- A proudly South African construction industry that delivers to globally competitive standards.

Our focus:

Development for

- Sustainable growth, capability and empowerment,
- Improved industry performance and best practice
- A transformed delivery environment underpinned by consistent and ethical procurement practice
- Enhanced value to clients and society.

Our people:

Drive this vision

- United by common values, the ethos of effective partnership and a "can do will do!" commitment.

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Foreword by the
MINISTER



During this auspicious period of growth in the construction industry I wish to congratulate, on behalf of my department, government and the construction industry, *cidb*'s achievements over the financial year 2006/07. Annual Report 2006/ 07 is a reflection of the milestone achievements by the construction industry towards achieving the construction development agenda as set out in the CIDB Act 38 of 2000.

I wish to commend the *cidb* Board, Chairperson Pepi Silinga, former CEO Spencer Hodgson and new CEO Ronnie Khoza for their incisive and dedicated leadership which has anchored the organisation on its course over this period under review. I take this opportunity to thank the current Board Chairperson Pepi Silinga, the former and founding chairperson of the Board, Brian Bruce and other members of the Board whose term of office will be expiring during the course of 2007 for their outstanding commitment to the development of the construction industry and its contribution to society.

The work of the *cidb* is critical to improved performance of the construction industry and its ability to respond to demand. The increasing investment in the sector, with implementation of key multibillion rand

projects such as the Gautrain, infrastructure for the 2010 Soccer World Cup as well as increased infrastructure investment by government, have highlighted key development challenges facing the construction industry, including challenges of capacity and skills development. These and other challenges inform the work of the *cidb* and will continue to shape its focus as well as that of the industry in the period ahead.

Financial Year 2006/07 also coincides with the independent five-year review of the *cidb* in terms of its enabling legislation, the CIDB Act 38 of 2000. The review was conducted by local and international experts, appointed by myself, during the course of January and February 2007. Their findings and recommendations are contained in a report that is also released together with this financial year 2006/07 Annual Report.

A handwritten signature in black ink, appearing to read 'T. J. Didiza'.

Thoko Didiza
Minister of Public Works



Statement by the CHAIRPERSON



Once more, we look back and review the Construction Industry Development Board's (cidb) performance within the context of our country's exciting economic and developmental position. The construction industry is challenged to play a key role in the realisation of Government's strategic objectives of achieving a six percent gross domestic product growth from 2010 onwards and halve poverty and unemployment by 2014.

The Construction Industry Development Board completed its first five years of operation during the year under review. During the past five years, the South African construction industry entered a period of significant growth, with growth rates well beyond that of the economy. Overall growth rates of more than 10% per annum will lead to trebling outputs over 10 years. This growth is due in large part to the government's Accelerated and Shared Growth Initiative (AsgiSA), a national initiative that addresses both the first and second economies and is aiming to unlock the identified binding constraints to growth.

We have already started seeing the results of the predicted boom in the construction industry. The long awaited multibillion rand construction projects, the

Gautrain Rapid Rail Link, dams construction, airports expansions, roads rehabilitations and replacements, sea ports and rail upgrading, energy infrastructure, the 2010 Fifa World Cup stadia and the industrial expansions have already started and are reporting firm progress. These projects are being implemented against tight deadlines. These infrastructure projects are poised to drive and sustain economic growth beyond 2010. This can only auger well for the future of our country and her people as a whole.

The opportunities that this growth in infrastructure investment has brought is not without challenges, some of which have been identified in the AsgiSA intervention. For the construction industry skills shortage, contracting capacity and shortages in materials merit special mention. These challenges are receiving priority attention by the relevant authorities in an integrated fashion.

It remains a matter of concern that formal employment figures stood at just above 450 000 in the building and construction sector by end of 2006 (BMI-BRSCU). It is estimated that informal employment accounts for 3 or 4 employees to 1 formally employed individual in the building and construction sector.



Infrastructure and construction projects are poised to drive and sustain economic growth beyond 2010

The low number of formally employed individuals makes it difficult to determine the training requirements of industry employees.

The current boom in the industry, linked to the exponential growth of the Register of Contractors, has challenged the resources and systems of the organisation. The cidb is committed to continuously improve the effectiveness of its operations resources, systems and controls to respond appropriately and mitigate any potential risks identified through the internal and external audit processes in the year under review.

The cidb has recently published the skills report which should serve as a basis for addressing the artisan skills shortage. Working with CETA and industry to address the skills shortage in the industry, I believe we can restore the industry skills pipeline. The recommendations in the cidb skills report are aimed at both short and long-term solutions. The rollout of the National Contractor Development Programme (NCDP) should be used to develop contracting capacity by supporting the emerging contractors in particular. This will ultimately introduce competition and bring down prices, making more financial resources available for other projects.

LEADERSHIP THROUGH STRATEGIC PARTNERSHIPS

The strength of the *cidb* and its successes in its five year history has happened through collaboration and strategic partnerships with various stakeholders.

In pursuit of its mandate to promote growth, the *cidb* has maintained responsiveness to requests from various clients by making its resources available at the highest level. In particular, the *cidb* supported the 2010 Soccer World Cup host cities. In support of provincial outreach, the *cidb* has partnered with the national and provincial departments of Public Works to establish the provincial Construction Contact Centres (CCCs).

The organisation has worked closely with the National Department of Public Works to rollout the National Contractor Development Programme (NCDP) as well as prepare for the implementation of the National Infrastructure Maintenance Strategy (NIMS) and various other projects of national interest in the construction industry. The Construction Charter has continued to receive support through the organisation's partnership with the Charter Group, and other partners who have worked hard to see the Construction Charter converted into the DTI codes.

STAKEHOLDER COMMUNICATIONS

The reconstitution of the national Stakeholder Forum at the end of 2006 confirmed the *cidb*'s commitment to working in partnership and collaboration with representatives of the different sectors of the industry. I am confident that the first meeting of the Stakeholder Forum with Honourable Minister, Ms T. Didiza, has paved the way for a mutually reinforcing relationship between government and industry and enhanced understanding of challenges facing industry and government.

Other additional forms of stakeholder interactions with the *cidb* have been encouraging. In particular, the provincial engagements with provincial stakeholders by the organisation prior to the national Stakeholder Forum helped to deal with province-specific issues at provincial level and improved the quality of the Stakeholder Forum meeting.

INDEPENDENT REVIEW OF THE *cidb*

The act establishing the *cidb* requires periodic review of the work of the *cidb* by an independent panel appointed by the Minister of Public Works. On behalf of the Board, I am pleased to announce that the first 5-year independent review of the *cidb* was successful. The report from the Review Panel has been presented to the Minister. The review report makes specific recommendations for future improvement in the role of the *cidb*. Directed by the Minister, the new Board and management of the organisation will implement the recommendations.

SPECIAL ACKNOWLEDGEMENTS

As an outgoing member of the Board and chairperson, I have been privileged and honoured to serve in a collective during a time of conceptualization and development of the mandate of the *cidb* and the organisation itself. It has been a fulfilling experience for me. I wish to wholeheartedly thank my colleagues and fellow Board members for their availability to serve, commitment to the industry, support and guidance that they constantly provided in a manner that has been re-affirming to me, the *cidb* and the industry. The term of the current Board will end in October 2007. We have witnessed the *cidb* grow from the ground to what it is today, during a time when the construction industry was regarded as a sunset industry. I am confident that the new Board will direct and re-energise the *cidb* to respond appropriately to the new challenges.



The strength of the cidb and its successes in its five year history has happened through collaboration and strategic partnerships with various stakeholders

It must be noted that the year under review marked the change in leadership from Mr Spencer Hodgson, who has guided the cidb since its inception, to Mr Ronnie Khoza. The overall positive conclusion by the Review Panel is testament to Spencer's leadership, which is acknowledged in this annual report. Under his leadership, the cidb has pioneered construction industry development in South Africa. I congratulate him on his appointment as Advisor to the Minister of Public Works. I am sure he will continue to add value to the construction industry in his new role. I further wish to congratulate Mr Khoza on his appointment and wish him well in his new leadership role.

Last but not least, I would like to thank management and staff at the cidb for the hard work they have put into growing this organisation. It is not always easy to stick together in a growing organisation, especially when you are constantly faced with a growing volume of challenges. Further acknowledgement and words of appreciation go to all our stakeholders who have continued to engage with the cidb on a constructive basis.

Pepi Silinga
Chairperson

Report by the CEO



The year under review was concluded with many exciting achievements and challenges for the Construction Industry Development Board (cidb). The achievements came as a result of a planned, structured and prioritised approach intended to deliver on the cidb's broad mandate of providing strategic leadership to industry stakeholders to stimulate sustainable growth, performance, enhanced delivery and transformation within an enabling, regulated environment. The cidb saw an exponential growth of registered contractors during the entire 2006/07 financial year, leading to an unprecedented backlog in applications. It is pleasing to report that using a focused approach, we managed to clear the backlog of applications by the end of March 2007.

By the end of June 2007 the cidb had more than 42 000 contractor registrations, of which 32 000 are active. The register continues to grow at an alarming rate, with almost 80 per cent of all registered contractors at grade 1 entry level. The exponential growth in applications continues to pose a number of challenges to the cidb, the biggest being the poor quality of applications submitted by some developing contractors, which leads to delays in finalising their registration.

We are introducing compulsory basic training for Grade 1 contractors through clients' contractor development programmes, which are aligned to the National Contractor Development Programme. This should improve the quality of contractors at the lower grades.

The establishment of the Construction Contact Centres (CCCs) in the provinces, in partnership with provincial departments of Public Works, will further consolidate our ability to respond to challenges facing contractor registration. The purpose of the CCCs is to provide a suite of services including registration of contractors, other value-added services such as opportunities for business-to-business linkages, support contractor and enterprise development, facilitate access to finance, provide advice and information on enterprise development, among others. The first centres have been established in the provinces of Kwazulu-Natal, Western Cape, Eastern Cape and Gauteng. Discussions between cidb and the rest of the provinces have already started to plan for replicating the Centres there.

Department of Public Works National Inter-governmental Forum (DPWNIGF), comprising the Minister of Public Works and MEC's has formally



The cidb provides strategic leadership to industry stakeholders to stimulate sustainable growth, performance, enhanced delivery and transformation

endorsed the framework for the National Contractor Development Programme (NCDP) that will be rolled out in the provinces. The cidb has started with the roll-out in the four provinces where the initial CCCs have been established.

The cidb has spared no effort in consolidating the executive capacity of the organization. With the exception of the Chief Financial Officer all positions at Programme Manager level have been filled.

As we continue to grow in response to the demands of our mandate, we are also improving our HR policies and benchmarking against similar organisations.

The role of the HR manager is crucial in strengthening this strategic function and developing the Employment Equity Policy and Plan as well as setting annual targets.

A key priority of the **cidb** is also to strengthen policies for attracting and retaining the right skills and competencies in this highly specialised field. Professional as well as personal development has already been identified as key priorities. We have invested in the development of two of our managers through the Construction Management Programme (CMP) at the University of Stellenbosch. This is a follow up to our first support to staff development in 2005, where three managers were sponsored to attend the same course.

DELIVERY AND PROCUREMENT REFORM

The **cidb**'s fifth year of operation started with a focus on intensive rollout of registers and procurement reform to municipalities around the same time as the municipal elections. All public sector clients have now been exposed to new procurement methods and to the registers. Over 2 000 officials and consultants in the built environment were trained on new procurement methods by end of March 2007.

Within the context of procurement reform, the **cidb** developed a total of seven practice notes that guide and advise clients on various aspects of procurement, from best practice to legislation. These practice notes do not replace legislation but assist stakeholders in its understanding and application.

Public spend has continued to improve due to, among other initiatives, the impact of the Infrastructure Delivery Improvement Programme (IDIP) and the improvement has been acknowledged by some leaders at provincial level. This is an encouraging sign for the IDIP partners who have been working tirelessly to roll out IDIP to all provinces.

STAKEHOLDER COMMUNICATIONS

The **cidb** reconstituted the Stakeholder Forum at the end of 2006 and successfully held a meeting of Stakeholder Forum members and the Minister of

Public Works, as required by **cidb** legislation, on 1 June 2007. This important meeting was preceded by 8 provincial stakeholder workshops aimed at broadening the consultation. The **cidb** will be taking forward recommendations from both the national Stakeholder Forum and provincial engagements through various focus groups.

The Procurement Focus Group held consultation meetings on various issues, including the planned Register of Professional Service Providers (RoPSP). There were also regular consultations with specific clients such as Eskom, Transnet, the South African Rail Commuter Corporation (SARCC), South African National Roads Agency Ltd (SANRAL), Rand Water and others. These meetings have helped the **cidb** to begin to look at responding differently to some clients' specific needs in future. The engagements ensure that the **cidb** remains in touch with stakeholder views, particularly on projects, and is responsive to their needs.

REGISTER OF PROFESSIONAL SERVICE PROVIDERS

The consultative process towards the establishment of the Register of Professional Service Providers (RoPSP) is at an advanced stage. Numerous consultations have resulted in a convergence of views on the subject of registering the consulting firms in the built environment. The issue of competitive bidding, which impacts critically on the format and operation of the envisaged RoPSP, has not yet been finalised. It is envisaged that there will be finality on this subject in the 2007/08 financial year.

THE CIB CONGRESS

The CSIR and **cidb** successfully hosted the CIB 2007 World Building Congress between 14 and 18 May 2007 in Cape Town. The congress was attended by built environment stakeholders, prominent local and international researchers and professionals.



The cidb is providing high level procurement advice, in support of the 2010 Fifa Soccer World Cup

SUPPORTING THE 2010 INFRASTRUCTURE DEVELOPMENT EFFORT

In support of the 2010 Fifa Soccer World Cup, the cidb continued to provide high level procurement advice to the 2010 Infrastructure Procurement Team and the host cities. We are proud of our contribution in shaping procurement practices for construction of the necessary stadia and of our collaboration with role players such as the National Treasury and the Department of Sports and Recreation.

SKILLS FOR INFRASTRUCTURE DELIVERY

The South African construction industry is just coming out of a significant phase of decline that has seen limited investment in human capital development and the migration of available skills, leading to shortages of skills in the industry. In response to this need, and in support of Joint Initiative on Priority Skills Acquisition (JIPSA), the cidb in conjunction with the National Department of Public Works undertook an investigation to (i) quantify the skills currently available in the construction industry, (ii) estimate the anticipated skills required to meet this ambitious investment programme, and (iii) estimate the shortfall and identify interventions for addressing the skills problem.

The cidb has recently published a report on this investigation. The report concludes that there has been a significant breakdown in the skills development pipeline, and provides for short-term interventions to meet the current challenge and medium to long-term solutions to re-establish the pipeline. Key to this is the establishment of an industry Employment Skills Development Agency (ESDA).

SUPPORT TO NATIONAL PROJECTS

Through our partnership with the Department of Public Works the cidb has participated in a number of projects of national interest, including:

- Development of the framework for the employment and training of 5 000 youth through the National Youth Service (NYS) and as part of the Expanded Public Works Programme (EPWP);
- President's call for the eradication of mud schools where we will facilitate the development of local contractors through the National Contractor Development Programme (NCDP) as our contribution to the project.

NATIONAL INFRASTRUCTURE MAINTENANCE STRATEGY

Cabinet approved the National Infrastructure Maintenance Strategy (NIMS) towards the end of 2006. NIMS will see a new focus on the maintenance of public infrastructure in South Africa unlocking skills, employment and growth opportunities for enterprises. Cabinet has tasked the Department of Public Works to lead implementation of the strategy, working in partnership with the cidb.

JOINING THE CAMPAIGN AGAINST FRAUD AND CORRUPTION

In our fight against corruption, the cidb has registered to be a signatory to Partnering Against Corruption Initiative (PACI) - a World Economic Forum initiative. We encourage all construction stakeholders to join this initiative against fraud and corruption.

On the internal front we have implemented a fraud reporting hot-line in March 2007. This initiative has been well received by stakeholders.

INDEPENDENT REVIEW OF THE cidb

The Independent Review of cidb was successfully conducted by a panel of international and local experts at the end of our first five years of operation early in 2007. The cidb acknowledges the contributions of the many stakeholders who participated in the review through their inputs, assessment and observations. It is pleasing to note that the overall conclusion by the Review Panel is that "...the cidb has made a very encouraging start.

It has committed senior management, enjoys strong support across the industry and has produced outputs of a high standard. The Review Panel is confident that cidb in its next phase of development will enhance its position of strategic leadership."

BEEFING UP OUR SYSTEMS AND TIGHTENING CONTROLS

I have already alluded to the exponential growth of our Register of Contractors from 2006 to date, challenging our resources and systems. In particular, the process of payment first and registration later has been found to lead to delays in reconciliations as some contractors do not submit applications immediately after depositing money into our account. Also, the majority of contractors submit non-compliant applications which require extended periods of persuasion for compliance before they could be registered. This results in work in progress (WIP) and delayed refunds. All refunds are reconciled, checked and approved before processing. While the transactions are checked regularly and corrected, it has been realised that due to the increased numbers, a few have taken longer to correct or reverse. This has resulted in a modified opinion by the Auditor-General for the year under review.

We have already started beefing up our capacity as well as tightening controls. We will continue to improve our systems during the year 2007/08 until they demonstrate satisfactory responses to our growing Register of Contractors. Regular system and data audits will be conducted to ensure the integrity of these systems.



The NIMS will see a new focus on the maintenance of public infrastructure, unlocking skills and employment for enterprises

SPECIAL ACKNOWLEDGEMENTS

The current Board of the cidb is nearing the end of its term, which ends officially in October 2007. I take this opportunity to thank the cidb Board Chairperson Pepi Silinga, and all Board members who have contributed unselfishly to the cidb and the construction industry in various ways over the years. Some of the current Board members are serving for the second term. This has been a clear demonstration of their leadership and commitment to not only the cidb but to industry in general.

I wish to welcome to our organisation the newly elected external members of the Audit Committee and thank them for their early contribution and guidance during the audit process. I am sure we will have a value-adding relationship going forward.

On behalf of management and staff of the cidb I wish to thank the Minister of Public Works, Ms Thoko Didiza, for her constant and consistent leadership and support throughout the year. I would also like to pay a special tribute to the former CEO, Spencer Hodgson for his pioneering work in establishing the cidb and shaping it into the successful organisation that it is. We wish him well in his new position as Advisor to the Minister of Public Works.

A handwritten signature in black ink, appearing to read 'Ronnie Khoza'.

Ronnie Khoza
Chief Executive Officer

PERFORMANCE SUMMARY

STRATEGIC OBJECTIVES	STRATEGIC PROJECT	PERFORMANCE INDICATOR	PERFORMANCE ACHIEVEMENT AND CONTEXT
	ECONOMIC RESEARCH & MONITORING OF PUBLIC SECTOR SPENDING	<p>Publish quarterly construction economy monitor and improve quality of monitor based on information from the registers. Advise/ report on impact of existing and emerging government policy and options.</p> <p>Monitor public sector project spending against budget. Support monitoring of empowerment progress. Collaborate to interpret the implications of the Accelerated and Shared Growth Initiative within the construction sector - including capacity issues.</p>	<ul style="list-style-type: none"> Quarterly monitors put on hold Investigation into "Skills for infrastructure delivery - the challenge of restoring the skills pipeline" completed - report published System developed for assessing and interpreting registers information - initial results published (CIB 2007 World Building Congress) Framework for ongoing Quarterly Monitors established
GROWTH	Communication	<p>Promote outcomes of the Charter process. Monitor progress and promote sustainable empowerment initiatives and performance against targets.</p> <p>Expand Client forums</p> <p>Harness potential of registers to promote awareness of key issues/ initiatives</p> <p>Contribute to the NEDLAC Construction Summit process and its outcomes.</p>	<ul style="list-style-type: none"> Construction Charter was launched. The next phase i.e. 3rd party review has not been finalised due to delayed DTI scorecard/BEE codes. Promotion and communication of the Charter to be pursued and contextualised once the 3rd party review has been finalised. Procurement Forum (for procurement reform) and Focus Group (for register of professional service providers) engagements held in the second part of the year. National Treasury engaged to deal with Competitive bidding. Various public sector client capacitation workshops Registers rollout used to promote awareness for all public sector clients, focusing more on municipalities. Short to medium term communication strategy developed The project on new website almost complete at the end of the financial year. Various products: Infocus magazine, practice notes, Toolkit 2006 and other communication tools posted on the website.

STRATEGIC OBJECTIVES	STRATEGIC PROJECT	PERFORMANCE INDICATOR	PERFORMANCE ACHIEVEMENT AND CONTEXT
PERFORMANCE	CONSTRUCTION REGISTERS SERVICE	Continue roll-out of Phase 1 register to all municipalities and implementation of the regulations.	Phase 1 of the Registers rolled out to municipalities and "their" contractors during 2006. The implementation of the regulations successfully rolled out mostly before end of 2006.
		Develop Phase 2 of the registers for Contractors Best Practice Recognition Scheme and Best Practice Project Assessment Scheme and introduce performance improvement tools through Contractor Development Programme.	Elements of Phase 2 of the Registers explored and investigated to develop the best approach and instruments for implementation. Explored systems used by various countries like the UK Australia. Framework endorsed by management.
		Formulate framework for Register of Professional Service Providers	<ul style="list-style-type: none"> • Consultation with built environment professions conducted through meetings with Focus Group, (including professional councils in the built environment, professional associations and clients); consultation with National Treasury, national Department of Public Works, a provincial department of Public Transport, Roads and Works and a Metro.
	CII'S1	<p>Measure and report impact against benchmark</p> <p>Undertake annual measurement, Benchmark and monitor improvement against targets, measure and publish CII's.</p> <p>Align indicators and registers monitoring with new BEE scorecard</p>	<ul style="list-style-type: none"> • A draft framework for the establishment of the Register of Professional Service Providers has been developed. Comments were solicited from a wide group of stakeholders and included in the draft framework document. Framework to be finalised in the 2007/08 financial year. • 2005 CIIs published in 2005/06 Annual Report • Contract awarded for 2006/07 CIIs, including reviewing the framework for CIIs, with stronger links to Registers • 3rd party review of Construction Charter delayed due to DTI delays in finalising BEE codes. Alignment will therefore take place once the third party review has been finalised.
TARGETS & BEST PRACTICE	<p>Establish framework for prioritisation and promotion of best practice to underpin Phase 2 of the Registers. Develop tools to support best practice.</p> <p>Ongoing identification, prioritisation, establishment and promotion of best practice.</p> <p>Continue to promote HIV/Aids awareness, appropriate labour based construction methods and empowerment best practice.</p>	<ul style="list-style-type: none"> • Framework for Phase 2 of Registers established (and endorsed by management) • Skills development management plans being developed for incorporation in Phase 2 of registers - Safety and Health to follow. • Practice guideline on Implementing employment intensive road works completed • National Infrastructure Maintenance Strategy developed - approved by Cabinet August 2006 	

1 CII's - Construction Industry Indicators

STRATEGIC OBJECTIVES	STRATEGIC PROJECT	PERFORMANCE INDICATOR	PERFORMANCE ACHIEVEMENT AND CONTEXT
DELIVERY & PROCUREMENT	PUBLIC SECTOR DELIVERY MANAGEMENT	Increase <i>cidb</i> participation, contribution and commitment to IDIP.	<ul style="list-style-type: none"> • Increased <i>cidb</i> participation and commitment to IDIP by increasing <i>cidb</i> capacity (internal staff). • Hosted an international expert on Polarity management as part of training for IDIP PMU (partners).
		Participate in the continued rollout of IDIP to provincial Public Works, Department of Education and Department of Health.	Participated fully in the appointment and training of Technical Assistants for DPW and Department of Education, later in the appointment and training of Technical Assistants for Department of Health.
		Ramp up IDIP support to the Department of Public Works and customise the Toolkit for this purpose.	<ul style="list-style-type: none"> • Participated in the evaluation of impact of IDIP in the provinces, reporting performance to MECs and officials. • Reported impact on increased provincial public sector spending averages 29% year on year. • Appointed service provider to customise the Toolkit for Public Works. The project is continuing.
		i-Tender Register of Projects	<ul style="list-style-type: none"> • Continued to promote the use of the i-Tender Register of Projects (RoP) to enable electronic registration of projects. • Facilitated the registration of clients as employers to ensure they use the i-tender RoP.
	CONSTRUCTION PROCUREMENT REFORM AND ROLLOUT	Continue to promote and monitor implementation of the Code of Conduct.	Continued to promote the Code of Conduct to public sector client, including municipalities.
		Continue to promote procurement reform and best practice to all organs of state and private sector.	<ul style="list-style-type: none"> • Continued to rollout procurement reform around the country, introducing municipalities massively to this process, targeting legislated deadlines and providing ad-hoc support as requested. • More than 2000 officials and consultants were capacitated by the end of the financial year. • Provided support and advice to the 2010 Infrastructure Procurement team in the procurement of contractors to build the 2010 stadia. • Provided support in the development of procurement documents for the EC Department of Public Works, in conjunction with the Coega Development Corporation.
		Promote strategy for best value procurement in consultation with clients.	Developed and distributed Practice Notes 1,2 and 3 to promote procurement reform and best value procurement. strategies.
		Introduce compliance processes.	Allocated a manager to deal with compliance matters and to advise clients on <i>cidb</i> regulations as added support.

STRATEGIC OBJECTIVES	STRATEGIC PROJECT	PERFORMANCE INDICATOR	PERFORMANCE ACHIEVEMENT AND CONTEXT
NEW INDUSTRY CAPACITY & TRANSFORMATION	CONTRACTOR DEVELOPMENT	<p>Continue to monitor and promote sustainable empowerment strategies, including enterprise development.</p> <p>Building on the platform of the Registers, implement contractor development interventions to support sustained growth and improvement. Commence roll-out of best practices to registered contractors - as input to Registers Phase 2.</p>	<ul style="list-style-type: none"> Contractor development programme rolled out through client and contractor workshops. Developed, in conjunction with National DPW, the National Contractor Development Programme framework. Rolled out the NCDP to provinces where the first Outreach Centres/CCC will be established. Nurcha has been working with cidb to rollout their support package to contractors. Engaged the banking council and some regional bank offices to facilitate their involvement. Some banks eg in KZN (Ithala, ABSA) have responded with packages to support contractors. Kickstarted the establishment of the 1st four Construction Contact Centres (CCCs) in Gauteng, KZN, EC and WC.
KNOWLEDGE	KNOWLEDGE CENTRE AND RESEARCH AGENDA	<p>Expand and strengthen knowledge networks and continue to promote research agenda</p> <p>Implement national student conference on construction industry development. Promote awareness of initiatives geared at empowerment, delivery, performance and capacity.</p>	<ul style="list-style-type: none"> cidb 4th Post Graduate Student Conference, hosted by the Institute of Transport Technology at the University of Stellenbosch, held from 8 to 10 October 2006 - attracting some 100 academics Continuous engagement with academic institutions and individuals regarding the research agenda
cidb EVALUATION	CIDB IMPACT - 5-YEAR EVALUATION	<p>Appointment of Independent Review Panel by the Minister of Public Works.</p> <p>Successful evaluation of cidb by the Independent Panel.</p>	<ul style="list-style-type: none"> Successful appointment of Panel by Minister. Panel of Reviewers were 2 International and 3 South African experts, Secretariat: 1 International and 1 South African expert. Successful evaluation of cidb by independent Panel in Jan 29-Feb 02, 2007. Review report submitted to the Board, to be submitted to the Minister. Report is positive about the performance of cidb in the first 5 years, with recommendations to enhance further delivery on mandate.

Five-year EVALUATION AND REVIEW OF THE cidb

Section 14 of the CIDB Act, Evaluation and Review, requires that:

- The Board must facilitate a review of its activities in relation to its goals and objects, at least once every five years.
- A panel drawn from the public sector and the private sector and appointed by the Minister on the basis of expertise in relation to the functions of the Board must undertake the evaluation.
- The panel must submit its report and recommendations to the Minister.



The 5-year independent review of the cidb took place between 29 January 2007 and 2 February 2007. The Review Panel comprised highly respected local and international experts in construction industry development:

- Professor Dennis Lenard, Property and construction consultant, and board member of the Construction Industry Development Agency in Australia.
- Ms Nonyameko Mandindi, Chief Executive Officer, Intersite Property Management Services.
- Ms Eileen Meyer, Head, Technical Assistance Unit, National Treasury.
- Professor George Ofori; Head, Department of Building, School of Design and Environment, National University of Singapore, and
- Mr Dave Renwick, Project Co-ordinator, Strategic Projects Unit, eThekweni Municipality.

The Review Panel undertook a detailed review of the activities of the cidb, and also held in-depth discussions with over 20 stakeholders covering a wide range of sectors. The report of the Review Panel, together with a detailed response by the cidb Board and management to the Panel's recommendations has been submitted to the Minister of Public Works, Ms Thoko Didiza.

The overall conclusion by the Review Panel is that "...(the) cidb has made a very encouraging start. It has committed senior management, enjoys strong support across the industry and has produced outputs of a high standard. The Review Panel is confident that cidb in its next phase of development will enhance its position of strategic leadership."

The cidb welcomes the Review Panel's report and recommendations and where applicable, has developed actions to address them.



The individual programmes of the cidb were generally considered to be of high quality, with particular praise for the procurement documentation

STAKEHOLDER INPUTS

Without exception, stakeholders expressed strong support for the objectives of the cidb. Generally, they recognised that cidb had achieved much in its first five years, even though many challenges lay ahead.

On the question of the influence of the cidb, views varied. Local government client bodies considered it to have had substantial impact on procurement processes while other public clients were less positive. Contractor representatives recognised the impact of the registers. The cidb had not yet impacted significantly on professional service providers. There was concern that the cidb should demonstrate its ability to secure compliance with its prescripts, and should be seen to be influential with government departments; professional fee tendering was cited as an example of an issue which required cidb input on behalf of industry interests.

The individual programmes of the cidb were generally considered to be of high quality, with particular praise

for the procurement documentation although there were some concerns that this might be too complex for small contracts. The Register of Contractors was seen as a powerful tool for structuring the industry, but there was concern at the present delays in registration and detailed comments on the criteria employed which were seen to disadvantage some emerging contractors. The Register of Projects was less accepted, clients seeing this as an administrative imposition without clear benefits for their organisations.

Discussion of industry development focused mainly on the issue of skills supply. Stakeholders wished the cidb to take strategic leadership in this area, building on its surveys which had been useful contributions to the debate. The concerns covered both trade skills and professional capabilities. Representatives of emerging contractors wished to see much more emphasis on development in that sector, but also acknowledged that many Grade 1 firms had registered speculatively and that the market might not support them all.

Delivery in Progress SUSTAINABLE CONTRACTOR DEVELOPMENT

During the year under review, mandated by MINMEC, the *cidb* forged ahead, finalising the National Contractor Development Programme (NCDP) Business-plan and accelerating the imperative to translate the NCDP concept and framework into implementation.

Critical to the successful translation of the NCDP to implementation is the establishment and strengthening of structured linkages with, and ensuring participation and buy-in by provincial departments of Public Works. Using MINMEC and HODs meetings as a platform, the *cidb* secured the full support of the Minister of Public Works, provincial Public Works MECs and Heads of Departments.

The expressed political support and commitment of senior government officials is invaluable for the successful implementation of the NCDP.

The final draft NCDP Business-plan provides a framework for programme leadership and implementation by Public Works. The purpose of the programme is to:

- Improve the grading status of contractors in targeted categories and grades - effectively increasing the supply side capacity available to public and private sector clients;
- Increase the number of black and women-owned companies in targeted categories and grades so that all categories and grades become representative;
- Create sustainable contracting enterprises by enabling continuous work to competitive suppliers - and thus creating the platform for sustained employment and skills development;



- Improve the performance of contractors in terms of quality, employment practices, skills development, safety, health and the environment by rewarding performance; and
- Improve the business management and technical skills of contractors

Through workshops and meetings the *cidb* is making all key stakeholders aware of the objectives of the NCDP, the new targeted and focused approach to contractor development, services and products in support of contractor development, roles and responsibilities of different role-players and benefits of participation for stakeholders.

The engagements also serve to establish structured and working linkages with other stakeholders providing useful services and products in support of contractor development, and to align and coordinate existing programmes in support of contractor development. The purpose of engagement is not to replace existing programmes but, where possible, to expand them and facilitate their alignment.



Enabling continuous work to competitive suppliers will create the platform for sustained employment and skills development

Stakeholders engaged include:

- National Government departments and relevant agencies: the dti, Committee of Trade and Industry Institutions (COTII) and the NHBRC
- Provincial departments of Public Works (Gauteng, Mpumalanga, Western Cape, KwaZulu-Natal, and Eastern Cape)
- Financial institutions: Banking Council, ABSA, FNB, Standard Bank SA, NURCHA; Retail Finance Intermediaries, (RFIs): Isibane and Tusk: Mmela Financial Services and Risk Underwriting/ Insurance companies, for example, New National Insurance
- Development Agencies: African Development Bank and Development Bank of Southern Africa
- SME Development Agencies: SEDA and Gauteng Enterprise Propeller, Royal Bafokeng Association
- Built Environment Professionals: SABTACO, SAICE
- Industry bodies and associations: MBSA, SAFCEC, NAFBI Construction, NAFCOC, NABCAT and SAWIC

For 2007/08, the cidb is mobilising internal capacity and is finalising a cidb business-plan, which includes actions to address the following:

- Consolidate and further enhance the cidb leadership role, relevance and effectiveness in supporting national, provincial and other contractor development programme implementation
- Strengthen the clients' capacity to manage the implementation of the programme
- Harmonise integration of key components of the programme, such as facilitation of access to finance, training, payment on time, information, programme monitoring, and stakeholder mobilisation.

SUSTAINABLE CONTRACTOR DEVELOPMENT

(continued)



STRENGTHENING SUPPORT OF CONTRACTOR DEVELOPMENT

Following the pilot training workshop for targeted contractors in Umtata in July 2006, the cidb in partnership with the provincial Departments of Public Works facilitated further training of contractors in the General Conditions of Contract (GCC) in the four Pilot provinces, Western Cape, Gauteng, Eastern Cape and KwaZulu-Natal. A total of over 209 contractors have been trained to date:

Province	City	Dates	No: Trained
Eastern Cape	Umtata	27-28 Jul 06	35
	Port Elizabeth	08-09 Nov 06	42
	Queenstown	07-08 Feb 07	35
Gauteng	Johannesburg	12-13 Jan 07	43
KwaZulu-Natal	Pietermaritzburg	10-20 Mar 07	27
Western Cape	Cape town	22-23 Mar 07	27
Total			209

The training was well received and again, invaluable lessons were learned both in terms of the content of the training and the manner in which it is facilitated.

The demand for the GCC training is growing. Arrangements are at an advanced stage to create a national pool of training providers, and to extend the training to other standard forms of contract, particularly the JBCC which is commonly used in the public sector.



The cidb has mobilised a wide range of tools and models in support of contractor development from both private and public sector contractor development initiatives

The cidb has mobilised a wide range of tools and models in support of contractor development from both private and public sector contractor development initiatives. These are currently being assessed with a view to adopt them as best practice in support of contractor development.

STRENGTHENING SUPPORT FOR CONTRACTOR DEVELOPMENT

Contractor Development Support Task Teams have been established with Provincial Departments of Public Works in Gauteng, Eastern Cape, Western Cape and KwaZulu-Natal to coordinate contractor development within their respective provinces. Current development programmes will be refined, in conjunction with National Public Works and the cidb to align to the aims and targets of the National Contractor Development Programme.

A process is currently underway to establish these in the remaining provinces, namely North West, Mpumalanga, Northern Cape, Limpopo and Free State.

The Task Teams are highly optimistic as they tackle a number of activities to roll-out the NCDP. Key activities pursued by the Task Teams are:

- Development of a common and shared understanding of the NCDP and roles and responsibilities of the key stakeholders
- Mobilising provincial inputs to the Contractor Development Programme
- Formulating provincial business-plans including setting of provincial targets, translation of programme objectives into well-defined projects with clearly identified plans, milestones and evaluation and monitoring procedures
- Building capacity of officials
- Establishment of the Construction Contact Centres

Commendable achievements thus far include comprehensive provincial mobilization plans, development of templates for developing provincial business-plans, and piloting of some of the elements of the NCDP.

THE CONSTRUCTION REGISTERS SERVICE

"We have remained firm in our resolve to regulate the sector for improved equity and quality, and to create a firm foundation for development and transformation of the industry."

Minister Thoko Didiza

The Construction Registers Service has been established in terms of the CIDB Act 38 of 2000. It comprises the Register of Contractors and the Register of Projects which are now in their third year of implementation. The Act also makes provision for the cidb to establish and maintain a register of suppliers, manufacturers and service providers.

The Register of Contractors grades and categorises contractors according to their works and financial capability. It is mandatory for public sector clients to apply this register when considering construction works tenders. The Register of Contractors facilitates public sector procurement, promotes contractor development and forms the basis of the best practice contractor recognition scheme to drive improved performance.

The Register of Projects gathers information on the nature, value and distribution of projects and also forms the basis for driving improved performance through the best practice project assessment schemes. Public sector clients are required to register projects above R200,000 and private sector clients to register projects above R3 million.

The cidb has also developed the i-Tender service which gives effect to the Register of Projects. i-Tender enables clients to advertise tenders on the cidb website automatically alerting registered contractors by e-mail and sms. Compliance with legislative requirements to register projects is made easy for clients who convert the same tender information at the time of award.

LEGAL FRAMEWORK DRIVING THE REGISTERS

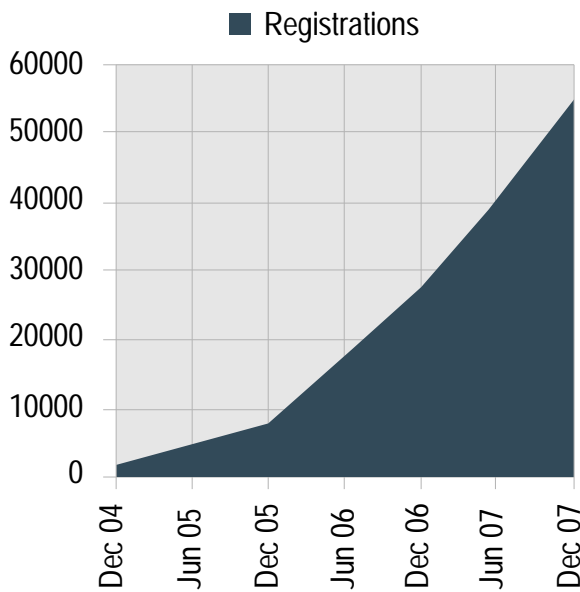
The CIDB Act stipulates that to promote best practice, the Board must establish and maintain:

- "...a national Register of Contractors..., which provides for categories of contractors in a manner which facilitates public sector procurement.
- ...must establish and maintain a best practice contractor recognition scheme... which promotes contractor development and monitors contractor performance.
- ...must establish and maintain the Registers of Projects and the best practice project assessment scheme...for the promotion, assessment and evaluation of best practice on construction contracts and may establish and maintain... a register of suppliers, manufacturers or service providers...".

The CIDB Act stipulates that:

- All contractors undertaking work for the public sector must be registered
- All public and private sector projects above a certain value must be registered by clients.

The Construction Registers Service continues to grow rapidly with a phenomenal rise in the numbers of contractors registering. In December 2004 there were 1 500 registrations, this increased to 7 500 by December 2005. At the end of 2006 this further increased to 25 000 with a forecast of 55 000 registrations by December 2007 as illustrated in the table below. A significant feature of the rapid growth in the number of registrations has been the huge proportion of entry level Grade 1 contractors in the general building class of works.



CONSTRUCTION REGISTERS SERVICE - AN OVERVIEW

The Registers drive a macro risk management process for clients and contractors regulating the construction industry around a common development agenda underpinned by best practice procurement and project processes.

As envisaged by the legislation, the Registers are the principle instruments driving improved demand and supply-side industry performance. They constitute a regulatory framework that supports sustainable development and empowerment.

The data assembled by the Registers will provide a comprehensive overview of the construction demand and supply across the country.

The national Register of Contractors supports public sector risk management, reduces the administrative burden associated with the award of contracts, and promotes the performance and development of contractors.

The national Register of Projects registers all public and private sector projects above a prescribed value. The register provides information on the nature and distribution of projects and promotes the performance of public and private sector clients in the development of the construction industry.

In its design, implementation and adjustments made over the past year, the cidb has aimed to ensure the service meets the following objectives:

- Reduced risk to public sector clients through the Register of Contractors that will categorise contractors in accordance with their capacity.
- Streamlined procurement with reduced wastage, including reduced tender evaluation costs to industry, and reduced tender evaluation to public sector clients
- Improved construction delivery through:

Requirements on private and public sector clients that promotes consistent procurement practice, sustainable development and transformation

A contractor recognition scheme that promote supply-side performance in terms of quality, safety, health and the environment

- A framework that support sustainability in the tendering environment and enables clients to structure their contracting and development strategies to target appropriate sectors of the market
- An established track record for emerging contractors that will facilitate public and private sector confidence and access to credit, finance and opportunity
- Access by decision-makers, clients and service providers to live comprehensive geographic information on construction demand and supply, including size, nature and distribution of projects and service providers
- Business-to-business linkages
- An improved industry image that fosters investment.

Based on feedback from our stakeholders the cidb has consistently driven improvements to the Construction Registers Service. These have been accompanied by changes to regulations first published in June 2004 and revised in November 2004, July 2005 and August 2006. The amendments have specifically:

- Allowed for implementation of transitional relaxation measures making it easier for contractors to get registered and improve their business and financial management systems
- Opened up greater access to work for smaller enterprises
- Allowed clients an easy mechanism to comply with regulations through the introduction of the i-Tender service, and
- Allowed clients greater flexibility in the application of the Register of Contractors in the procurement processes

The cidb has started work on the next regulation amendments in order to deal with the expiry of the transitional measures in November 2007. In the same approach the Board will further drive improvements to the Construction Registers Service including special focus on alternate mechanisms to deal with the large number of entry level contractors, especially in Grade 1.

The final phase of the registers implementation was completed with the roll-out to the low capacity municipalities in November 2006. Greater focus has now shifted towards clients support and capacitation for improved compliance.

During the year under review, the cidb strengthened its verification unit which checks the integrity of information provided by contractors for the purpose of registration. The cidb has engaged the services of forensic auditors in order to deal with cases where fraudulent information has been received, and have also engaged with the Auditor General in terms of monitoring public sector client compliance. A fraud hotline (0800 11 24 32) has also been implemented where stakeholders can anonymously report fraud.

OPERATION IMPROVE - DRIVING SERVICE DELIVERY IMPROVEMENTS

Over 42 000 contractors were registered by March 2007, doubling the number of registered contractors in March the previous year. This has challenged the organisation to find innovative ways to cope with the rapidly growing numbers of applications. The cidb embarked on a business process improvement project, which commenced in November 2006 in order to better turnaround times and drive improved quality in the registration service.

Simultaneously, the cidb doubled its efforts to get the Construction Contact Centres up and running in the provinces to facilitate registration at the provincial level. Provincial registration will also help address the major challenge that the cidb is facing - of non-compliant applications that inevitably cause delays in registration. These are applications that do not meet the requirements due to lack of supporting documentation and information. It is also envisaged that the Construction Contact Centres will, in time, be able to process entry level contractor applications and reduce pressure on the main cidb office in Pretoria.

As a result of the business process improvement project, the cidb successfully processed all compliant applications by the end of March 2007, eradicating the backlog that had accumulated due to lack of separation of compliant from non-compliant applications. The process also enabled better communication on applications that were non-compliant.

New office space has been identified for the registrations unit, which would better support the improved business processes. The cidb has also embarked on a project to overhaul information systems and IT infrastructure to support a decentralised registration processing service.

THE REGISTER OF CONTRACTORS

Clients and financial institutions increasingly rely on the Register of Contractors to provide assurance of the capability of contractors and to target development interventions. A significant benefit of the Register of Contractors and procurement reform is that contractors are beginning to tender in a secure

and growing environment. This is because the Register ensures that only contractors with recognised capability are competing at the various tender levels.

This enabling environment also supports clients because the reduced number of tenders enables easier evaluation and speeds up contract award and delivery. Some client departments have reported a significant reduction in the number of contracts cancelled since introduction of the register. Clients are also able to use the Potentially Emerging (PE) status to advance contractors up one grade provided that development support is put in place to ensure project and enterprise success.

The Register of Contractors categorises contractors according to capability to perform construction projects. A contractor's grade reflects the class of works and financial capability. Class of works establishes the nature of work a contractor is able to perform, such as general building, civil engineering, mechanical engineering and specialist works.

Grading designation	Maximum value of contracts a Contractor may perform in each Grade
1	R200 000
2	R500 000
3	R1 500 000
4	R3 000 000
5	R5 000 000
6	R10 000 000
7	R30 000 000
8	R100 000 000
9	No limit

JOINT VENTURES

The Register helps contractors to identify potential joint venture partners so they can access larger projects.

To facilitate joint ventures, the cidb has created an online public joint venture calculator. This calculator assesses the precise financial and works capabilities

of each JV partner in order to establish the grading designation of the combined Joint Venture.

In addition to the calculator, the cidb has created the joint venture table that provides contractors with a safe guideline on the combination that contractors can use when forming joint ventures. Successful JVs can lead to consolidation and industry growth.

Joint Venture Combinations	
Joint Venture combinations to achieve a higher combined grade	Grade achieved by the joint venture
Three Grade 2 contractors	3
Three Grade 3 contractors	4
Two Grade 4 contractors or One Grade 4 and two Grade 3	5
Two Grade 5 contractors or One Grade 5 and two Grade 4	6
Two Grade 6 contractors or One Grade 6 and two Grade 5	7
Three Grade 7 contractors	8
Three Grade 8 contractors	9

GROWING CONTRACTOR AND CONTRACTING CAPACITY

While the proportion of registrations in General Building (64%) has decreased slightly, it is still the predominant category where there are low entry barriers in terms of capital, plant and specialist skills. These low entry barriers are further highlighted by the fact that 54% of all contractors registered are concentrated in Grade 1, General Building. A fair number of contractors are registered in Civil Engineering (21%) and much fewer in Electrical Engineering (5%), Mechanical Engineering (4%) and Specialist Works (8%).

These, as well as empowerment statistics, can be further broken down to provincial and local level. In understanding capacity, it is important to note that many Grade 6 and 7 contractors operate across more than one province, while Grade 8 and 9 contractors operate nationally and across South Africa's borders.

By June 2007, 1900 applications for upgrades were successful of which 87% are by black-owned enterprises. By capturing upgrades the Register of Contractors is beginning to reflect enterprise growth patterns within the industry.

cidb Register of Contractors - June 2007

Grade	Class of works					Total
	GB	CE	ME	EE	SW	
1	17 396	4 401	731	563	2 115	25 206
2	1 607	797	146	144	250	2 944
3	543	321	71	71	53	1 059
4	510	534	84	118	80	1 326
5	212	262	75	88	61	698
6	168	226	40	39	21	494
7	67	130	20	24	18	259
8	18	40	5	5	7	75
9	20	28	12	6	4	70
Total	20 541	6 739	1 184	1 058	2 609	32 131

CE Civil Engineering EE Electrical Engineering
GB General Building ME Mechanical Engineering
SW Specialist Works

Capacity in the provinces as at June 2007

Province	Grade									Total
	1	2	3	4	5	6	7	8	9	
Eastern Cape	2 124	194	84	119	55	50	22	2	1	2 651
Free State	1 516	166	33	69	27	29	13	6	2	1 861
Gauteng	6 379	703	180	335	191	145	106	41	49	8 129
Foreign	0	0	0	0	1	1	0	1	16	19
KwaZulu-Natal	6 070	732	233	306	129	87	50	10	1	7 618
Limpopo	3 282	470	220	197	123	52	12	1	0	4 357
Mpumalanga	2 744	286	169	148	51	32	4	2	0	3 436
North West	1 536	123	38	47	24	24	7	0	0	1 799
Northern Cape	220	47	17	18	21	7	9	0	0	339
Western Cape	1 335	223	85	87	76	67	36	12	1	1 922
Total	25 206	2 944	1 059	1 326	698	494	259	75	70	32 131



The cidb will begin to incorporate the BEE status of established construction companies to enable charter implementation by public and private sector clients

INDUSTRY CAPACITY AND EMPOWERMENT

The Register of Contractors provides information on industry capacity and ownership patterns. It enables targeted development interventions to build contracting capacity and capability in the various grades. For example interventions on management and technical skills can be tailored for Grade 4 mechanical engineering contractors in a particular province.

In the period ahead, the cidb will begin to incorporate the BEE status of established construction companies to enable charter implementation by public and private sector clients. The Register will also support the industry and clients in targeting enterprise development interventions necessary for shared growth and development.

While the Register records aggregated ownership of 94% black and 49% women, it is evident that these are at the lower grades.

cidb Register of Contractors - June 2007

Percentages black and women owned in all grades

Grade	Maximum contract value	Black Ownership % of Total	Women Ownership % of Total
1	R200 000	98	51
2	R500 000	90	46
3	R1 500 000	88	50
4	R3 000 000	82	39
5	R5 000 000	72	32
6	R10 000 000	66	23
7	R30 000 000	42	14
8	R100 000 000	25	1
9	No Limit	0	0
Total		94 %	48 %

Disaggregated by class of works, the ownership patterns provide a strong tool for empowerment targeting. Major achievement is recorded in General Building and in Civil Engineering. The Register also reveals the empowerment gaps at the upper grades and in specialist classes of work with their higher capital and human resource requirements. These indicate the need for specific development interventions.

cidb Register of Contractors - June 2007

Grade	Percentage Black-Owned per Class of Works				
	GB	CE	ME	EE	SW
1	99	98	89	91	93
2	95	92	64	81	68
3	96	91	54	70	62
4	92	84	52	74	45
5	86	77	49	61	38
6	79	64	48	64	29
7	64	36	40	25	33
8	50	25	0	0	0
9	0	0	0	0	0

REGISTER OF PROJECTS - iTENDER

Client implementation of the Register of Projects using the i-Tender service, which is a regulatory requirement, continued to grow due to a special focus by the cidb in providing implementation support to them. There are 168 clients that have actively implemented the system to date. The cidb has intensified support to improve clients' use of the system.

The i-Tender has been established as part of the Construction Registers Service. It is a fully electronic service that is free to clients and contractors. i-Tender enables clients to advertise tenders on the cidb website. Registered contractors are automatically notified of tender information via sms and email. i-Tender gives effect to the Register of Projects which gathers information on the nature, value and distribution of projects. When clients register the award of projects the contractor's track record is automatically updated as well.

For many contractors, their cellphone is their main communication device especially when on site. The sms messaging system through i-Tender enables the cidb to link contractors with appropriate opportunities whilst promoting transparency and openness in the tender process. Each time a government department or public entity advertises a tender on the i-Tender

system, an automatic sms message is generated and sent to appropriate contractors to advise them of the tender.

When public or private sector clients register the award of a contract, and any subsequent cancellation of a contract, the system automatically updates the track record of the registered contractor who has been awarded the tender. It is also able to indicate to clients how busy a contractor is, so the danger of overloading is reduced.

This system allows the contractor to develop a track record and to improve his or her grades - which in turn grows developing contractors, moving them into the mainstream on an earned development platform

The number of tender notifications sent out to date has increased to 199 392. A total of 12 352 contractors have received notifications of tender opportunities through the i-Tender service and more than 1 000 projects have been registered on the Register of Projects.

BENEFITS OF iTENDER

- Quick and easy access by registered contractors to relevant tender information
- A quick and effective tool for clients to communicate available contract opportunities
- Effective access to work and development opportunities by the emerging sector
- Compliance with cidb and National Treasury regulations and total tendering transparency
- Registration of projects by private and public sector clients, supporting the track record of contractors and providing clients and decision makers with up-to-date information on the nature and distribution of projects at local, provincial and national level.



The Register of Contractors categorises and grades contractors in accordance with their ability to perform contracts within specific Classes of Works

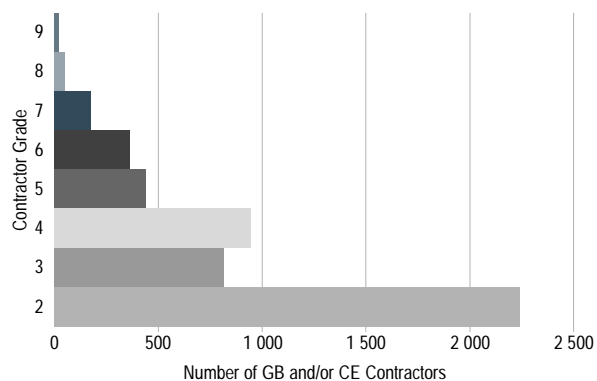
UNPACKING THE REGISTERS: UNDERSTANDING THE STRUCTURE OF THE INDUSTRY

The cidb's Register of Contractors and the i-Tender Register of Projects reflect current industry capacity and is beginning to reflect a picture of industry demand. The Registers are also shedding light on the nature of the development challenges.

The Register of Contractors categorises and grades contractors in accordance with their ability to perform contracts within specific Classes of Works. Currently, just under 6 000 individual contracting companies are registered in Grades 2 to 9 and in the various Classes of Works. Grades 2 to 9 reflect those Grades for which tenders are required in the public sector - i.e. above R200 000.

The i-Tender Register of Projects gathers information on the nature, value and distribution of projects, and provides the basis for a best practice project assessment scheme to promote the performance of public and private sector clients in the development of the construction industry. Over 70 public and private sector clients have begun to use the service and over 1 000 projects have been registered with a total value of more than R30 billion.

About 4 800 individual South African companies have registered in either the General Building or Civil Engineering Classes of Works in Grades 2 to 9. About 95% of the total number of registered contractors (excluding Grade 1) are in Grades 2 to 6 (typically contractors with a regional, provincial or local presence) - which shows the dominance of SMEs in the industry.



A breakdown of the number of registered contractors by ownership details is illustrated below. Note that Grade 9 contractors are typically public listed companies, for which ownership cannot be ascertained. It can be seen that Grades 2 to 5 are dominated by black-owned companies (ownership $\geq 50\%$) - showing the extent of the transformation that has occurred within these grades. Although transformation is encouraging in Grades 6 to 8 (and in particular in General Building), significant progress is still required in CE and other classes of work.

Contractor Grade	Max Tender Value (Rm)	% Black Owned (>50%)		
		GB	CE	GB / CE
2	0.5	95%	92%	94%
3	1.5	96%	92%	94%
4	3	92%	84%	87%
5	5	86%	78%	82%
6	10	78%	65%	69%
7	30	63%	37%	44%
8	100	53%	26%	31%

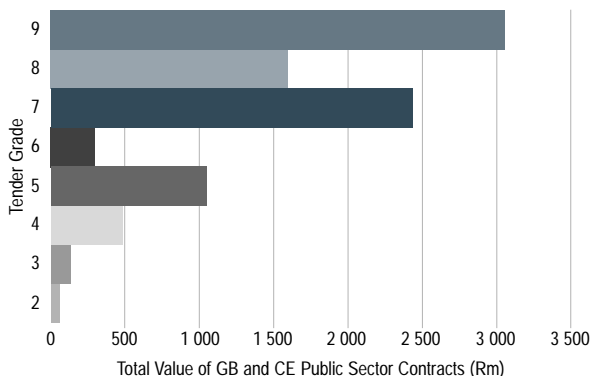
THE CONSTRUCTION REGISTERS SERVICE

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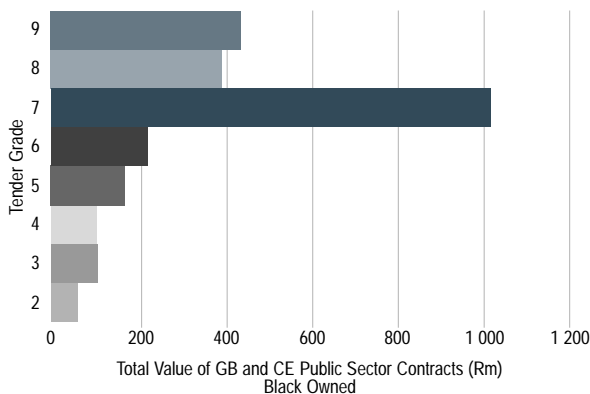
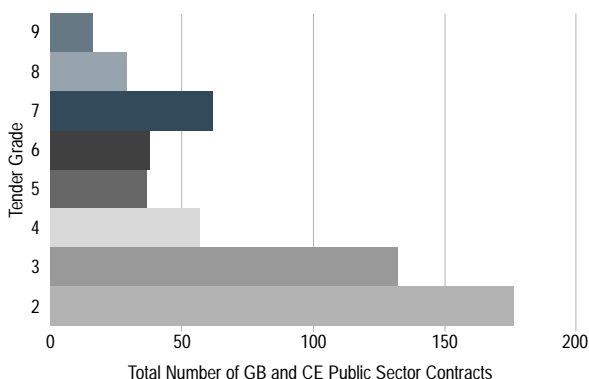
It is encouraging to note that black-owned companies are accessing contracts in tender Grades 7 to 9



An analysis of public sector tenders registered and awarded on the i-Tender Register of Projects shows that about 80% of the total number of contracts were awarded in tender Grades 2 to 6, which are predominantly black and women owned. This reflects in part the tendency to-date, in which empowerment has largely been measured by public sector clients in terms of the number of contracts awarded to black or women-owned companies. The cidb's experience in registering these contractors shows that they have been competing for tenders in a "lottery" environment in which as many as 200 and even 600 tenders are received for a small contract. In this environment, many aspiring and even partially established contractors have failed to win even a second contract within a 5-year period, with serious consequences for their development and sustainability.



However, it is encouraging to note that black-owned companies are accessing contracts in tender Grades 7 to 9 - although significant progress is still required.



Notwithstanding that about 80% of the total number of contracts were awarded in tender Grades 2 to 6, this represented less than 30% of the total value of contracts awarded!

The cidb's Construction Registers Service is providing a very powerful tool to monitor the performance of the construction industry, and to understand the nature of the development challenges.

Delivery in Progress CONSTRUCTION CONTACT CENTRES



The CCCs are the melting pot of services incorporating initiatives by clients, contractors, training agencies, contractor development agencies and other construction stakeholders

Working with the Department of Public Works at national and provincial level the *cidb* concretised the plan for establishment of the Construction Contact Centres (CCCs) in various provinces across the country, starting with the Eastern and Western Cape, Gauteng and KZN which will have centres up and running by the end of 2007. The CCCs will be the melting pot of services incorporating initiatives by clients, contractors, training agencies, contractor development agencies and other construction stakeholders.

A tremendous investment of time and resources was committed by the *cidb* together with the national and provincial departments of Public Works as lead partners towards strategic development of the framework for the CCCs. This investment included the creation of the physical and technical infrastructure for the initial four centres. These will be launched in Durban, Bisho, Pretoria and Cape Town from August 2007.

The process of capacitating these centres continued apace during the period under review and training of staff began in earnest in March 2007.

The CCCs are pivotal to successful implementation of the National Contractor Development Programme (NCDP) and an enhanced contractor registration service. In the near future, the centres are envisaged to register contractors particularly at lower level grades. The CCCs provide contractors with a vital link to the *cidb* and serve as knowledge and information hubs for stakeholders on various aspects of construction, including procurement and facilitated contractor development.

Already the *cidb* has developed a number of tools for contractor development and has also established a database of more than 100 information resource materials on industry development. The database and other tools will be accessible to stakeholders through the CCCs.

The support of the Ministry and Department of Public Works, MECs, and Heads of Departments has shaped the form and content of the Provincial CCCs to enhance value and ensure a better service for contractors and stakeholders.

Delivery in Progress PROCUREMENT REFORM

Municipalities were the last group of public sector clients to implement the cidb procurement reform processes in November 2006, bringing to completion the roll-out of the Register of Contractors and the Standard for Uniformity in Construction Procurement. In rolling out to municipalities the cidb took into account their unique situation in terms of number, sizes, levels of capacity, the implications of the municipal elections that took place at the same time and the pressures of municipal financial year end in June.

The support that we received from all parties led to a successful rollout in all 284 municipalities in spite of the challenges. In total we have trained over 2 000 officials and consultants in the built environment on new procurement methods since the massive rollout in 2005 until the end of March 2007. All public sector clients have now been exposed to new procurement methods and the cidb continues to support client capacitation through workshops on request. These are considered on a case by case basis.

During the 2005/06 financial year, the registers and procurement reform rollout focused massively on contractors, national and provincial departments as well as parastatals around the country. As early as the beginning of the 2006 calendar year, cidb received an average of 500 applications a week. At one stage, the number of applications peaked at 700 a week challenging both the resources and the systems of the organisation to deal with this sudden influx of applications.

It is exciting to report that more than 1 900 contractors to date have already upgraded their status, either from understanding the requirements of registration or after completing their projects. Our records show that at least 85% of these contractors are black-owned.

Based on the impact of past campaigns, we took the decision to replace mass workshops with campaigns that are more focused on improving the quality of applications submitted by contractors for registration. Focus on clients has also shifted towards enforcement of compliance supported with continued client capacitation.

In responding to queries and comments from stakeholders, we have now developed a total of 7 practice notes. These practice notes are available in hard copies as well as on our website. The latest four practice notes deal with the following topics:

- Procuring best value in construction
- Evaluating tender offers
- Competitive selection of Professional Service Providers, and
- Subcontracting arrangements.

It must be stressed that these practice notes are never intended to replace legislation, but should assist stakeholders in understanding the meaning of certain clauses or sections where there may be poor understanding.

SUPPORT TO 2010 INFRASTRUCTURE PROCUREMENT TEAM

Procuring construction services for the 2010 Fifa Soccer World Cup has demonstrated that there is more to 2010 than the sporting event. The cidb continued to provide the much needed support in the form of high level procurement advice to the 2010 Infrastructure Procurement Team. We have worked with the Department of Sports and Recreation and National Treasury to ensure that the procurement process complied with the cidb requirements. We are proud of the contribution that the cidb has made in advising the Host Cities on their procurement of construction services for the 2010 stadia.

The process of identifying the needs for the 2010 roads infrastructure has been started and cidb is playing a major role in facilitating the direction that the process will take. We will continue to provide high level support to the procurement process for the road network and other related infrastructure for the successful delivery of the 2010 Fifa Soccer World Cup.

Delivery in Progress

IMPROVING PUBLIC SECTOR INFRASTRUCTURE DELIVERY CAPACITY



The IDIP is making a positive contribution to the improvement of service delivery programmes in our provinces

The Infrastructure Delivery Improvement Programme (IDIP) has continued to impact positively on public infrastructure delivery. IDIP is driven through cidb's partnership with National Treasury as the lead partner, the Development Bank of Southern Africa and the Department of Public Works. From 26,8% improvement in 2005/06, capital expenditure has seen a further improvement to 29% this year, due in part to IDIP. The improved pace of capital expenditure should begin to address the shortage of schools and assist in the eradication of mud schools.

The cidb has supported the process of capacitating Technical Assistants (TA's) for the provincial departments of Public Works and provincial Department of Education in all provinces. With Technical Assistants appointed in all provinces for these departments by the end of the financial year, the process of recruiting and appointing Technical Assistants for the Department of Health (DoH) was kick-started. Training for this group is continuing.

It is worth noting that several provinces have begun to recognise the impact that IDIP is making in their service delivery programmes. During their Budget Votes in 2007 the MECs of Public Works in North West and Mpumalanga referred to the positive contribution that IDIP has made. It is therefore hoped that more results will be realised in the next year to two years.

THE KEY DELIVERABLES OF IDIP ARE:

- Formulation of the inception reports, which describe the status of infrastructure delivery in provincial departments and clearly identify gaps in the delivery systems
- Forging partnerships between the provincial Education and Public Works departments through structured service delivery agreements
- Capacity-building plans which address capacity and skills deficiencies. These are developed by the Provincial Technical Assistance Teams (PTATs) together with the departmental counterparts
- Infrastructure plans and programme management of implementation plans which guide the delivery and review of effective service delivery arrangements
- Coaching and mentoring of delivery staff to institutionalise good infrastructure delivery management practices.

The IDIP may be cascaded to municipalities, ensuring better service delivery to communities



The support that **cidb** provides to IDIP includes the continuous refinement of the Infrastructure Delivery Management Toolkit that forms the basis for training. The Toolkit also serves as a planning kit for programme infrastructure implementation.

The Toolkit has been significantly enhanced and upgraded on the basis of the lessons learnt in the IDIP pilot. Toolkit 2006, includes guidelines and templates and is now available on CD and the **cidb** website. This revised version has already been distributed and used in the roll-out within provincial Public Works and Education Departments.

The Toolkit forms the basis and foundation for IDIP.

cidb INFRASTRUCTURE DELIVERY MANAGEMENT TOOLKIT 2006

The Toolkit has five modules that provide step-by-step guidance on the procedures to be followed from project planning to implementation. It aligns the project planning cycle with the budget cycle to assist in early detection and effective management of risk relating to poor delivery and budget overruns by, among other things, using procurement best-practice, effective monitoring and reporting systems.

The **cidb** is currently modifying and customising the Toolkit in preparation for National Department of Public Works service delivery improvement programme "Zimisele". The Department intends rolling out IDIP throughout its regions across the country. This process was temporarily halted due to capacity constraints in the Department but is now being revived with the new senior management involvement.

The **cidb** was requested to investigate and make recommendations on payment blockages within the provincial delivery system. The **cidb** commissioned an investigation that covered various provinces. The results of the study have been presented to the Technical Assistants in the provinces for their comments to refine the outcomes before the results are published.

The success of IDIP is being considered for this programme to be cascaded to municipalities. **cidb** is already beefing up its capacity to respond to this opportunity. The benefits to the municipalities are enormous as this is where service delivery to the communities should take place.

Delivery in Progress PARTNERING FOR PERFORMANCE IMPROVEMENT



In order to meet growing construction demands, necessary skills at all levels need to be developed

SKILLS FOR INFRASTRUCTURE DELIVERY - THE CHALLENGE OF RESTORING THE SKILLS PIPELINE

"We cannot speak of contractor development without addressing the issue of industry skills. Without the necessary skills at all levels, professional and artisan, our industry will not be able to meet the growing demand."

Minister Thoko Didiza

The South African construction industry is just coming out of a significant phase of decline that has seen limited investment in human capital development and the migration of available skills, leading to shortages of skills in the industry. The announcement of a large government infrastructure spending programme in 2005, including the construction of the Gautrain Rapid Rail Link and provision of infrastructure for the 2010 Fifa Soccer World Cup, has highlighted the skills shortages, and necessitated timely interventions to ensure the delivery of a number of infrastructure development projects.

In response to this need, the cidb, in conjunction with the National Department of Public Works, commissioned a project to:

- Quantify the skills currently available in the construction industry
- Estimate the anticipated skills required to meet this ambitious investment programme, and
- Estimate the shortfall and identify interventions for addressing the skills problem
- Access to multiple workplaces, together with appropriate mentorship to ensure access to appropriate training
- Appropriate funding mechanisms and incentives and
- The accessibility of appropriate training infrastructure

The report concludes that there has been a significant breakdown in the skills development pipeline, and provides for short-term interventions to meet the current challenge along with medium to long-term solutions to re-establish the pipeline.

The skills report makes recommendations on the establishment of sustainable pathways to facilitate the development of a pool of construction expertise, and identifies the key role players responsible for taking these forward. The cidb, in partnership with key stakeholders, is facilitating that these recommendations are taken forward

One of the key recommendations of the skills report is that restoring the experiential learning system to create a skills supply pipeline requires interventions to resolve:

The cidb has finalised a series of practice manuals to support job creation in the construction and maintenance of low-traffic roads



In line with these recommendations the cidb is currently investigating the feasibility of an Employment Skills Development Agency (ESDA) to manage the legal and administrative hurdles of placing learners with multiple workplaces to ensure access to appropriate training as required. The flexible ESDA model, by acting as a lead employer and coordinating workplace experience, can ensure that individuals are moved across projects and are able to have continuity in learning and in this way develop the requisite experience and competence. This would suggest that its role would extend beyond learnerships and would focus on all programmes in which learners require work experience.

The ESDA framework will also make proposals on funding mechanisms which are able to take these interventions into account and are designed to specifically support them. This also requires a streamlined mechanism to enable the relevant parties to access this funding as current processes to access funding are, in many cases, prohibitively long and complicated.

In further support to the programme of skills development and the Accelerated and Shared Growth Initiative for South Africa (AsgiSA), the cidb took part in the delegation to India in September 2006. Led by Deputy President Phumzile Mlambo-Ngcuka, the visit was aimed at assessing progress on a learnership exchange programme involving 50 South African trainees and to draw lessons from India's labour intensive methods for job creation as well as contractor development.

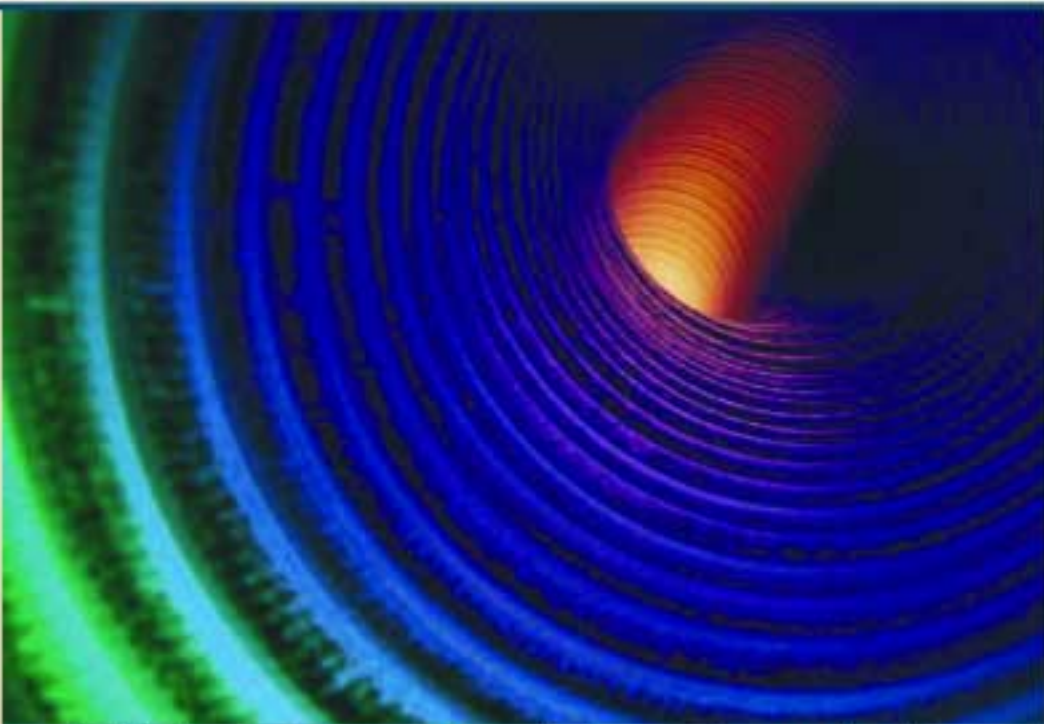
SUPPORTING JOB CREATION

The South African White Paper, Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry (1999), expresses a vision for public sector delivery aimed at optimising employment opportunities through labour-intensive construction. Following on from the best practice guides for Labour-Based Methods and Technologies for Employment-Intensive Construction Works, the cidb has finalised a series of practice manuals to support job creation in the construction and maintenance of low-traffic roads.

Implementing Employment Intensive Road Works is a set of practice manuals for use by contractors and designers in the construction and maintenance of low-traffic roads. The need for these technical manuals was identified during the training of SME contractors involved in the Gundo Lashu programme in Limpopo - a labour based upgrading of rural roads promoted by the Department of Public Works, Roads and Transport in collaboration with the International Labour Organisation (ILO).

The manuals are a further contribution to the Expanded Public Works Programme and to the national priority of poverty alleviation. They will play a critical role in providing contractors, particularly emerging contractors that are still growing, with technical information and a systematic approach to construction, to successfully construct roads using labour and light plant. The manuals will also contribute to the development of skills for labour and management of contracts.

The skills report recommends the establishment of sustainable pathways to facilitate the development of a pool of construction expertise



skills for infrastructure delivery in south africa

the challenge of restoring the skills pipeline
a discussion document



public works

Department
Public Works
REPUBLIC OF SOUTH AFRICA





Ntebo
Ngozwana
presenting the
Skills Report
at the
Stakeholder
Forum

The road works series of practice manuals cover various aspects of road construction, including basic construction theory. These manuals were compiled by the Council for Scientific and Industrial Research (CSIR), in collaboration with, and with funding from, the ILO and cidb to promote the implementation of employment intensive road works. A cidb Focus Group of industry specialists and stakeholders further reviewed and refined these manuals.

NATIONAL INFRASTRUCTURE MAINTENANCE STRATEGY

Cabinet has recognised the importance of infrastructure maintenance within government and the role that effective maintenance will play in support of AsgiSA. To this end, Cabinet approved the National Infrastructure Maintenance Strategy (NIMS) in August 2006.

The National Infrastructure Maintenance Strategy draws extensively on a framework document developed by the Department of Public Works, cidb and the CSIR. Together with the Department of Public Works as the lead Department, the cidb has been tasked with overall programme management for the implementation of the strategy, and will be appointing a fulltime programme manager to take on this responsibility. The NIMS strategy document is available in hard copy and on the cidb website.

NATIONAL STAKEHOLDER FORUM

In compliance with the mandate to convene a meeting of the Minister of Public Works and the Stakeholder Forum at least once a year, the cidb facilitated the first meeting of Minister Thoko Didiza with the Stakeholder Forum members on 1 May 2007 in Centurion, Pretoria. The role of the Stakeholder Forum is to advise the Board and the Minister on matters affecting the construction industry and its development.

The key focus of the May 2007 Stakeholder Forum was the skills challenge and an assessment of interventions necessary to restore the skills pipeline in response to anticipated demand as a result of increased public and private sector investment in infrastructure.

Overwhelmingly, stakeholders endorsed the initiative for development of an industry-wide response to the skills challenge in construction. Over 100 stakeholders, representing diverse sectors of the industry participated and engaged in debate on skills and other challenges facing construction.

The cidb re-constituted the Stakeholder Forum towards the end of 2006, after the term of service of the inaugural Forum expired.

The cidb has been tasked with overall programme management for the implementation of the National Infrastructure Maintenance Strategy



the national infrastructure maintenance strategy

in support of ASGISA and government growth objectives



public works

Department
Public Works
REPUBLIC OF SOUTH AFRICA





George Ofori (right) and Brian Bruce (left) at the CIB 2007 conference

CIB 2007 WORLD CONGRESS

Accessing international networks is an important component in supporting the *cidb*'s mandate to "promote appropriate research" and to "develop, promote and update a construction industry research agenda that defines national development priorities".

Together with the CSIR, the *cidb* hosted the International Council for Research and Innovation in Building and Construction (CIB) Triennial World Building Congress 2007 in Cape Town from 14 - 17 May 2007. The *cidb*'s Dr Rodney Milford was the outgoing President of the CIB.

The theme of the Congress was "Construction for Development", recognising the importance of construction in the development of nations at all levels of socio-economic advancement. The Congress was attended by 300 delegates from 35 countries.

About 280 papers were presented at the Congress, covering a wide range of subjects and reflecting

differences in practices and experiences in various countries. Many of the papers proposed initiatives at the national, corporate or project levels. There were also many useful tools, methods and models which can be applied to improve performance in business enterprises and on projects.

Keynote speakers at the Congress included Pepi Silinga, CEO of Coega Development Corporation and Chairperson of the *cidb*, and Brian Bruce, Group Chief Executive of Murray & Roberts and *cidb* Board member.

The closing session was attended by The Honourable Thoko Didiza, Minister of Public Works of South Africa, and The Honourable Mosibudi Mangena, Minister of Science and Technology, and the Congress closed with recommendations by the delegates to the community of researchers; the CIB; the practitioners in the built environment sector; and the governments of the attending countries.



From left to right:
 Dr Wim Bakens,
 Prof Peter Barrett
 (incoming
 president of CIB) &
 Dr Rodney Milford
 (outgoing
 president of CIB)
 at the CIB 2007
 conference

From the Congress closing statement read by Prof George Ofori of the National University of Singapore.

We reiterate our understanding that the built environment sector, of which the construction industry forms part, exists to serve society. In particular, we are aware that the construction industry plays a critical role in the process of development. We recognise that we have a wide range of stakeholders who can benefit from, or may be adversely affected by our activities, but who have different value perceptions and expectations. This increases the complexity of the task facing us as researchers. We recognize that people should be the frame of reference of our work, and that an aim of our endeavours as researchers should be to enhance the quality of life of the people.

We note that, in many countries, the performance of the built environment sector, and in particular, the construction industry, has not met the expectations of

its stakeholders. The industry also falls short in several respects when compared with those of other sectors of the economy.

We recognise that the built environment sector can and should, make significant contributions to the effort to address the challenges facing the world, including:

- Poverty reduction and provision of economic opportunities for all
- Access to education, health and social mobility for all in the society
- Rapid increases in urban populations in most countries
- Climate change and related issues of sustainable development
- Mass disease such as HIV/Aids and malaria

Corporate GOVERNANCE



The *cidb* is a schedule 3A public entity under the executive authority of the Department of Public Works. It is charged with the role of strategic leadership for construction industry development. The *cidb* has a comprehensive vision and programme that is concretised in the annual strategic and business plans, in accordance with the enabling legislation of the entity, (CIDB Act 38, 2000). The operating policy of the *cidb* upholds the principles of corporate governance through its adherence to the PFMA, treasury regulations and the advisory principles of the King II Report.

The *cidb* Board, supported by the Audit Committee, Remuneration Committee, the Chief Executive Officer (CEO) and the executive leadership team, ensure the effectiveness of good governance. Proper controls are in place to identify and report any material breakdown and ensure that corrective actions are taken.

As part of the overall strategy to ensure adherence to the PFMA and good corporate governance policies, internal controls have focused on areas of risk management, accountability for assets, staff policies, sound procurement practice as well as the reliability and integrity of the financial statements.

THE *cidb* BOARD

The Board of the *cidb* has a mandate to approve the annual financial statements and assure the auditors of their integrity and reliability. The Board also reviews the entity's executive performance and its levels of responsibility, communication and accountability as a public body. This encompasses approval of strategic plans, monitoring of strategic outputs, internal control procedures and risk management plan, the appointment and performance of the CEO.

Board members are selected for their range of complementary knowledge and skills, public and private sector experience and understanding, and their collective ability to guide and direct the entity according to its founding legislation and accepted codes of practice. Board members are non executive.

The Board is appointed by the Minister of Public Works and members serve a three-year term. Providing for continuity, the legislation requires that a third of the members be reappointed.



BOARD MEMBERS 2007

The cidb Board consists of the following non-executive members who were appointed for a three-year term of office from 1 November 2004.

Non Executive Board Members

Pepi Silinga (Chair)		
Nonhlanhla Mjoli-Mncube (Deputy Chair)		
Brian Bruce		
Carmel Marock		
Sean Phillips		
Shaun Webber		
Savannah Maziya-Sandanezwa		
Nazir Alli		
Rodney Milford	resigned	31 July 2006
Mike Wylie		
Trueman Goba		
Raymond Nkado		
Mandla Ndlovu		

Executive Board Members

Spencer Hodgson	appointed	1 Dec 2001
	resigned	31 Jan 2007
Ronnie Khoza	appointed	1 Feb 2007
Executive staff by invitation		

Six Board meetings were held during the year. Board member engagements and duties include participation in the Stakeholder Forum, focus group meetings, staff interviews, Remuneration Committee, Audit Committee, procurement panels and presentations at industry and stakeholder functions.

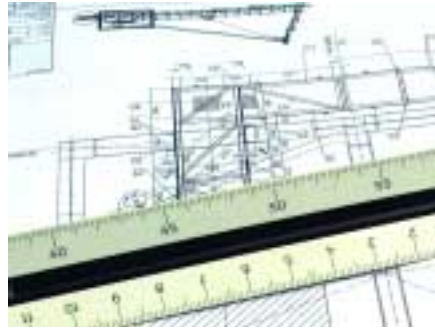
ATTENDANCE OF BOARD MEETINGS AND OTHER ENGAGEMENTS DURING THE PERIOD UP TO MARCH 2007

	Attendance at board meeting	Other engagements no. of days
Pepi Silinga	5	0
Nonhlanhla Mjoli-Mncube	1	0
Brian Bruce	4	0
Carmel Marock	4	25
Sean Phillips	4	2
Shaun Webber	4	3
Savannah Maziya-Sandanezwe	2	3
Nazir Alli	4	2
Michael Wylie	4	0
Trueman Goba	5	8
Rodney Milford	1	0
Raymond Nkado	6	0
Mandla Ndlovu	3	0

Earnings for the period

Total payments made to Board Members

Name	2007				2006
	Total	Fees Paid	Provision	Other: travel etc	Fees
Pepi Silinga (Chairperson)	13,400	-	13,400	-	28,766
Nonhlanhla Mjoli-Mncube (Deputy Chairperson)	2,280	-	2,280	-	9,120
Brian Bruce	8,320	-	8,320	-	16,565
Carmel Marock	79,040	10,400	-	68,640	14,040
Shaun Webber	13,417	10,400	-	3,017	42,287
Savannah Maziya-Sandanezwa	20,800	14,560	6,240	-	20,527
Mike Wylie	10,400	-	10,400	-	12,629
Trueman Goba	29,563	24,960	2,080	2,523	22,332
Rodney Milford	2,080	-	2,080	-	20,800
Raymond Nkado	17,070	14,560	-	2,510	10,736
Mandla Ndlovu	8,320	-	8,320	-	14,858
Sean Phillips	2,470	2,470	-	-	-
Total	207,160	77,350	53,120	76,690	212,660



The internal audit unit measures and evaluates the effectiveness and application of policies, procedures, systems, and processes

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 Board members (Nazir Ali, Shaun Webber, Trueman Goba) appointed by the Board. The Remuneration Committee is tasked with the evaluation and review of human resource strategy and operations. The committee's terms of reference include considering and making recommendations to the Board on matters relating to general staff policy, remuneration, bonuses, executive remuneration and review of service contracts and other benefits. The Remuneration Committee also evaluated and approved staff salaries and performance bonuses for the period ending March 2007.

AUDIT COMMITTEE

The Audit Committee consists of external members and two Board members. The external members, namely Herman de Jager (Chairperson), Maureen Manyama and Thabo Poee, were replaced during the year as their extended term expired. They were replaced with Shelley Thomas (Chairperson), Bryan Chaplog and Victor Nondabula as supported by the two Board members: Mike Wylie and Savanna Maziya-Sandanezwe. The Committee meets twice per annum as per its approved terms of reference.

Appointed by the Board, the Audit Committee is chaired by an independent chartered accountant who is neither an executive nor a Board member of the cidb. Committee meetings are attended by members of the Auditor General's office and the internal auditors.

INTERNAL AUDIT UNIT

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

EXTERNAL AUDIT

The external audit for the period ending March 2007 was performed by the Auditor General.

RISK MANAGEMENT

The Board of the cidb is accountable for the process of risk management and the system of internal control. This review includes regular monitoring of the risk management policy and its effectiveness, together with the control policies of the organisation.

A comprehensive risk assessment process was undertaken during the course of the year to effectively identify and reassess risks pertaining to the strategic objectives of the organisation. A report was submitted to the Audit Committee for review.

The cidb strives to empower its people, by investing in training and education that enables them to deliver effectively and create value for industry development



The Construction Registers Service continues to be the key focus area for risk management and in the period under review internal controls focused on the registration process of the contractors.

MATERIALITY FRAMEWORK

The Materiality Framework defines the varying levels of significance of any wasted resources whether through criminal behavior, negligence or fruitless expenditure. No cases of wasteful or fruitless expenditure were reported. Cases of fraud and corruption were reported and investigated by Nexus, the forensic auditors, during the financial year. The outcome was reported to the Audit Committee and Board.

HUMAN CAPITAL

At financial year end the cidb employed 47 permanent employees and 33 temporary staff.

As a learning organisation, the cidb strives to empower its people, investing in training and education that enables them to deliver effectively and create value for industry development.

The cidb has successfully implemented a performance management system that rewards performance and identifies areas for development in order to reach the organisation's strategic objectives.

The Minister of Public Works approved a staff expansion plan to move from a staff complement of 46 to 112. The next financial year will focus on the enhancement of the human resource environment with a specific focus on recruitment and retention strategies.

EMPLOYMENT EQUITY

The cidb is committed to the principles of Employment Equity as prescribed in the Employment Equity Act, 55



of 1998. Accordingly the Board has applied principles of fairness and equity when recruiting and appointing staff. The cidb has met its employment criteria of 60% black and 30% women for the period under review. The cidb is in the process of developing an Employment Equity Plan.

PROCUREMENT POLICY

The procurement policy is aligned to the principles of the Supply Chain Management Framework prescribed by National Treasury, supports the principles of black economic empowerment and actively promotes the goals of the Preferential Procurement Policy Framework Act.

Analysis of staff complement:
Overview of the cidb core team

Age spread				
< 27	27 - 34	35 - 46	47 - 58	> 58
4%	43%	40%	11%	2%
Representivity				
Black	Coloured	Indian	White	Women
66%	2%	15%	17%	57%

HEALTH AND SAFETY

The cidb respects the right of employees to work in a clean, safe and healthy environment and takes all necessary measures to ensure their protection and comfort.

With respect to HIV and Aids, all employees have access to awareness materials and precautionary medical advice upon request. The cidb HIV/Aids Specification on the website provides guidelines for best practices in awareness and information services, accessible to the construction industry and all interested parties.

Members of the
BOARD



Mr Pepi Silinga
cidb Board Chairperson



Ms Nonhlanhla Mjoli-Mncube
cidb Board Deputy Chairperson



Mr Nazir Alli



Mr Brian Bruce



Mr Trueman Goba



Ms Carmel Marock



Ms Savannah N
Maziya-Sandanezwe



Prof. Raymond Nkado



Dr Sean Phillips



Mr Shaun Webber



Mr Michael Wylie



Mr Mandla Ndlovu

Members of the
**CONSTRUCTION
 INDUSTRY
 STAKEHOLDER
 FORUM**

Mr Z Zulu - GAUTENG DEPARTMENT OF EDUCATION (GPEDU)
 Prof AA Talukhaba - LACHMIAH DAYA MANDINDI
 Mr M Massyn - UNIVERSITY OF CAPE TOWN
 Prof J Smallwood - UNIVERSITY OF PORT ELIZABETH
 Mr G Shor - UNIVERSITY OF PRETORIA
 Prof AC Hauptfleisch - UNIVERSITY OF THE FREE STATE
 Dr HJ Marx - UNIVERSITY OF THE FREE STATE

Mr M Mbanjwa - AFRICAN BUILDERS ASSOCIATION
 Mr M Bam - AFRICAN BUILDERS ASSOCIATION
 Mr E Mithethwa - AFRICAN BUILDERS ASSOCIATION
 Mr SM Ncapayi - EASTERN CAPE CONSTRUCTION COUNCIL
 Mr NG Mlobeli - GAUTENG EMERGING DEVELOPERS &
 CONTRACTORS FORUM
 Ms E Forbes - MASTER BUILDERS ASSOCIATION - GAUTENG
 Mr N Duncan - MASTER BUILDERS ASSOCIATION - GAUTENG
 Mr SD Moffatt - MASTER BUILDERS SOUTH AFRICA
 Mr PC Fourie - MASTER BUILDERS SOUTH AFRICA
 Mr MJM Talbot - MASTER BUILDERS SOUTH AFRICA
 Mr JS Strydom - MASTER BUILDERS SOUTH AFRICA
 Mr GB Steele - MASTER BUILDERS SOUTH AFRICA
 Mr GR Roberts - MASTER BUILDERS SOUTH AFRICA
 Mr NT Motloug - NATIONAL AFRICAN CHAMBER OF
 COMMERCE AND INDUSTRY (NAFCOC
 CONSTRUCTION) - FREE STATE
 Mrs RM Shai - NATIONAL AFRICAN CHAMBER OF COMMERCE
 AND INDUSTRY (NAFCOC CONSTRUCTION) -
 LIMPOPO
 Mr DL Masemene - NATIONAL AFRICAN CHAMBER OF
 COMMERCE AND INDUSTRY
 (NAFCOC CONSTRUCTION) - LIMPOPO

Mr D Setuke - NATIONAL BLACK CONTRACTORS & ALLIED
 TRADES FORUM (NABCAT)
 Mr T Thomas - SOUTH AFRICAN FEDERATION OF CIVIL
 ENGINEERING CONTRACTORS (SAFCEC)
 Dr H McDonald - SOUTH AFRICAN FEDERATION OF CIVIL
 ENGINEERING CONTRACTORS (SAFCEC)
 Ms NH Qegu - SOUTH AFRICAN WOMEN IN CONSTRUCTION
 (SAWIC)
 Mr CL Tintinger - WATERPROOFING FEDERATION OF
 SOUTH AFRICA

Mr R Scharneck - (ABSA)
 Ms C Golino - DEVELOPMENT BANK OF SOUTHERN AFRICA
 (DBSA)
 Mr T Foulo - DEVELOPMENT BANK OF SOUTHERN AFRICA
 (DBSA)
 Mr J Triegaardt - DEVELOPMENT BANK OF SOUTHERN AFRICA
 (DBSA)
 Mrs B Vabaza - EASTERN CAPE DEVELOPMENT CORPORATION
 Mr S Lazarus - EASTERN CAPE DEVELOPMENT CORPORATION
 Mr J Loos - FIRST NATIONAL BANK (FNB)
 Mr Q Mbatha - INDUSTRIAL DEVELOPMENT CORPORATION OF
 SOUTH AFRICA LTD (IDC)
 Mr S Gumede - ITHALA DEVELOPMENT FINANCE
 CORPORATION LIMITED
 Mr M Khumalo - KHULA ENTERPRISES
 Mr JW Blignaut - NURCHA
 Ms L Scott - STANDARD BANK OF SOUTH AFRICA
 Mr PGM Mavundla - STANDARD BANK OF SOUTH AFRICA
 Mr N Govender - STANDARD BANK OF SOUTH AFRICA
 Mr H de Villiers - TUSK CONSTRUCTION SUPPORT SERVICES



Mr HA Schefferlie - ASSOCIATION OF ARCHITECTURAL ALUMINIUM MANUFACTURERS OF SOUTH AFRICA (AAAMSA)

Dr GRH Grieve - CEMENT & CONCRETE INSTITUTE (C&CI)

Dr H de Clercq - SOUTHERN AFRICAN INSTITUTE OF STEEL CONSTRUCTION (SAISC)

Mr MW Mulandana - AMALGAMATED UNION OF BUILDING TRADE WORKERS OF SOUTH AFRICA (AUBTW)

Mr N Moloto - BUILDING CONSTRUCTION & ALLIED WORKERS UNION (BCAWU)

Mr PB Ngcobo - NATIONAL UNION OF MINeworkERS (NUM)

Mr J Mathimba - NATIONAL UNION OF MINeworkERS (NUM)

Mr BV Chabalala - NATIONAL UNION OF MINeworkERS (NUM)

Mr LJ Lejgoathi - NOORDELIKE BOUWERKERSVAKBOND

Mr T Motla - SOUTH AFRICAN MUNICIPAL WORKERS' UNION (SAMWU) - BOKSBURG

Mr R Stausebach - ANGLO TECHNICAL DIVISION (ANGLO AMERICAN PLC)

Mr W Louw - SASOL TECHNOLOGY

Dr GT Rohde - AFRICON ENGINEERING INTERNATIONAL

Mr RD Hindle - CHARTERED INSTITUTE OF BUILDING (CIOB AFRICA)

Mr HB Osborn - INKANYISO CONSULTING

Mr LW Kekana - NOYANA MANAGEMENT CONSULTING

Mr W Ndodana - SOUTH AFRICAN ASSOCIATION OF CONSULTING ENGINEERS (SAACE)

Mr G Pirie - SOUTH AFRICAN ASSOCIATION OF CONSULTING ENGINEERS (SAACE)

Mr J Madisha - SOUTH AFRICAN BLACK TECHNICAL AND ALLIED CAREERS ORGANISATION (SABTACO)

Mr R Measela - SOUTH AFRICAN BLACK TECHNICAL AND ALLIED CAREERS ORGANISATION (SABTACO)

Mr PN Mohlaka - SOUTH AFRICAN BLACK TECHNICAL AND ALLIED CAREERS ORGANISATION (SABTACO-LIMPOPO)

Mr C Israelite - SOUTH AFRICAN COUNCIL FOR PROJECT AND CONSTRUCTION MANAGEMENT PROFESSIONS (SACPCMP)

Mr RIB Alexander - SOUTH AFRICAN INSTITUTE OF ARCHITECTS (SAIA)

Mr BL Wallis - SOUTH AFRICAN INSTITUTE OF ARCHITECTS (SAIA)

Mr AJ Louw - SOUTH AFRICAN INSTITUTE OF ARCHITECTS (SAIA)

Mr MRD Deeks - SOUTH AFRICAN INSTITUTE OF CIVIL ENGINEERING (SAICE)

Dr J Mahachi - NATIONAL HOME BUILDERS REGISTRATION COUNCIL (NHBRC)

Mr D Renwick - eTHEKWINI METROPOLITAN MUNICIPALITY

Mr R Ngcobo - DEPARTMENT OF TRADE & INDUSTRY (DTI)

Ms M Ngqaleni - NATIONAL TREASURY

Mr ST Makube - NATIONAL TREASURY

Mr G Martins - GAUTENG DEPARTMENT OF PUBLIC TRANSPORT, ROADS & WORKS

Mr PM Khoza - MPUMALANGA DEPARTMENT OF PUBLIC WORKS

Mr JAD Blaauw - MPUMALANGA DEPARTMENT OF PUBLIC WORKS

Ms B Gasa - COEGA DEVELOPMENT CORPORATION (CDC)

Mr I Essa - SOUTH AFRICAN NATIONAL ROADS AGENCY LTD (SANRAL)

Mr GL Bam - TRANSNET PROJECTS

Report of the AUDIT COMMITTEE



We are pleased to present our report for the financial year ended 31 March 2007.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed hereunder and meets at least twice per annum as per its approved terms of reference. During the current year three meetings were held.

The Auditor General, the representatives of the firm (SAB&T) to whom the internal audit function was outsourced, the CEO and the CFO were invited and attended all the meetings.

The Audit Committee comprises 5 members, of which 3 are external members and two are Board representatives.

Name of member

1 Ms S Thomas - Chairperson (External member)	Appointed May 2007
2 Mr B Chaplog (External member)	Appointed May 2007
3 Ms V Nondabulo (External member)	Appointed May 2007
4 Prof H de Jager - Chairperson (External member)	Resigned July 2006
5 Mrs M Manyama (External member)	Resigned
6 Mr T Pooe (External member)	Resigned
7 Ms S Maziya-Sandaneszwe (Board member)	
8 Mr W Wylie (Board member)	

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. The audit committee charter was revised during the year to ensure relevance.

THE EFFECTIVENESS OF INTERNAL CONTROL

The cidb system of internal control, is designed to provide assurance, inter-alia that assets are safeguarded, liabilities and working capital and the Register of Contractors are managed effectively and efficiently. External audit management letters and reports and internal audit reports were reviewed to ensure that significant matters raised in the management letters and reports are timeously addressed and rectified.

The internal audit continued during the review period to provide the Audit Committee and management with independent assurances that internal controls are appropriate and effective for those areas examined in terms of the Audit Committee approved coverage plan, based on the risk assessment.

The cidb appointed an independent firm of forensic investigators (Nexus) and an Investigations Committee during the year under review. A fraud reporting hotline has been established and is managed through the firm of forensic investigators. Six cases of fraud and corruption involving six contractors have been successfully investigated and the contractors prosecuted.

THE QUALITY OF MANAGEMENT QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA AND THE DIVISION OF REVENUE ACT.

As indicated at the Audit Committee held on 31 July 2007 there are some shortcomings in respect of the process of review of the management quarterly reports which will be addressed and rectified by management.

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has

- reviewed and discussed with the Auditor-General and the CEO and CFO the audited annual financial statements to be included in the annual report; and
- reviewed the Auditor-General's management letter and management response.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements of the cidb fairly presents the financial position and results of the cidb based on the report of the Auditor-General.

The Audit Committee



Prof H de Jager
Chairperson of the Audit Committee
Date: 31 August 2007

Board Approval of the
FINANCIAL STATEMENTS



The Board is the Accounting Authority and is responsible for the presentation to stakeholders of the financial position of the entity at the end of the financial year.

cidb Board members are responsible for the integrity of the entity's annual financial statements and related information in its annual report to parliament. In order for the Board to satisfactorily discharge its responsibilities, there are in place a number of procedures and controls to facilitate the role of the Board in this respect.

Management has been delegated with the responsibility of implementing systems of internal control and maintaining accounting and information systems designed to provide reasonable assurance as to the reliability of the financial statements which have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP), and Generally Recognised Accounting Practices (GRAP) as disclosed in note 1 to the financial statements.

The cidb's revenue is in the form of transfer payments from the National Department of Public Works as per the MTEF and income from the registration of contractors. The cidb is confident that it will remain a going concern in the year ahead and that no event of significance has occurred subsequent to balance sheet date.

The Register of Contractors continues to grow rapidly and during the financial year the actual revenue of R16.931m from contractor registrations and upgrades exceeded the budgeted amount with R10.931m.

At the end of the financial year there was an amount of R8,963m received in registration fees for applications that will be finalised in the new financial year (after 31 March 2007). These consisted of new applications (R6.374m), and applications for upgrades/annual updates (R2.589m). All compliant applications were processed and communication requesting outstanding information was sent out for non compliant applications.

In terms of the regulations administration fees are non-refundable and are only deemed income on assessment. Refunds of annual fees become due to contractors who qualify for grades lower than that applied for, and also for applications that are not processed due to non compliance by contractors. The cidb managed to clear the refund backlog that was created in the previous financial year, with an outstanding amount of R0.785m still due to contractors with incorrect banking details. Several attempts were made to obtain correct banking details.

The cidb requested R15.498m additional transfer payment from the National Department of Public Works in the 2007/2008 financial year mainly to fund the roll-out of Construction Contact Centers in all major provinces. Of this additional amount only R10m was granted and the cidb has taken a decision to retain R5.498m from the additional contractor registrations revenue that was collected during the year. This amount will be transferred to the 2007/2008 financial year to fund planned projects.



Chairperson



Chief Executive Officer

Report of the AUDITOR-GENERAL

INTRODUCTION

1. I have audited the accompanying financial statements of the Construction Industry Development Board which comprise the statement of financial position as 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 61 - 77.

RESPONSIBILITY OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practices (GAAP), Standards of Generally Recognised Accounting Practices (GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act 1 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, (Act 5 of 2004). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF THE AUDITOR-GENERAL

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing, read with General Notice 646 and 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements

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

BASIS OF ACCOUNTING

8. The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements.

BASIS FOR QUALIFIED OPINION

9. As disclosed in page 9 of the Chief Executive Officer's report, the cidb experienced challenges with the reconciliation process of the contractor accounts due to an unexpected increase in the contractor applications during the year under review. During the audit of the contractor accounts it was discovered that some of the contractor accounts were incorrectly debited and/or credited, which might have resulted in a material misstatement of the accounts payable and accounts receivable balances disclosed in the statement of financial position. Management has indicated that they are in the process of addressing the backlog in the reconciliation process of the individual contractors' accounts.

OPINION

10. In my opinion except for the effects of the matter referred to in the Basis for qualified opinion paragraph, the financial statements present fairly,

in all material respects, the financial position of the Construction Industry Development Board as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury as described in note 1 to the financial statements and in a manner required by the Public Finance Management Act, 1999 (Act 1 of 1999).

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

11. Non compliance with rules and regulations

During the audit the following incidences of non compliance with rules and regulations were identified:

- Tenders were not always advertised for 30 days before closure as required in terms of Treasury Regulation 16A.6.3.
- The schedule of outcome of disciplinary hearings and/or criminal charges, names and ranks of employees involved and sanctions and any further actions taken against employees during the year under review were not submitted to the executive authority, the National Treasury and the Auditor-General as required in terms of Treasury Regulation 33.3.1.

REPORTING ON PERFORMANCE INFORMATION

12. I have audited the performance information as set out on pages 11 - 14.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR DEPARTMENTS, CONSTITUTIONAL INSTITUTIONS AND TRADING ENTITIES

13. The accounting authority has additional responsibilities as required by section 40(3)(a) and section 55(2)(a) of the Public Finance Management Act, 1999 (Act 1 of 1999) to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the Construction Industry Development Board.

RESPONSIBILITY OF THE AUDITOR-GENERAL

14. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

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

17. Findings.

During the audit of Performance Information, it was discovered that:

1. The objectives per strategic plan, per budget and per annual report are not specific and do not indicate how they are measured and the timeliness were not documented.
2. Not all of the Performance Indicators are reported in the Annual Report.
3. The Reasons for variances between planned and actual performance are not included.

List of objectives as per the performance information submitted:

- 1) Growth and Contractor Development
- 2) Industry Performance
- 3) Procurement and Delivery Management
- 4) Construction Registers Service

Indicators not in Annual report

- 1) Publish quarterly construction economy monitor and improve quality of monitor based on information from the registers. Advice/ report on impact of existing and emerging government policy and options.

- 2) Monitor public sector project spending against budget. Support monitoring of empowerment progress. Collaborate to interpret the implications of the Accelerated and Shared Growth Initiative within the construction sector - including capacity issues.
- 3) Promote outcomes of the Charter process.
- 4) Monitor progress and promote sustainable empowerment initiatives and performance against targets.
- 5) Contribute to the NEDLAC Construction Summit process and its outcomes.

Performance Indicators for which no achievements are reported

- 1) Advice/ report on impact of existing and emerging government policy and options.
- 2) Monitor public sector project spending against budget.
- 3) Collaborate to interpret the implications of the Accelerated and Shared Growth Initiative within the construction sector - including capacity issues.
- 4) Harness potential of registers to promote awareness of key issues/ initiatives

- 5) Contribute to the NEDLAC Construction Summit process and its outcomes.
- 6) Continue to promote HIV/Aids awareness, appropriate labour based construction methods and empowerment best practice.

APPRECIATION

18. The assistance rendered by the staff of the Construction Industry Development Trust during the audit is sincerely appreciated.



MMR Nkai for Auditor-General
Pretoria
31 July 2007



AUDITOR-GENERAL

The
FINANCIAL STATEMENTS





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The Annual Financial Statements were approved by the Accounting Authority and the Chief Executive Officer and is signed below :

Handwritten signature of Mr. Pepi Silinga.

Mr. Pepi Silinga

Handwritten signature of Mr. Ronnie Khoza.

Mr. Ronnie Khoza

STATEMENT OF FINANCIAL POSITION

As at 31 March 2007	Notes	2007 R	2006 R
ASSETS			
CURRENT ASSETS			
Accounts Receivable	4	1,068,472	-
Prepayments	5	-	54,420
Lease Improvements	6	586,904	586,904
Cash and cash equivalents	20	26,335,204	18,261,944
NON-CURRENT ASSETS			
Property, plant and equipment	2	4,629,595	3,428,714
Intangible assets	3	459,095	336,372
Lease Improvements	6	135,219	733,631
TOTAL ASSETS		33,214,489	23,401,985
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	7	18,783,770	14,408,661
Provisions	8	884,572	972,860
TOTAL LIABILITIES		19,668,342	15,381,521
NET ASSETS		13,546,147	8,020,464
REPRESENTED BY:			
Retained funds		13,546,147	8,020,464
TOTAL		13,546,147	8,020,464

STATEMENT OF FINANCIAL PERFORMANCE

For The Year Ended 31 March 2007	Notes	2007 R	2006 R
REVENUE			
Transfers and subsidies	9	40,012,000	33,510,752
Registers Revenue	10	16,930,688	6,988,032
Other Revenue	11	16,447	502,116
TOTAL REVENUE		56,959,135	41,000,900
EXPENDITURE			
Administrative expenses	14	(5,174,130)	(2,966,583)
Staff costs	15	(19,031,834)	(10,692,132)
Marketing costs	16	(364,834)	(310,124)
Audit fees	17	(305,293)	(77,949)
Other operating expenses	18	(28,277,560)	(25,909,480)
TOTAL EXPENDITURE		(53,153,651)	(39,956,269)
SURPLUS/(DEFICIT) FROM OPERATIONS		3,805,484	1,044,631
Finance income	12	1,943,075	679,304
Finance cost	13	(222,875)	-
SURPLUS FOR THE YEAR		5,525,684	1,723,935

STATEMENT OF CHANGES IN NET ASSETS

	Notes	2007 Accumulated Surplus R	2006 Accumulated Surplus R
For The Year Ended 31 March 2007			
Balance at 31 March 2005 - as previously stated		5,441,150	5,281,128
Prior year adjustment		855,379	-
Balance at 31 March 2005 - as restated		6,296,529	
Surplus for the year ending March 2006		1,723,935	160,022
As previously stated		2,085,761	160,022
Prior year adjustment	27	(361,826)	-
Balance at 31 March 2006		8,020,464	5,441,150
As previously stated		7,526,911	5,441,150
Prior year adjustment	27	493,552	-
Surplus for the year ending March 2007		5,525,684	2,085,761
Balance at 31 March 2007		13,546,147	7,526,911

CASH FLOW STATEMENT

	Notes	2007 R	2006 R
For The Year Ended 31 March 2007			
CASH FLOWS FROM OPERATING ACTIVITIES			
		10,986,909	15,396,862
Cash generated by operations	19	9,266,709	14,717,558
Interest received	12	1,943,075	679,304
Interest paid	13	(222,875)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
		(2,913,649)	(803,851)
Property, plant and equipment - disposed		17,445	-
Property, plant and equipment - acquired		(2,931,094)	(803,851)
Net (decrease)/increase in cash and cash equivalents		8,073,260	14,593,011
Cash and cash equivalents at beginning of the year		18,261,944	3,668,933
Cash and cash equivalents at end of the year	13	26,335,204	18,261,944

For The Year Ended 31 March 2007

ACCOUNTING POLICIES

The Construction Industry Development Board (CIDB) is a Schedule 3A public entity established in terms of the CIDB Act, 2000 to provide leadership to stakeholders for sustainable growth, reform and improvement of the construction sector and the industry's enhanced role in the country's economy. The CIDB is under the Executive Authority of the Department of Public Works.

1. BASIS OF PREPARATION

The Annual Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Annual Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by the Act 29 of 1999).

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board.

Paragraph 11 -15 of GRAP 1 has not been implemented as the budget reporting standards is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

The following are the principle accounting policies of the Construction Industry Development Board, which except where noted, are consistent in all material respects with

those applied in the previous year. The financial statements have been prepared on the historical cost basis and are presented in South African Rands.

1.1. PROPERTY, PLANT AND EQUIPMENT

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

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

Gains and deficits on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

For The Year Ended 31 March 2007

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

Computer equipment	16.43% - 36.45%
Computer software	16.43% - 44.57%
Office equipment	16.43% - 26.12%
Furniture and fittings	11.32% - 25.13%
Books	33.33%

Assets costing less than R 2 000 are written off in the year of acquisition.

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

1.1.1 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is

reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

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

1.2 CASH AND CASH EQUIVALENTS

This figure includes monies held in call accounts as well as cash in the bank and cash on hand.

1.3 REVENUE

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

The Construction Industry Development Board receives income by way of registration of contractors in accordance with the Construction Industry Development Board Act, Act 38 of 2000. Due to the nature of the registration of contractors, the Construction Industry Development Board only recognises this income once a contractor has been assessed.

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

1.4 EXPENDITURE

All amounts are recorded inclusive of value-added tax (VAT).

For The Year Ended 31 March 2007

1.5 FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at costs which includes transaction costs. Subsequent to initial recognition, these instruments are measured as follows:

Financial assets

Financial assets recognised on the statement of financial position include trade and other receivables, cash and cash equivalents.

Loans and receivables

Loans and receivables (including advances, trade and other receivables) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Interest received

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

Interest rate risk

The Board is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate placing within market expectation.

Credit risk

Where one party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss. The CIDB has no significant concentration of credit risk.

Financial liabilities

Financial liabilities recognised on the statement of financial position include trade and other payables

Such liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

A financial liability is extinguished and derecognised from the statement of financial performance when the obligation is discharged, cancelled or expires.

1.6 PROVISIONS

Provisions are recognized when the CIDB has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

1.7 ACCRUAL FOR LEAVE PAY

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to balance sheet date.

1.8 EMPLOYEE BENEFITS

Employee benefits comprise of leave entitlements, and performance bonuses. The cost for employee benefits is as employee costs in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

There is no post-retirement benefits currently with the CIDB.

1.9 CASH FLOW STATEMENT

The cash flow statement is prepared on the direct method

1.10 CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Any change in accounting estimates or errors are disclosed in the financial statements. Where prior period errors occurred the financial statements will be retrospectively be adjusted and disclosed. Should there be a change or error the full nature, amount and impact will be disclosed as part of the notes to the financial statements.

1.11 SIGNIFICANT JUDGMENTS AND ESTIMATES

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

The presentation of the results of operations, financial position and cash flows in the financial statements of the

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

Property and equipment

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

Determination of impairment of property and equipment

Management is required to make judgment concerning the cause. Timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate the impairment exists. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount requires management to make assumption to determine the fair value less cost to sell of value in use. Key assumptions on which management has based its determination of value in use include projected revenues and capital expenditure. The judgments, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of an impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 March 2007

2. PROPERTY, PLANT AND EQUIPMENT

	2007			2006		
	Cost / Valuation	Accumulated Depreciation	Carrying Value	Cost / Valuation	Accumulated Depreciation	Carrying Value
Computer equipment	5,359,502	(2,196,422)	3,163,080	3,000,598	(1,422,877)	1,577,720
Furniture and fittings	1,914,149	(1,033,601)	880,548	1,813,222	(680,115)	1,133,107
Office equipment	1,146,620	(560,653)	585,967	1,120,637	(402,750)	717,887
Books	-	-	-	116,954	(116,954)	-
	8,420,271	(3,790,676)	4,629,595	6,051,411	(2,622,696)	3,428,714

The carrying values of property, plant and equipment can be reconciled as follows:

	Opening balance	Additions	Disposals	Depreciation	Closing balance
	R	R	R	R	R
Computer equipment	1,577,720	2,463,264	(17,445)	(860,458)	3,163,080
Furniture and fittings	1,133,107	100,927	-	(353,486)	880,548
Office equipment	717,887	93,886	-	(225,806)	585,967
Books	-	-	-	-	-
	3,428,714	2,658,077	(17,445)	(1,439,750)	4,629,595

For The Year Ended 31 March 2007

3. INTANGIBLE ASSETS

	2007			2006		
	Cost / Valuation	Accumulated Depreciation	Carrying Value	Cost / Valuation	Accumulated Depreciation	Carrying Value
Computer software	878,525	(419,430)	459,095	801,263	(464,890)	336,372
	878,525	(419,430)	459,095	801,263	(464,890)	336,372

The carrying values of software can be reconciled as follows:

	Opening balance	Additions	Depreciation	Closing balance
	R	R	R	R
Computer software	336,372	273,018	(150,295)	459,095
	336,372	273,018	(150,295)	459,095

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 March 2007	2007	2006		
	R	R		
4. ACCOUNTS RECEIVABLE				
Trade receivables	1,058,472	-		
Non trade receivables	10,000	-		
	1,068,472	-		
5. PREPAYMENTS				
Deposit for conference	-	54,420		
	-	54,420		
6. LEASE IMPROVEMENTS				
Lease improvements: Current	586,904	586,904		
: Non-Current	135,219	733,631		
	722,123	1,320,535		
Lease improvements are in respect of a lease agreement entered into with the lessor whereby the entity undertakes to refurbish the offices in lieu of 5 years free rental				
7. ACCOUNTS PAYABLE				
Trade payables	1,121,764	3,204,712		
Contractors not assessed (work in progress)	9,747,823	6,910,913		
Unallocated deposits	7,914,183	4,293,037		
	18,783,770	14,408,661		
8. PROVISIONS				
	Carrying value at beg of year	Additional provisions	Amounts applied	Carrying value at end of year
Accruals	275,412	304,672	(222,031)	358,053
Payroll liabilities	420,370	129,073	(420,370)	129,073
Provision for leave	277,078	1,036,980	(916,612)	397,446
	972,860	1,470,725	(1,559,013)	884,572
9. TRANSFERS AND SUBSIDIES				
Unconditional grants		40,012,000		33,510,752

For The Year Ended 31 March 2007

	2007	2006
	R	R
10. REGISTERS REVENUE		
Annual fees	10,111,687	3,958,628
Assessment fees	6,819,000	3,029,403
	16,930,687	6,988,032
11. OTHER INCOME		
Profit on disposal of assets	4,257	-
Sundry income	12,190	-
Income from external projects	-	500,000
Income from 3R's guide (Rights, Responsibilities and Risks)	-	2,116
	16,447	502,116
12. FINANCE INCOME		
Interest on		
- Cash and bank deposits	1,943,075	679,304
	1,943,075	679,304
13. FINANCE COST		
Interest expense:		
- Creditors	222,875	-
	222,875	-
14. ADMINISTRATIVE EXPENSES		
Fees for services	207,159	212,660
- Board members	207,159	212,660
Internal audit fees	392,458	95,521
Legal fees	34,842	-
Entertainment	149,607	31,595
Stationery and printing	840,384	877,251
Venues and facilities	499,104	458,229
Bank charges	277,654	133,128
Training and staff development	2,772,921	1,158,200
	5,174,130	2,966,583

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 March 2007	2007	2006
	R	R
15. STAFF COSTS		
- Basic salaries	12,697,995	8,198,356
- Performance awards	1,009,950	514,409
- Temporary staff	5,178,281	1,751,271
- Leave payments	145,608	228,096
	19,031,834	10,692,132
16. MARKETING COST		
- Advertising	364,834	310,124
	364,834	310,124
17. AUDIT FEES		
- Fees for audit		
- current year	305,294	77,949
	305,294	77,949
18. OTHER OPERATING EXPENSES		
Consultants, contractors and special services	20,530,284	19,352,185
Insurance	242,396	232,441
Membership fees	2,667	16,852
Security	89,265	129,872
Maintenance, repairs and running costs	1,331,305	1,572,707
- Property and buildings	205,497	106,913
- Computer equipment and consumables	815,401	892,302
- Other maintenance, repairs and running costs	310,408	573,491
Depreciation	1,590,045	916,249
Municipal services	269,925	238,401
Sponsorships	19,584	10,000
Travel and subsistence	1,913,718	1,577,354
Courier and delivery charges	382,234	295,410
Communication costs	1,292,978	1,001,481
Rentals in respect of operating leases (minimum lease payments)	613,158	566,529
- Buildings	613,158	566,529
	28,277,560	25,909,480

For The Year Ended 31 March 2007

	2007	2006
	R	R
19. RECONCILIATION OF SURPLUS TO CASH GENERATED BY OPERATIONS		
Operating surplus	5,525,684	1,723,935
Adjustment for item not affecting the movement of cash		
- Depreciation, Impairment & Revaluations	1,590,045	916,249
Less: Interest received	(1,943,075)	(679,304)
Plus: Interest paid	222,875	-
Operating surplus before working capital changes	5,395,528	1,960,880
Working capital changes	3,871,181	12,756,678
(Decrease) / increase in accounts receivable and lease improvements	(415,640)	1,878,485
Increase in accounts payable	4,286,821	10,878,193
Cash generated from operations	9,266,709	14,717,558
20. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of cash on hand and balances with bank including investments in call accounts.		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Bank	1,259,557	151,151
Cash on hand	3,265	487
Investments	25,072,382	18,110,306
	26,335,204	18,261,944
21. COMMITMENTS		
Amounts approved and contracted - outstanding contractual obligations at year-end.	34,876,891	18,224,621
22. INCOME TAX EXEMPTION		
The CIDB is exempt from Income Tax in terms of section 10 (1) (cA) (i) of the Income Tax Act		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 March 2007

23. FINANCIAL INSTRUMENTS

Credit risk

Financial assets that could subject the Board to credit risk consist principally of cash at bank and cash equivalents, deposits and accounts receivable. The Board's cash equivalents are placed with high credit quality financial institutions. Accounts receivable is presented at cost.

Interest rate risk

The cash flow is not significantly effected by fluctuations in interest rates. All cash is placed with reputable financial institutions

Fair values

The carrying amount of cash and cash equivalents, deposits, accounts receivable and accounts payable approximated their fair values due to the short term maturities of those assets and liabilities.

24. EMPLOYEE BENEFITS

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

	2007	2006
	R	R
Salaries	17,876,276	9,949,627
Leave entitlement	145,608	228,096
Performance bonus	1,009,950	514,409
	19,031,834	10,692,132

25. RELATED PARTIES

Department of Public Works

The CIDB is a public entity under the control of the Department of Public Works (DPW). The CIDB has an agreement with the DPW where the registers help desks are accommodated at the regional offices of DPW at no cost.

The following is a summary of transactions with DPW:

Statement of financial performance amounts during the year:

Transfers from Department of Public Works	40,012,000	33,510,752
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For The Year Ended 31 March 2007

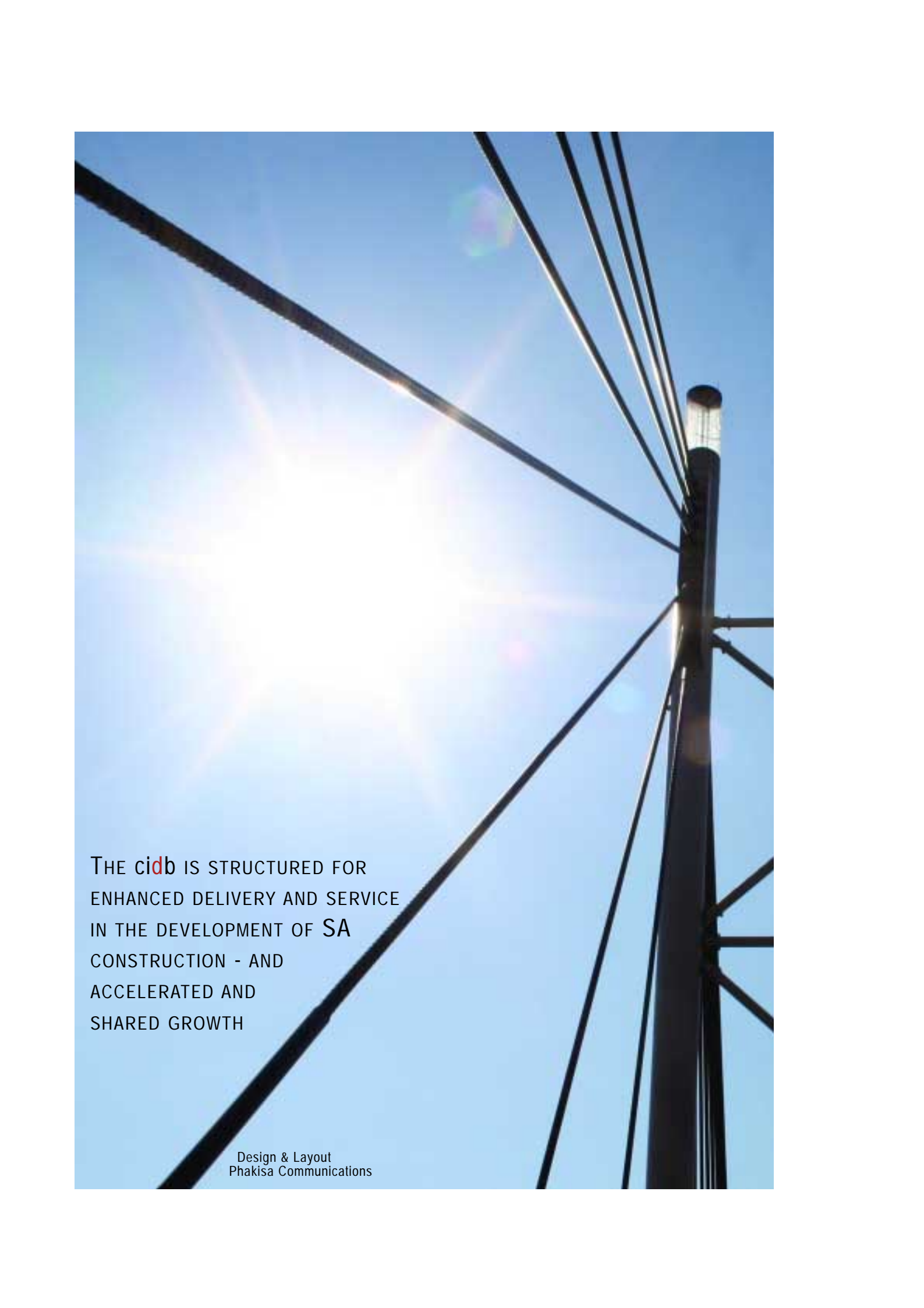
26. DIRECTORS EMOLUMENTS

Position	Name	Fees as member	Salary	Travel allowance	Performance bonus	Total
Chairperson	Pepi Silinga	13,400	-	-	-	13,400
Deputy Chairperson	Nonhlanhla Mjoli-Mncube	2,280	-	-	-	2,280
Audit committee members	Savannah Maziya-Sandanezwa	20,800	-	-	-	20,800
Audit committee members	Mike Wylie	10,400	-	-	-	10,400
Members	Brian Bruce	8,320	-	-	-	8,320
Members	Carmel Marock	10,400	-	68,640	-	79,040
Members	Raymond Nkado	14,560	-	2,510	-	17,070
Members	Mandla Ndlovu	8,320	-	-	-	8,320
Members	Sean Phillips	2,470	-	-	-	2,470
Remcom member	Shaun Webber	10,400	-	3,017	-	13,417
Remcom member	Trueman Goba	27,040	-	2,523	-	29,563
Remcom member	Rodney Milford	2,080	-	-	-	2,080
Executives						
Chief Executive Officer	Spenser Hodgson	-	852,615	-	88,575	941,190
Chief Financial Officer	Marina Aucamp	-	435,000	-	47,850	482,850
Executive: Growth and Contractor Development	Gerard Naidoo	-	638,078	-	72,067	710,145
Executive: Construction Industry Development	Rodney Milford	-	483,333	-	53,167	536,500
Executive: Procurement and Delivery Management	Ronnie Khoza	-	473,080	-	52,039	525,119
Executive: Construction Registers Services	Ebrahim Moola	-	550,696	-	64,680	615,376
		130,470	3,432,802	76,690	378,378	4,018,339
	Comparative for 2006	200,781	2,036,102	11,879	155,155	2,403,917

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(continued)

For The Year Ended 31 March 2007	2007 R	2006 R
27. ERRORS		
<p>The useful lives of the CIDB assets was not assessed as at 31 March 2006 and as such the depreciation charge was overstated. Certain asset purchases for less than R 2,000 was incorrectly capitalised and resulted in an incorrect depreciation and repairs and maintenance charge. The financial statement for 2006 have been restated to correct the errors. The effect of the restatement on those financial statements is summarised below:</p>		
Increase in operating costs		361,826
Decrease in surplus		(361,826)
Increase in Property, plant and equipment		493,552
Increase in retained funds		493,552
28. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE		
<p>There was no material events after the statement of financial performance date</p>		
29. IRREGULAR EXPENDITURE		
<p>Services were procured from service providers who had old contracts with the CIDB. The CIDB procured the services without following the correct Supply Chain Management procedure of getting tenders or quotations for the services from other service providers but used the old contracts to procure.</p>	4,289,310	



THE **cidb** IS STRUCTURED FOR
ENHANCED DELIVERY AND SERVICE
IN THE DEVELOPMENT OF SA
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