

Construction Industry Development Board

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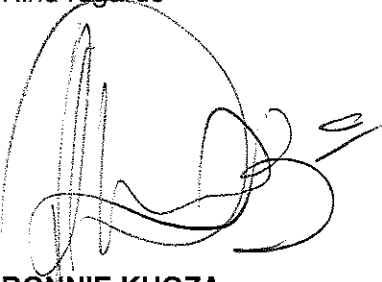
INDUSTRY NOTIFICATION OF AN AUDIT BLITZ ON PUBLIC SECTOR INFRASTRUCTURE CLIENTS

1. The cidb has initiated an Audit Blitz across the spectrum of Public Sector infrastructure clients in an effort to improve compliance to the cidb prescripts that apply to the Register of Projects and i-Tender. The cidb has engaged the services of Nexus Forensic Services (Pty) Ltd and Ernst & Young Forensic & Dispute Services to undertake the audit for the financial year periods 2009-10 and 2010-11.
2. The Audit Blitz will be conducted within the confines of the requirements of Part V (Legal Procedure and Evidence) of the Construction Industry Development Regulations, 2004. This will apply to information for the period commencing 1 April 2009 to date. Phase 1 of the Audit Blitz will comprise of a sample of clients representing local government, provincial government, national government and public entities. The audit is in terms of regulation 18 (Register of Projects) and regulation 24 (i-Tender prescripts). The following process will be applied in assessing compliance:
 - a. Identification of the client;
 - b. Identification of the information published in the Government Gazette or in the websites or in the newspapers as required by the National Treasury prescripts;
 - c. Comparison of the information referred above to the data captured on the cidb Register of Projects and i-Tender;
 - d. Compilation of the list of discrepancies of the information on these databases;
 - e. Issuing of a formal letter to the client outlining the preliminary findings of the audit pertaining to that client, and requesting comments to the preliminary findings and referencing the consequences of non-compliance;
 - f. Issuing of a notice in terms of regulation 29(1), which is similar to a charge sheet;
 - g. Conducting pre-hearing discussions with the client;
 - h. A formal hearing (if applicable), or informal dispute resolution process in terms of regulations 29(11) read together with regulation 29(4);
 - i. If the client is found guilty of the transgression, a fine to the maximum of R100 000 may be issued; and
 - j. All guilty findings will be reported to the Office of the Auditor-General, as prescribed in the regulations.
3. Phases 2 and 3 will in essence comprise of the same process, but will cover a wider scope of audit, and more clients. For example, compliance with the Standard for Uniformity will be added to the scope, and clients listed in schedule 2 of the PFMA will be included. Private sector clients may also be added.

4. Once clients have been assessed, the Audit Blitz will continue in the prescribed phases to monitor and track clients' progress towards compliance on a periodic basis. Clients that continue to transgress the requirements of the cidb prescripts may be charged at different intervals for identified contraventions.
5. The outcome of the Audit Blitz will be reported on the cidb website in compliance with the cidb's commitment to the promotion of transparency and integrity systems for the construction industry, and as prescribed by the cid regulations.
6. One of the cidb's objectives in terms of section 4(f) of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) is to establish and promote uniform and ethical standards in the construction industry that regulate the actions of parties engaged in construction contracts as defined in the cidb's Code of Conduct. These parties are:
 - Employers (clients), their agents and representatives
 - Contractors and subcontractors
 - Tenderers; and
 - Employees of employers, contractors, subcontractors and tenderers.
7. The preamble to the Construction Industry Development Board Act states that "the construction industry operates in a uniquely project-specific and complex environment, combining different investors, clients, contractual arrangements and consulting professions; combining different site conditions, design, materials and technologies; combining different contractors, specialist subcontractors and the workforce assembled for each project." It is against this background that the CIDB has to fulfil government's vision, as stated in the Act *"of a construction industry development strategy that promotes stability, fosters economic growth and international competitiveness, creates sustainable employment and addresses historic imbalances as it generates new construction industry capacity"*.
8. The Construction Industry Development Board Act requires, amongst others, the establishment of a Register of Projects to gather information on the nature, value and distribution of projects as the basis for the promotion of the performance of clients in the development of the construction industry. Since 2004, the cidb has issued Regulation and prescripts in support of the Act in order to fulfil its mandate. The cidb Standard for Uniformity establishes requirements for procurement within the construction industry which are aimed at bringing about standardisation and uniformity in construction procurement documentation, practices and procedures.
9. The Register of Projects provides information that will assist the cidb in tracking and monitoring growth and development of the construction industry with respect to, amongst others:
 - a. Public Sector Spending
 - b. Quantum of work going out to industry
 - c. Developing market intelligence
 - d. Award of projects to contractors by grade and value
 - e. Performance of contractors
 - f. Performance on cost and time factors
 - g. Performance of clients
 - h. Identification and investigation of corrupt and fraudulent tender practices

10. The Register of Projects is a publically accessible database. All data captured per client remains the responsibility of that client for accuracy and quality of information. The cidb collates the data for research and analysis, and provides different reporting formats so that the public is able to customise the data for their purpose and use.
11. A practical, effective compliance framework for a large industry like the construction industry requires comprehensive understanding of the different stakeholders' roles and functions. The latter is determined *inter alia* by the regulatory powers and obligations of such different stakeholders (including the duties and powers of the regulatory authority – in this instance the cidb), which in turn contextualize macro expectations on the different stakeholders. Examples are:
- If a client complies with its duty to register a project as determined in cid regulation 18, this enables the cidb to monitor project progress and verify track records submitted by contractors during applications. Clients will be able to verify the technical capability of tenderers during evaluation of construction-related tenders.
 - If a client complies with its duty to publish a tender invitation on i-Tender as determined in cid regulation 24, this enables the cidb to communicate that tender invitation to registered contractors. This result in a value-add to contractors registered with the cidb in the required grade, enhanced competitive bidding, better industry performance and more value to clients.
12. The above illustrates the importance of 100% compliance by all stakeholders, to achieve industry objectives. Conversely, a break in the compliance value chain compromises the objectives of fairness, value for money and sustainability.

Kind regards

A handwritten signature in black ink, appearing to be 'Ronnie Khoza', written over a large, faint circular watermark or stamp.

RONNIE KHOZA

CHIEF EXECUTIVE OFFICER: CONSTRUCTION INDUSTRY DEVELOPMENT BOARD