



CONSTRUCTION
INDUSTRY COUNCIL
Your Partner in infrastructure development

2018/19



CONSTRUCTION INDUSTRY COUNCIL

ANNUAL REPORT



vision

To be the most competitive construction industry regulator in the region.



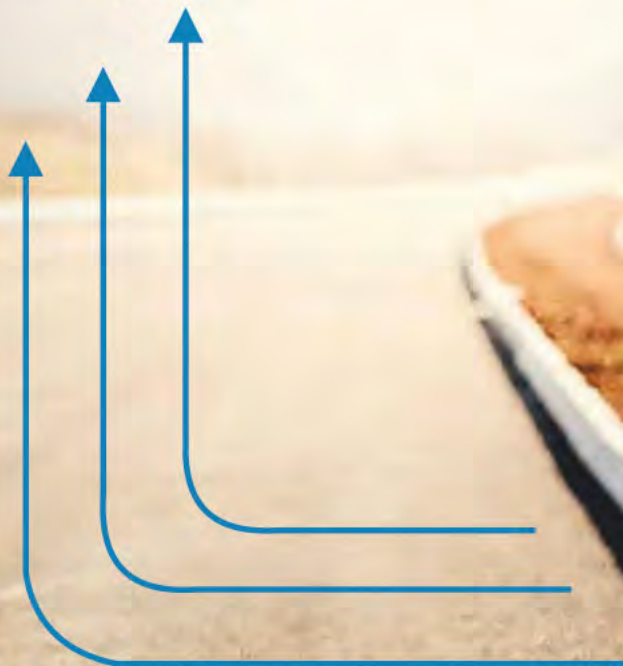
mission

To regulate, develop and promote the construction industry for the benefit of all stakeholders through transformation for sustainable growth, monitoring industry performance, research and empowerment, thus improving the socio-economic status of the country.



values

Achievement, Respect, Honesty, Exceptional Communication, Professionalism, Commitment & Dedication.



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MINISTER'S FOREWORD

HON. MINISTER CHIEF
NDLALUHLAZA NDWANDWE (MP)

Minister's Foreword

This Construction Industry Council (CIC) annual report highlights milestones that the entity has achieved as well as challenges that it faced during the 2018-2019 financial year.

The construction sector contributes about 3% to the country's real Gross Domestic Product and has positive spill-overs in terms of stimulating activity across economic sectors and in creating job opportunities. Hence, Government has over the years invested significantly in infrastructure development in urban and rural areas. As outlined in the country's 2019/20 – 2021/22 National Development Plan, efficient provision of well-developed infrastructure is critical for economic development and to create opportunities particularly for the poor and marginalised. Hence the continued construction of buildings, roads, bridges, rail and air transport infrastructure has provided a conducive environment for the country to be well integrated with the global economy in terms of increased trade and investments.

We as Government have developed a Strategic Roadmap Framework 2019-2022, which provides the impetus for construction of world class infrastructure through interventions that will accelerate achievement of targeted sectoral development outcomes. Significant resources have been allocated to the construction sector over the years which had positive spill-over effects to the rest of the economy in terms of employment opportunities and economic activity. In the medium term, improving management and delivery of capital projects, enhancing ICT infrastructure, reprioritising capital budget outlays to stimulate growth inductive sectors and improving access to water resources through construction of dams will be a priority. Furthermore, maintenance and sustainable use of the world class infrastructure will be critical for its long term sustenance.

The Construction Industry Council has an important role to play in creating a conducive environment for infrastructure development. Hence, I look forward to working with CIC in further building the blocks that are critical to ensure a stable foundation for effective compliance, efficient procurement and capacity development of industry stakeholders. This will require accelerated amendment of the CIC Act No. 14 of 2013 and finalization of regulations that are under review. This will strengthen the organization's effectiveness by defining its powers and interpreting its functions to enable effective execution of its developmental and regulation mandate.



Hon. Chief Ndlehlhla Ndawandwe
Minister for Public Works and Transport

22 October 2019





CHAIRPERSON'S FOREWORD

Daniel Dlamini

Statement By Chairperson Of The Board

In the 2018/19 financial year, the Construction industry experienced deepening challenges particularly due to Government's fiscal challenges. Evidently, since public infrastructure developments account for the majority of all construction works undertaken in the country most contractors and consultants are directly or indirectly involved in government related infrastructure projects.

During the year, a total of 1059 contractors registered with the Council compared to 1197 registered the previous year which represented a 11% decline. Contributing factors to the decline include delayed payment by project owners, fewer projects available and poor business management practices that led to poor business performance.

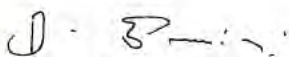
Furthermore, there is a general upward trend in terms of compliance of contractors which has reached 85%, based on statistics gathered from site inspections done by the Council. In addition, 77% of consultants found on site were registered with the Council. On the other hand, project registration has been historically poor and recorded a compliance rate of 55% for the financial year.

Therefore, in an effort to improve the industry and ensure increased compliance and effective and efficient delivery of infrastructure projects among other things, the Board provided guidance to Council in pursuing the following strategic objectives; ensuring financial sustainability, industry development and training, advocacy and compliance, customer service and stakeholder relations and organizational capacity and efficiency.

Achievements

Over the years the Board has tirelessly worked with CIC to ensure significant progress and achievement of milestones. These included reduction of registration fees by 25%, increased participation of local contractors, development of contractor grading criterion and registration procedure, increased compliance in company registration, intensified training and business development for contractors, trade testing for artisans, development of a construction industry associations regulatory policy, extensive consultation on and development of draft CIC regulations and undertaking of local industry skills gap survey.

To the CIC team, I and the Board would like to extend our appreciation for the concerted efforts towards creating a conducive environment for business, levelling the playing field for local contractors and forging alliances with industry stakeholders to deliver on Council's strategic objectives.



Dan Dlamini
Chairman of the board



CEO'S REPORT

Nhlanhla Dlamini

CEO'S Report

2018/19 PERFORMANCE SUMMARY

Introduction

This report has been prepared in accordance with the CIC Act, Act No. 14 of 2013 and the King IV Report on Corporate Governance. The report provides a comprehensive overview of the activities of the Council as well as its financial and non-financial performance for the period covering 1 April 2018 to 31 March 2019. The report also gives a detailed overview of the CIC strategy and all other matters considered to be material for stakeholders to make an informed assessment of the CIC.

Eswatini State of the Construction Industry.

The Eswatini construction industry is an important contributor to the domestic economy and its contribution is estimated at 3% of real gross domestic output. In addition, government the biggest industry client driving most of construction activity, spends significant financial resources towards capital projects. The level of domestic construction activity is directly linked to fiscal spending and has been low in recent years due to government's fiscal challenges.

The current low economic growth and Government's poor fiscal position has meant the construction industry continued to grapple challenges in 2018 and faces an uncertain future. Provisional estimates from the Central Statistics Office (CSO) indicate that construction activity improved in 2018 to -0.3 percent from -9.9 percent in 2017. The current state of affairs has further been revealed by a recent study undertaken by the Council titled *"Effects of delayed and non-payment of Contractors for Public Infrastructure projects"*. The study which focused on the period 2016-2018, has found that contractors are owed at least E700 million by government and with more than 400 jobs lost in the industry.

According to medium term economic growth forecasts (2019-2022) recently published by Ministry of Economic Planning and Development (MEPD) together with Central Bank of Eswatini (CBE), construction related businesses in the private sector experienced limited activity in 2018. The report further highlights that in the short term, the industry is expected to benefit from the clearing of arrears by Government which is expected to provide a relief to contractors. However, the Council anticipates that reversing the job losses will require concerted efforts from all stakeholders working together to improve on compliance and on effective and efficient project delivery towards a sustainable construction industry.

Locally, the public sector's capacity to deliver infrastructure projects so as to support domestic and foreign investments, agriculture, tourism and improved service delivery in education and health depends on provision of significant resources. However, the current economic conditions necessitates increased participation of the private sector in delivery of infrastructure projects.

In the coming years, industry transformation will hinge on economic growth, level of resources allocated to maintenance of existing infrastructure and construction of new public infrastructure, and in the willingness of banks to finance new projects. There is therefore a need for government, industry players and stakeholders to engage in finding a lasting solution to existing challenges. Possible solutions that will be considered include the possible development of a construction fund, PPPs, development of infrastructure development plan (IDP), accelerated development of the low skilled through skills training and education and guaranteeing local SME participation through public procurement.

The Council will continue in its efforts towards bridging the local skills gap by allocating additional resources in supporting the development of skills for the different trades. Industry skills development is

CEO'S Report

2018/19 PERFORMANCE SUMMARY

informed by the 2017 Construction Industry Skills Survey report, which indicated that the industry has shortage of some skills (professional, skilled and semi-skilled) which are critical in ensuring maximum local contractor participation. The skills in shortage include for; civil/structural engineers, building construction engineers, electrical engineers, quantity surveyors and for building and electrical works.

Key Performance Highlights

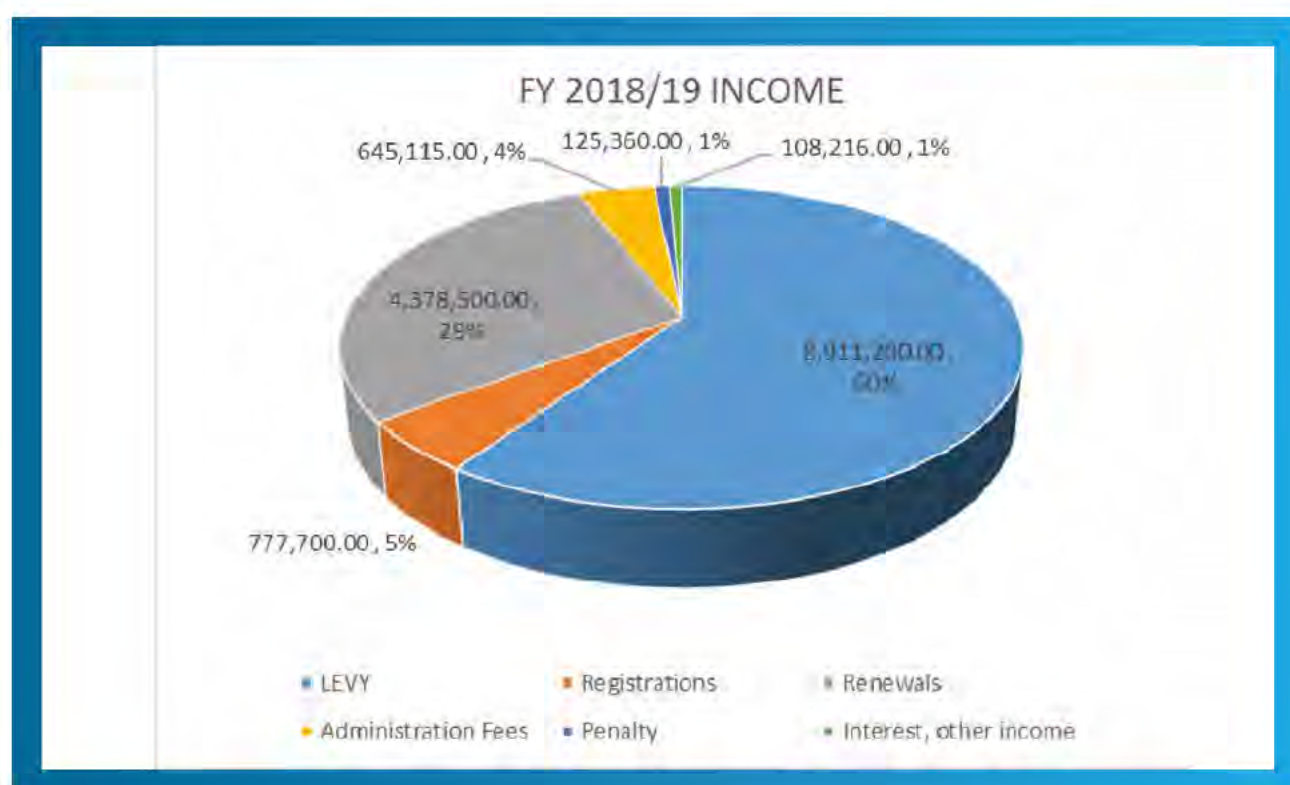
Financial Performance

Budget

The Council had a budget of E 17,932,552.00 to execute its activities for the year under review, however the Council was able to collect E 14,946,091.00, which translates to a performance of 83%.

The table 1 below indicates the financial performance of the Council versus the annual budget.

FINANCIAL YEAR	SOURCE OF INCOME	BUDGET	ACTUAL	ACTUAL VS BUDGET (%)	Contribution to Total Income (%)
2018/19	LEVY	12,606,552.00	8,911,200.00	71	60
	Registrations	756,500.00	777,700.00	103	5
	Renewals	3,527,500.00	4,378,500.00	124	29
	Administration Fees	700,000.00	645,115.00	92	4
	Penalty	242,000.00	125,360.00	52	1
	Interest, other income	100,000.00	108,216.00	108	1
	TOTAL	17,932,552.00	14,946,091.00	83	100



CEO'S Report

2018/19 PERFORMANCE SUMMARY

Income

In terms of the comprehensive income performance, the Council total income increased by 19% to E 14,946,091 in financial year ending March 2019 against E 12,571,948 in financial year ending March 2018. This was caused mainly by the increase of collection of the Construction levy by 56% to E 8,911,200 from E 5,711,564 the previous year. The registration fees and annual subscription fees saw a decline of 28% and 7% respectively, mainly due to the reduction in registration fees by Council by 15% and decline of Contractors registration and renewal. The decline of contractors' registration is caused by inter alia the financial challenges faced by Government.

The table 2 below indicates the performance of the Council in the past two financial years for the various sources of Income.

SOURCE OF INCOME	2019	2018	VARIANCE	% VARIANCE
LEVY	8,911,200.00	5,711,564.00	3,199,636.00	56
REGISTRATION FEE	777,700.00	1,082,400.00	- 304,700.00	-28
SUBSCRIPTION FEE	4,378,500.00	4,723,752.00	- 345,252.00	-7
ADMINISTRATION	645,115.00	714,398.00	- 69,283.00	-10
OTHER	233,576.00	339,834.00	- 106,258.00	-31
TOTAL	14,946,091.00	12,571,948.00	2,374,143.00	19

Construction Levy

The total levy value for projects registered since levy inception (October 2016) is E53,345,268 and actual amount collected to date is E14,713,372.00. The amount due to the Council for all ongoing projects is E38,631,896.61. Out of the total amount due, the amount due from Government projects is E32,994,771.98.

Assessment of Strategy Implementation

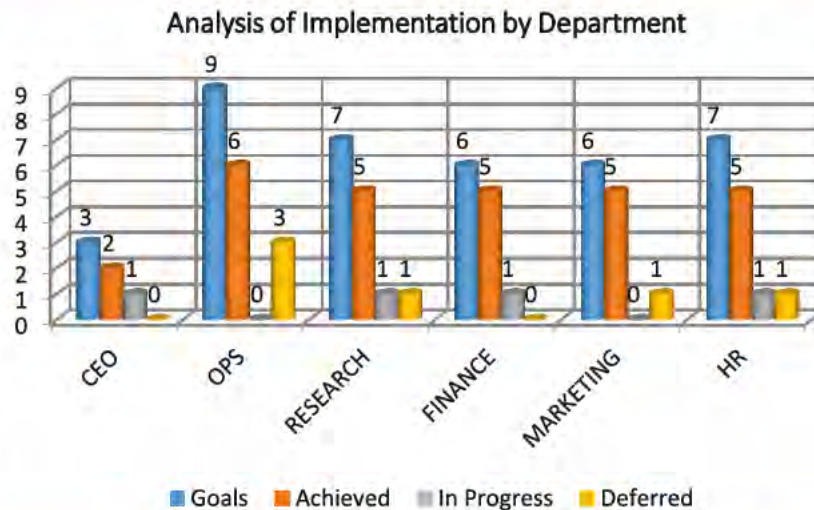
The following graph shows a summary of the organization's 38 strategic goals covering the period under review and also detailing how they were implemented:



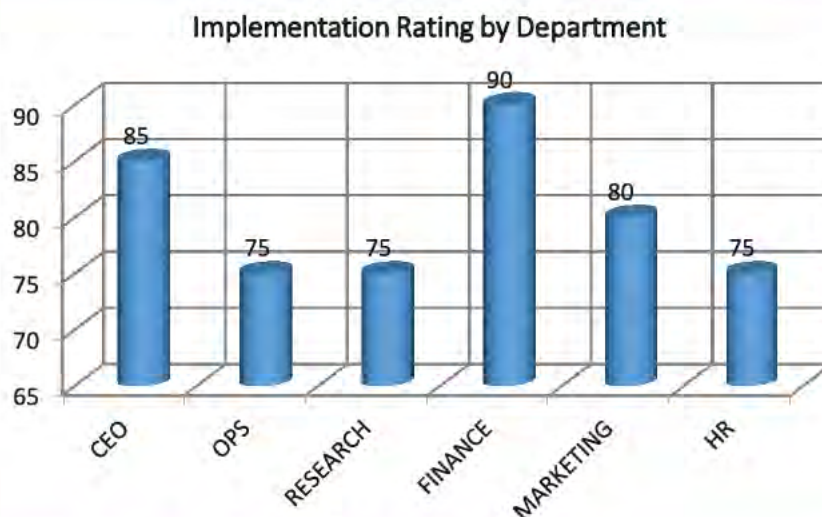
CEO'S Report

2018/19 PERFORMANCE SUMMARY

The following table shows the summary analysis of how each department fared regarding implementing the allocated strategic actions during the review period:



As noted above and in tandem with organizations that are growing, the Operations Department had the highest number of operational goals followed by Research and Human Resources. The implementation rating of each department is shown by the graph below:



The Finance Department and the CEO's office achieved the highest implementation rating of 90% and 85% respectively due to the fact that most their strategic goals did not require substantial financial backing as compared to those of other Departments.

CEO'S Report

2018/19 PERFORMANCE SUMMARY

Organization Implementation Rating

In conclusion, the Council was rated as having attained an overall implementation score of **80%** up from **62%** in the 2017/18 review period. This is a commendable effort shown as the minimum strategy implementation benchmark score is **70%**.

Importantly, had the financial resources been readily available, the strategy implementation rating would have been much higher than the 80% achieved.

Key Challenges

The council experienced a number of challenges during the year. The key challenges included but are not limited to the following;

- i) Regulating a previously unregulated industry (non-compliance to the CIC Act).
- ii) Cashflow challenges caused by non-compliance to the payment of Construction Levy.
- iii) Delayed and non-payment of contractors for public infrastructure projects
- iv) Delayed CIC regulations due to stakeholder consultation (a limitation to CIC in fully implementing its mandate).
- v) Contractor performance is a huge challenge, there's a need to capacitate our local contractors to improve on their performance thus increasing their competitiveness.

Conclusion and acknowledgements

I wish to thank the Honourable Minister of Public Works and Transport, Chief Ndaluhlaza Ndwandwe, and the senior management of the ministry for their unwavering support and guidance to Council throughout the year.

My heartfelt thanks goes to the Board for the support, guidance and dedication shown to me and the management team. Most importantly, I thank my colleagues and fellow team members, your dedication to duty in trying times has not gone unnoticed. I look forward to the united and continuous support of all stakeholders to ensure that the CIC advances its role as construction industry development champion.



NHLANHLA S. DLAMINI
Chief Executive Officer.

4. CIC MANDATE & LEGISLATIVE FRAMEWORK



CIC Mandate & Legislative Framework

4.1 LEGISLATIVE FRAMEWORK

The Construction Industry Council (CIC) is established by the Construction Industry Council Act No. 14 of 2013 to regulate promote and develop the construction industry of Eswatini for the purposes of; registration of contractors, affiliation of professional bodies or organizations whose members are engaged in activities related to the construction industry, regulation of the construction industry, training for persons engaged in the construction industry and incidental matters. The Councils functions are outlined as follows;

“Regulate”

- Establish industry best practices through policy, regulations and reforms for industrial sustainability, industry performance, procurement, labour relations, human resource development, safety and health including environmental sustainability, including growth and performance of emerging contractors.
- Ensure compliance to CIC Act by all stakeholders including government, parastatals and private sector
- Registration of contractors and projects

“Promote”

- Strategic leadership to construction industry stakeholders
- Research and Development
- Advise Minister on policy and programmes that impact on construction industry

“Develop”

- Ensure sustainable growth of the industry and the participation of emerging enterprises
- Capacity building for local contractors

4.2 POWERS OF CIC

- Direct any contractor or person providing services in the construction industry to deliver services in a manner that ensures compliance with this Act;
- Require any person or contractor to provide necessary records and information that will enable the Council to monitor the performance of the contractor.
- Consider any matter affecting the construction industry and make necessary recommendations to the Minister.
- To work together with bodies in Eswatini and elsewhere on matters affecting the construction industry.
- Generally, to do such things as the Council may consider necessary or expedient for the performance of its functions under this Act.

4.3 LEGISLATIVE PROVISIONS OF THE CIC ACT

4.3.1 LEVY REGULATION, 2016

- The Regulation was promulgated in October 2016
- It outlines the procedure for registration of projects, contractors responsibilities and imposition of the Levy.
- It dictates the levy schedule

CIC Mandate & Legislative Framework

Purpose of the Levy

The levy seeks to achieve the following;

- i) **Support CIC operations**
 - To finance CIC operations as it does not receive a subvention from Government
- ii) **Capacity building for contractors**
 - Technical skills and business management
 - Contractor development
- iii) **Regulation and policy formulation**
 - Leadership, advisory, reforms, regulations and standards
 - Support for allied institutions (AESAP/)
- iv) **Research and development**
 - Scientific research, best practices, innovation and solutions

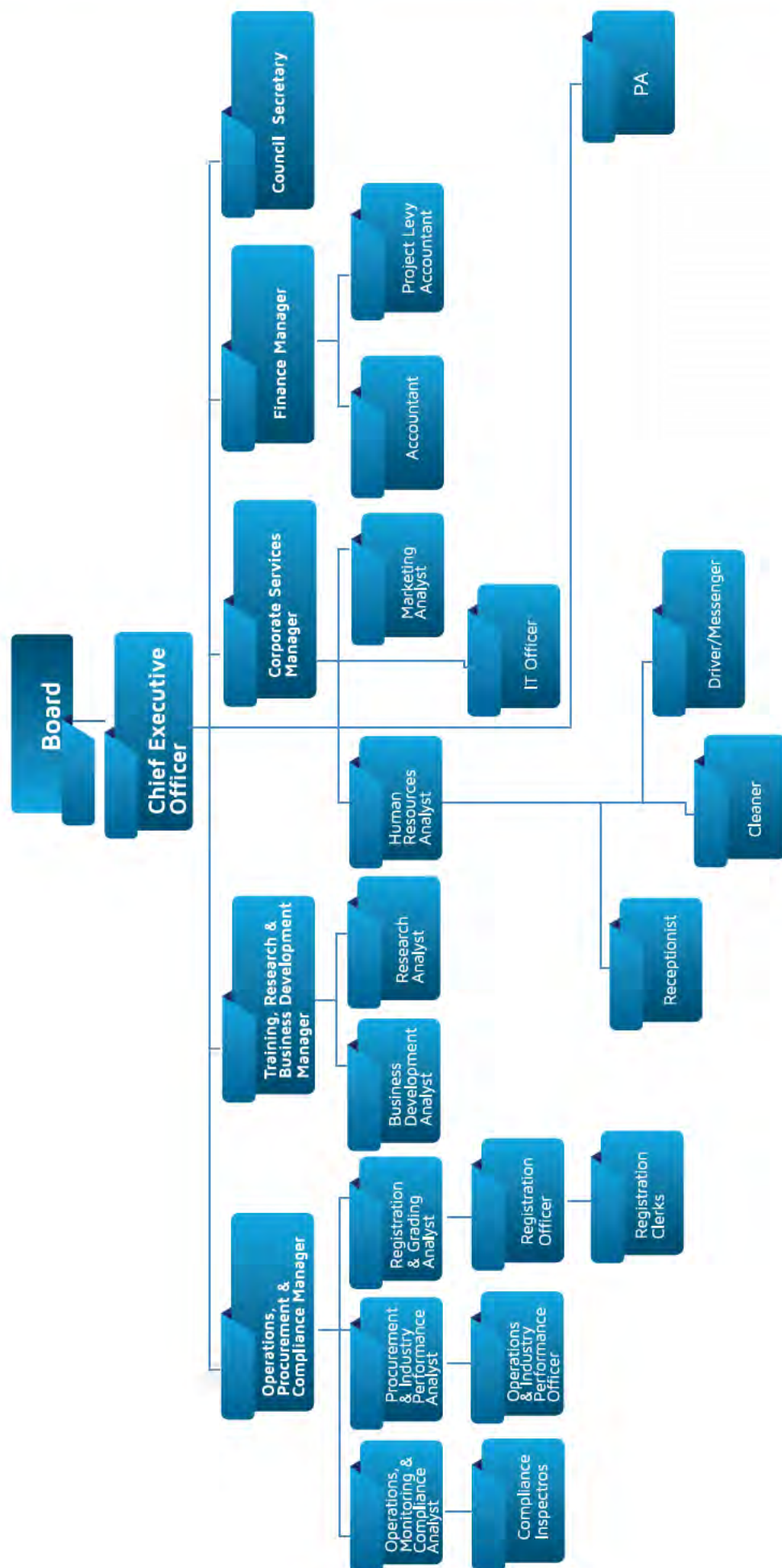


BUSINESS MODEL CANVAS

Key Partners (KP) • Client - Government • Client- Private sector • Contractors • Parliament • Regulatory Bodies • Trade Unions • Institutions of Higher learning • Recognised Associations • Media Houses • Financial Institutions • International bodies • Development partners	Key Activities (KA) • Registration • Inspection • Research and training • Levy collection • Grading and Categorisation • Performance reports • Investment promotion • Enforce Compliance	Value Proposition (VP) • Regulate the industry • Promote the industry • Develop the industry • Registration of contractors • Levy collection • Inspections • Improve industry standards • Improve industry performance • Improve contractor performance • Minimal registration fees • Facilitate internships, scholarships and grants	Customer Relationships (CR) • Personal: face to face interaction, reception, inspection, stakeholder consultation	Customer Segment (CS) • Contractors • Government • General public • Project owners/clients
Key Resources (KR) • Personnel • CIC Act • Levy Regulations • Technical regulations • Finance • Office space • Company Vehicles • ICT infrastructure		Channels (C) • Associations • Media • Website • Stakeholder engagements		
Cost Structure (CS) • Human Capital • Admin / Operational expenses • Stakeholder Management • Training and Development			Revenue Streams (R\$) • Registration fees • Levy • Dividends • Other: Penalties, interest, sale of tenders	



CIC Organogram



5.0 GOVERNANCE



Governance

5.1. OVERVIEW

The Construction Industry Council is committed to applying sound corporate governance principles in accordance with the highest global standards and is therefore in the process of adapting the Council's policies and processes to comply with the King IV Report. The Council has appointed a company secretary to assess adherence to the principles of good corporate governance and to identify areas that require improvements.

5.2. THE BOARD

The Honorable Minister of Public Works and Transport (MOPWT) is responsible for the appointment of members of the Board who are nominated by construction industry associations every four years as per the CIC Act No.14 of 2013. The Board consists of the following members;

- a) One (1) representative nominated by the Eswatini Association of indigenous Construction Consultants (EAICC);
- b) One (1) representative nominated by Eswatini Association of Architects, Engineers and Surveyors (EAAES);
- c) Three (3) representatives nominated by Eswatini Contractors Association;
- d) One (1) representative nominated by Building, Manufacturers and Suppliers Association (BMSA);
- e) The Principal Secretary (PS) in the Ministry of Public Works or a representative of the PS;
- f) Two (2) representatives of relevant Government Ministries nominated by the Minister.

On the 04th June 2018, the Honorable Minister appointed eight (8) members of the Board and further appointed an additional one (1) member on the 6th March 2019. The board members are;

CORPORATE GOVERNANCE



Dan Dlamini // Chairperson

Mr. Dlamini is the Managing Director of Dan & Don Construction. Mr Dlamini is a qualified Construction Technician from the Swaziland College of Technology (SCOT) with 41 years experience in the Construction Industry.



Nhlanhla Maphanga // Vice Chairperson

Mr. Maphanga is the Managing Director of Maphanga Mitchell Associates. He holds a B.Sc. Degree in Construction Management from Ferris State University, USA and M.Sc. in Project Management, University of Pretoria.



Derrick Shiba // Member

Mr. Shiba is currently the Managing Director at Inyatsi Construction Swaziland. He holds a BSc Degree in Civil Engineering from University of Cape Town and Diploma in Civil Engineering from Swaziland College of Technology (SCOT).

THE BOARD

CORPORATE GOVERNANCE



Sanele Khuluse // Member

Mr. Khuluse is an Admitted Attorney of The High Court of Swaziland. He has a B.A.(LAW) UNISWA and LLB from University of Cape Town. He is currently the Legal Advisor at Ministry of Public Works and Transport.



Mkhululi Mamba // Member

Mr. Mamba is the Chief Buildings Engineer, Ministry of Publics Works and Transport. He has an M.Sc. in Electrical Engineering from North Carolina A&T State University, B. Sc. in Electrical Engineering from North Carolina A&T State University and BSc. (Physics/Maths) + CDE from University of Swaziland.



Member // Marianna Pullen

Ms Pullen is currently the Chairperson for the Building Materials and suppliers Association. She is currently the Territory Manager at AfriSam Cement Eswatini. She has a Diploma in Book Keeping, Practical Accounting and achieved several certifications in Concrete technology.

THE BOARD

CORPORATE GOVERNANCE



Lawrence Samuels // Member

Mr. Samuels is professional quantity surveyor and currently the Managing Director of Quantec (PTY) Ltd



Dumisile Shongwe // Member

Dumisile Dorah Shongwe served as the Secretary General of Eswatini Contractors Association. She is Co-Director of Tornado Construction. She holds a degree in B.A Humanities and diploma in Education.



Eric Kunene // Member

Mr. Kunene is the Township Engineer at the Ministry of Housing and Urban Development. Mr Kunene is a qualified Construction Technician from the Swaziland College of Technology (SCOT).

THE BOARD

EXECUTIVE MANAGEMENT



Nhlanhla Dlamini // Chief Executive Officer



Makhosazana Ndwandwe //
Finance Manager



Maqhawe Mnisi // Research, Training &
Business Development Manager



Dr Gcebekile Dlamini //
Operations, Procurement &
Compliance Manager



Qinisile Maseko // Legal and
Council Secretary

Corporate Governance

5.1. FUNCTIONS OF THE BOARD

- i) The Board maintains full and effective control over the Council and is accountable and responsible for its performance.
- ii) The Board reviews the strategic priorities of the Council and delegates to management the implementation of the objectives and policies.
- iii) The Board monitors compliance with policies and achievements against set objectives by holding management accountable for its activities through performance reporting and budget updates.
- iv) The Board deliberates over a range of key issues to ensure proper direction and management of the Council.
- v) The Chairman provides the Board with leadership and guidance, encourages proper deliberation of all matters requiring the Board's attention and obtains optimal input from the other Board members.
- vi) Within defined levels of authority, the Chief Executive Officer has the responsibility to implement all decisions taken by the Board. Further, he is accountable for the effective functioning of the Council within Board determined policy guidelines.
- vii) The Board meets at least four times a year with additional extraordinary and special board meetings convened by the Chairman whenever the need arises.
- viii) Board members are comprehensively briefed well in advance of these meetings to facilitate meaningful deliberations and contribution.
- ix) Where possible, the Board aims to unanimously approve Board decisions.

5.2. BOARD COMMITTEES

In order to effectively discharge its duties and responsibilities, the Board has three committees that attend to specific aspects of the Council affairs. Certain committees also co-opt specialist who are not members of the Council Board to assist in their deliberations. The Chief Executive Officer and Heads of departments attend, but are not members of the committees.

The Board members recognize that they are ultimately accountable and responsible for the performance and the affairs of the Council and that the use of these delegated authorities in no way absolves the Board of the obligation to carry out its duties and responsibilities.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Committee assists the Board with the following:

- i) The appointment, regular performance assessment, remuneration, succession planning and dismissal of the CEO and Executive Management;
- ii) Ensuring an appropriate process is in place to recruit, review the performance of, remunerate, train and develop executives;
- iii) Reviewing and approving compensation, equity and incentive schemes in place for the CEO and Executive to ensure they are appropriate and competitive in both structure and quantum;
- iv) Reviewing, approving and monitoring compliance with the Council code of conduct, which provides guidance regarding ethical behaviour;

Corporate Governance

Members:

- Mr Derrick Shiba –Committee Chairperson
- Mrs Dumsile Shongwe
- Mr Eric Kunene
- Ms Marianna Pullen

FINANCE AND AUDIT COMMITTEE

The Committee assist the Board with the following;

- i) Overseeing all aspects of the Council financial position;
- ii) Approving the annual audited financial statements and the theme and text of the Council annual report;
- iii) Selecting Councils external auditors and approving their respective scope of works;
- iv) Approving the annual budget of the Council before the beginning of each financial year and ensuring that Council resources are deployed where they are most needed.

Members:

- Mr Mkhululi Mamba –Committee Chairperson
- Mr Lawrence Samuels
- Ms Marianna Pullen
- Mr Derrick Shiba

LEGAL AND COMPLIANCE COMMITTEE

The Committee assist the Board with the following;

- i) Nominate and appoint competent reputable law firms to be Legal Advisors of the Council;
- ii) Monitor and advice the Board as appropriate in respect to current and emerging regulatory, compliance, policy and legal matters and any related risks that are believed to have a potential to effect the Council;
- iii) Participate in the development and drafting of Council legislation

Members

- Mr Sanele Khuluse- Committee Chairperson
- Ms Zanele Mlambo
- Mr Eric Kunene
- Mr Nhlanhla Maphanga

Corporate Governance

5.3. BOARD FOCUS

During the year under review the Board has had four ordinary meetings and nine special board meetings.

A major focus area for the Board in 2018/2019 was the alignment of Council with corporate governance principles and the following was achieved;

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP	▪ Approval of Board Charter ▪ Approval of Code of Conduct for Board members and Management ▪ Approval of Committee Terms of reference
STRATEGY, PERFORMANCE AND REPORTING	▪ Approval of Board annual work plan ▪ Approval of Council 5 year strategic plan ▪ Approval of annual budget for the year 2018/2019 ▪ Ongoing monitoring of performance against annual implementation plan and budget
GOVERNING STAKEHOLDER RELATIONSHIP	▪ Presentation of the Construction Industry Associations Regulatory Policy to the stakeholders
GOVERNING STRUCTURES AND DELEGATION	▪ Appointment of Board Committee members ▪ Noting and consideration of recommendations from Board Committees

5.4. BOARD EVALUATION

The Board will in the financial year 2019/2020 undergo an external Board evaluation and further implement recommendations from the evaluation report to ensure board development.

5.5. BOARD INDUCTION AND TRAINING

During the year under review, the Board attended an induction session and training on corporate governance which was conducted by an external consultant.

5.6. RISK MANAGEMENT

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board shall maintain sound risk management and internal control systems through identifying risk, assessing risk, prioritizing risk, managing and monitoring risk.

CONCLUSION

The Board is satisfied with the application of corporate governance in the year 2018/2019 and is certain that it has fulfilled its responsibilities in accordance with its charter. The Board further believes that each Committee has the necessary knowledge, skills, experience and capacity to execute its duties effectively. Each Board Committee is also content that it has fulfilled its responsibilities in accordance with its terms of reference for the year 2018/2019.

6.0 ANNUAL PERFORMANCE 2018/19



Registration and Grading

6.1. OVERVIEW OF REGISTRATION AND GRADING PROCESS

According to Section 27 of the CIC Act, contractors shall not carry out business in Eswatini without being registered with the Council. Therefore, contractors apply for CIC certificates annually and are further graded in terms of their capacity to complete projects according to criteria below;

- i. Best Annual Turnover with a weighting **10%**
- ii. Largest Contract, within a three year period with a weighting of **70%**
- iii. Available Capital – with a weighting of **20%**

Best annual turnover and available capital are indicators of an operational business, whereas the largest contract signifies capacity and experience in completing projects within a set threshold.

Once a year, the database of contractors is published in the Government Gazette and published monthly on CIC's website.

6.1.1 CONTRACTOR CATEGORIES

In terms of the CIC Act, all general contractors, consultants, manufacturers and suppliers are defined as contractors. The table below indicates the various categories;

6.2. OVERVIEW - REGISTRATION AND GRADING STATISTICS

The figures in this section illustrate the total number of registered contractors from the 1st April 2018 to 31st March 2019. A total of **1059** contractors were registered in the last financial year, representing various categories for new contractor registrations and renewals. Registration peaks during the renewal period is set in the first quarter of every year.

Figure 3: Monthly Company Registration Statistics (01 April 2018 –31 March 2019)

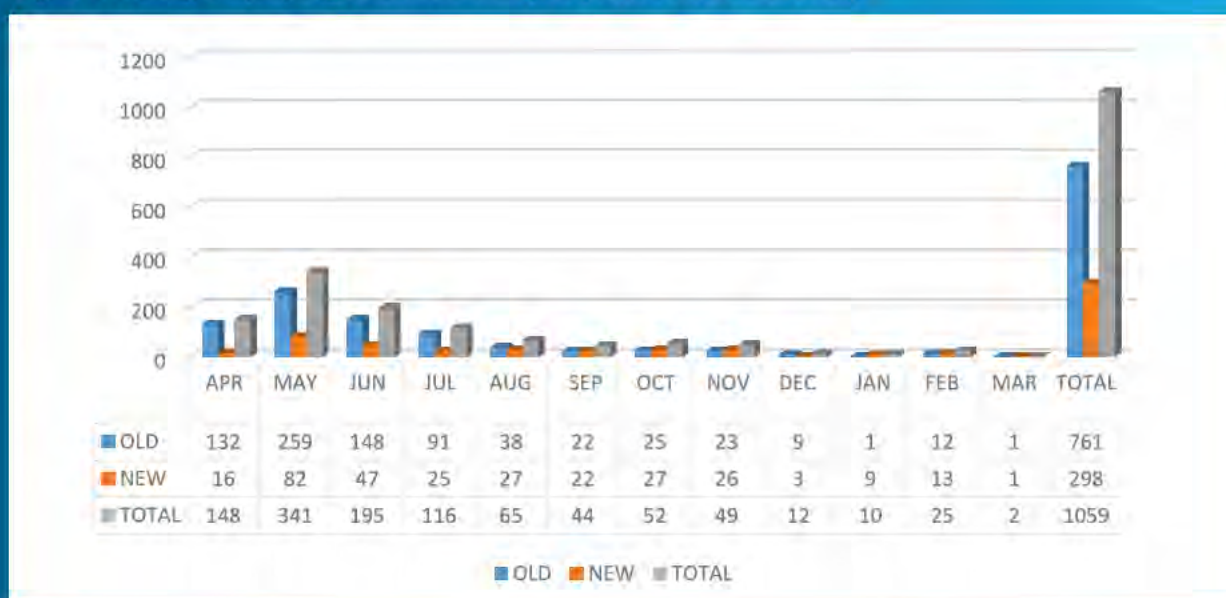
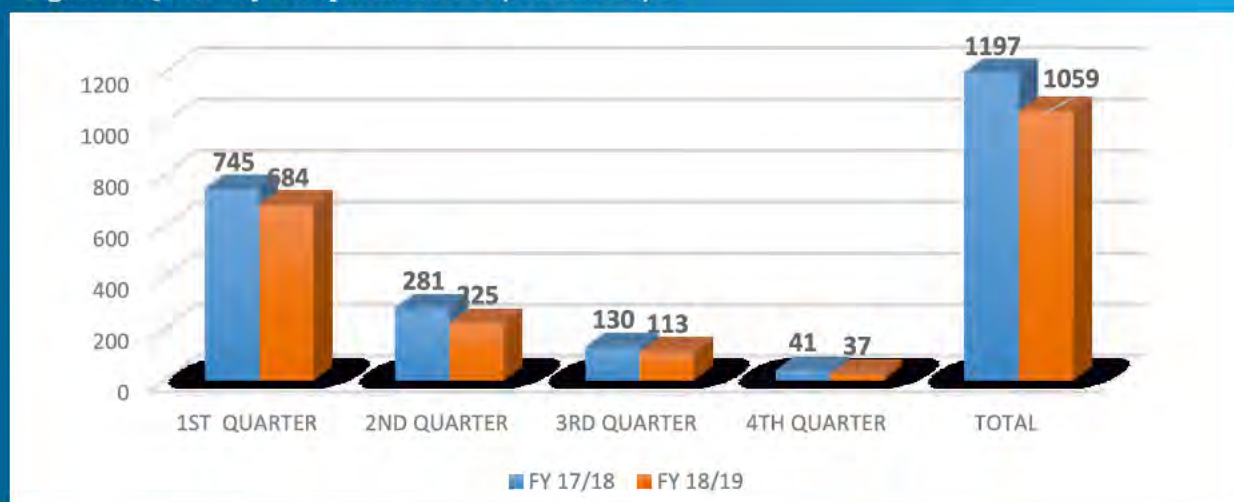
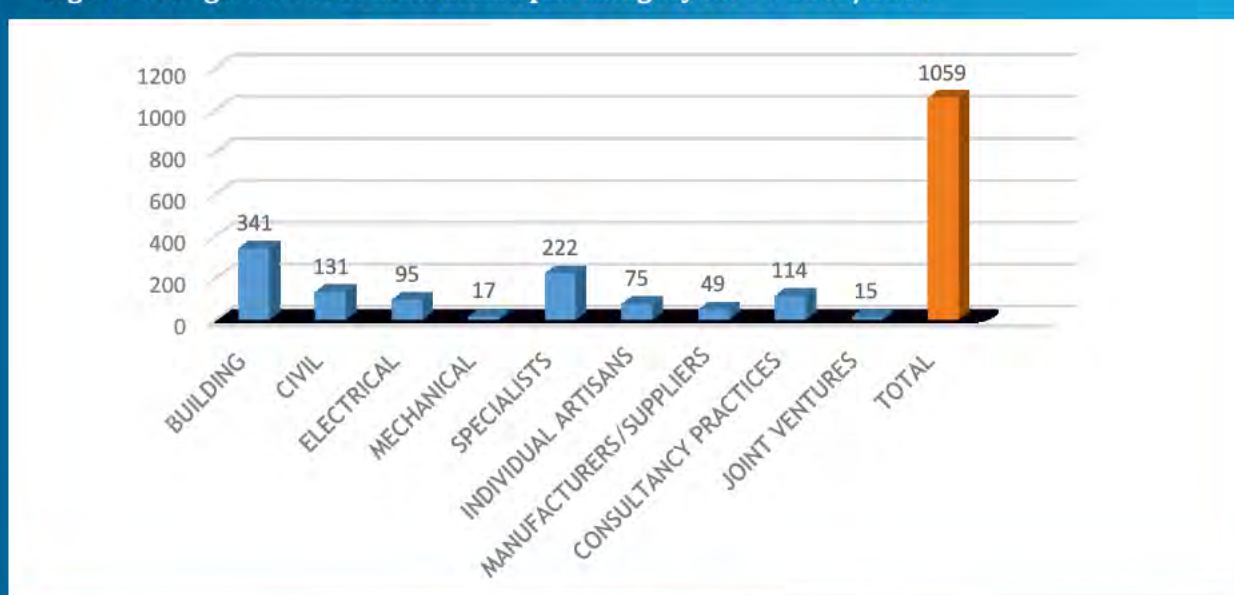


Figure 4: Quarterly Comparison FY 17/18 and 18/19



The figure above shows a quarterly comparison of registered contractors between FY 17/18 & FY 18/19. The graph shows a **11%** decline in the number of contractors registered with the Council in the last year. Typically, contractors lament the shortage of projects, delayed payments from clients and poor business management processes which lead to poor business performance.

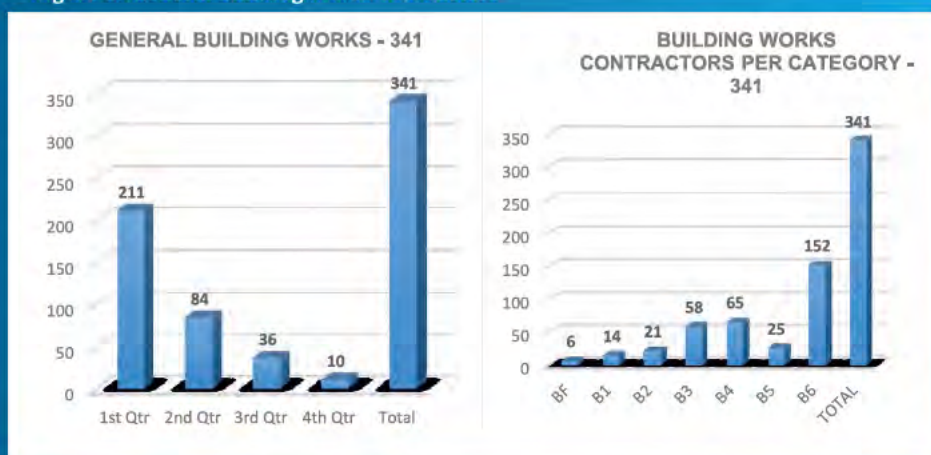
Figure 5: Registration of Contractors per Category for FY 2018/2019



6.2. 1. NUMBER OF CONTRACTORS PER GRADE

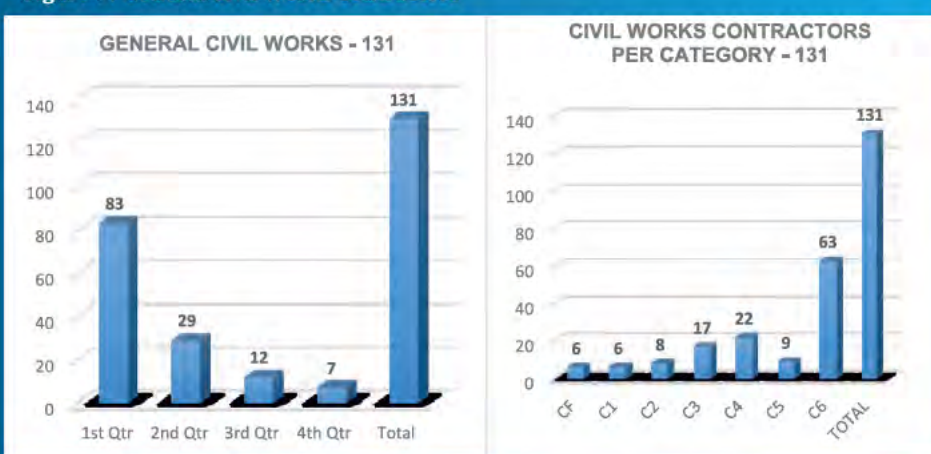
A high percentage of contractors in Eswatini are characterised as small and medium enterprises, as a result most fall into grades three to six (3-6) of the CIC grading structure.

Figure 6: General Building Works Contractors



The figures illustrates that a total number of 341 contractors were registered in the different grades of General Building Works.

Figure 7: General Civil Works Contractors



The figures above illustrate that a total number of 131 contractors were registered in the different grades for General Civil Works.

Figure 8: General Electrical Works Contractors

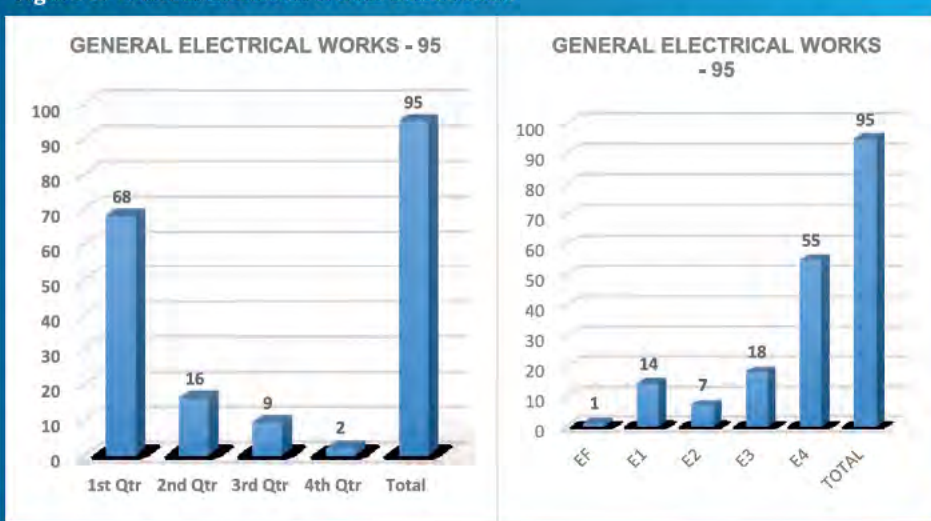
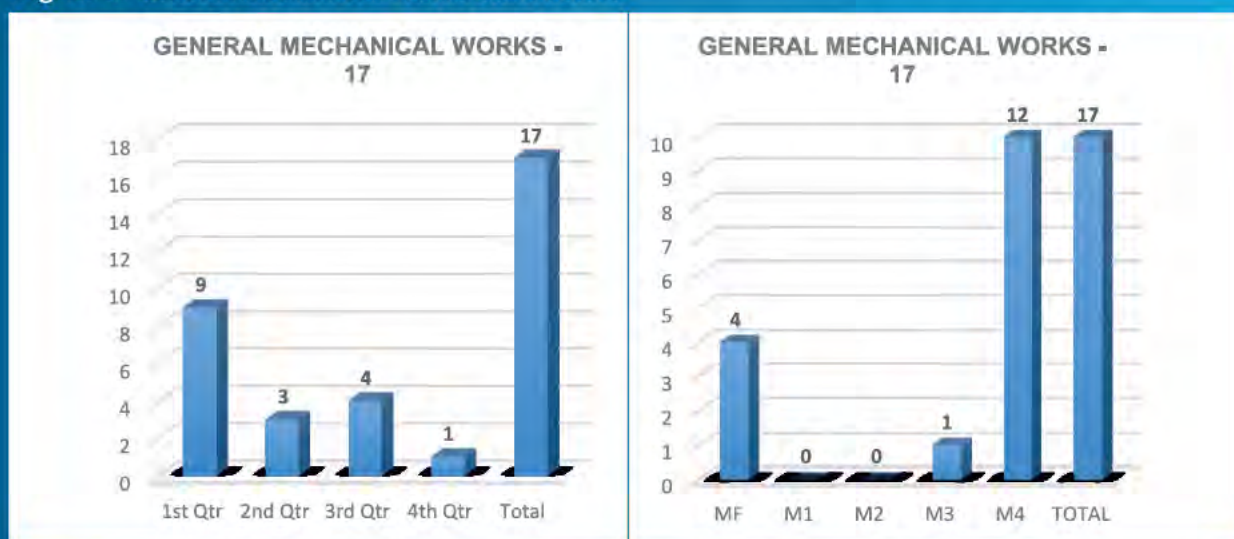


Figure 9: General Mechanical Works Contractors



The figures above illustrate that a total number of **17** contractors were registered in the different grades of the General Mechanical Works category.

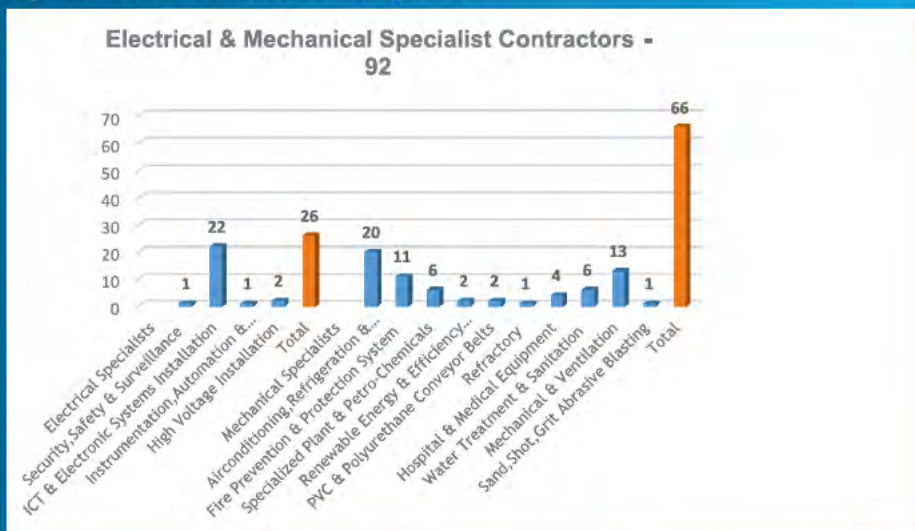
Figure 10: Specialist Works Contractors



Figure 11: Building and Civil Specialists Works Contractors

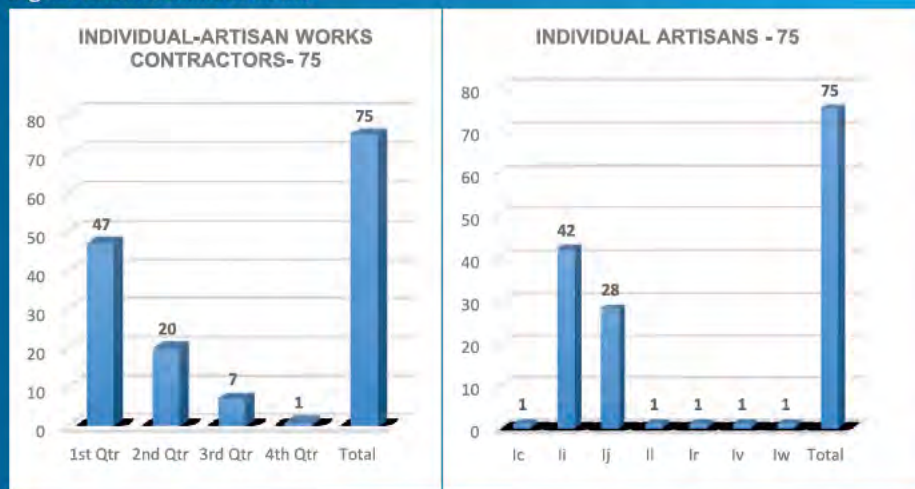


Figure 12: Electrical and Mechanical Specialists



The figures above illustrate that a total number of 222 contractors were registered for different grades for the Specialist works category.

Figure 13: Individual Artisans



Ic – Shop fitting and carpentry works

Ij – Electrical works

Ir – Mechanical and Ventilation Works Maintenance

Iw – Structural Steel and Fabrication Works

Ii – Bricklaying works

Il – Water proofing works.

Iv – Road and Highway Rehabilitation and

Figure 14: Manufacturers and Suppliers

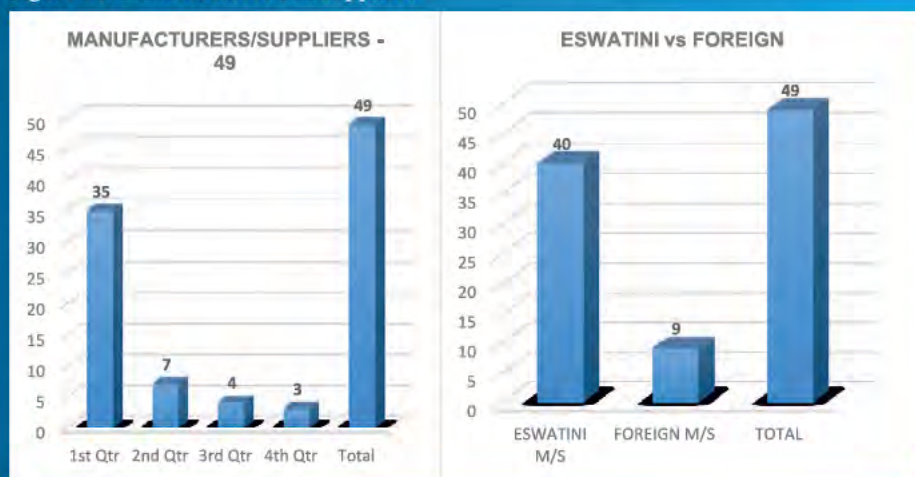
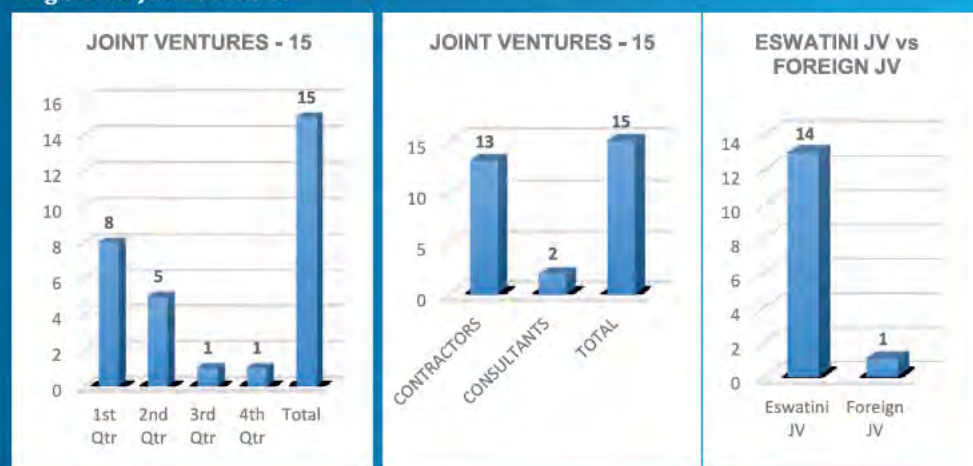


Figure 15: Consultancy Practices



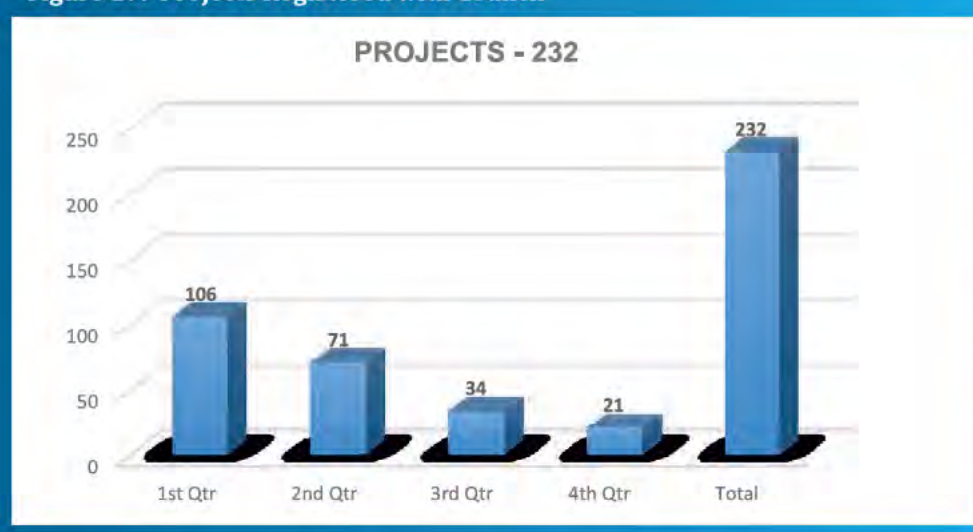
Figure 16: Joint Ventures



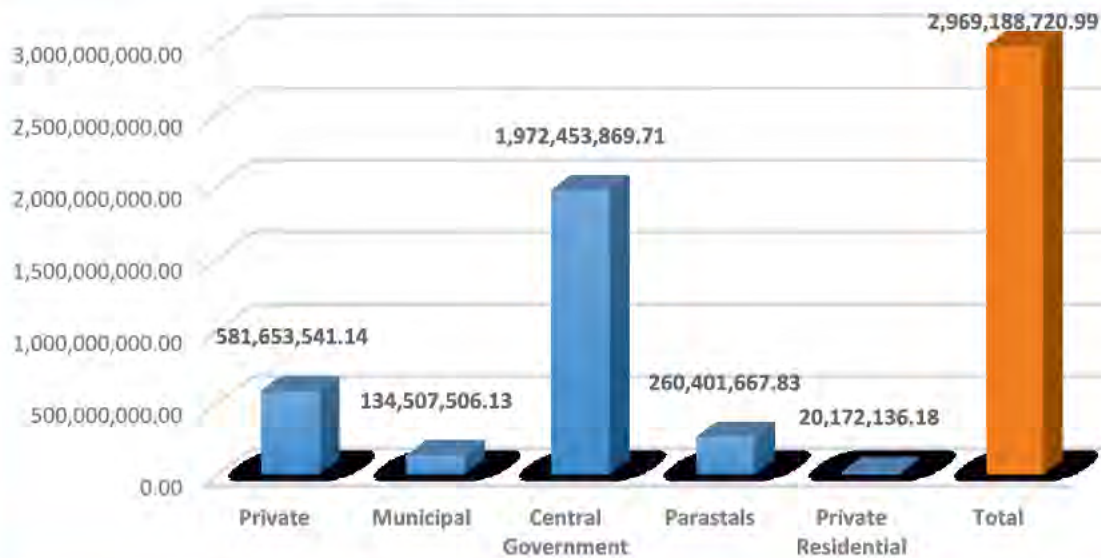
The figures above illustrate that 15 Joint Ventures were registered with the Council. While only one partnership was a foreign joint venture, 13 were contractors and 2 were consultants.

6.3. PROJECT REGISTRATION

Figure 17: Projects Registered with Council

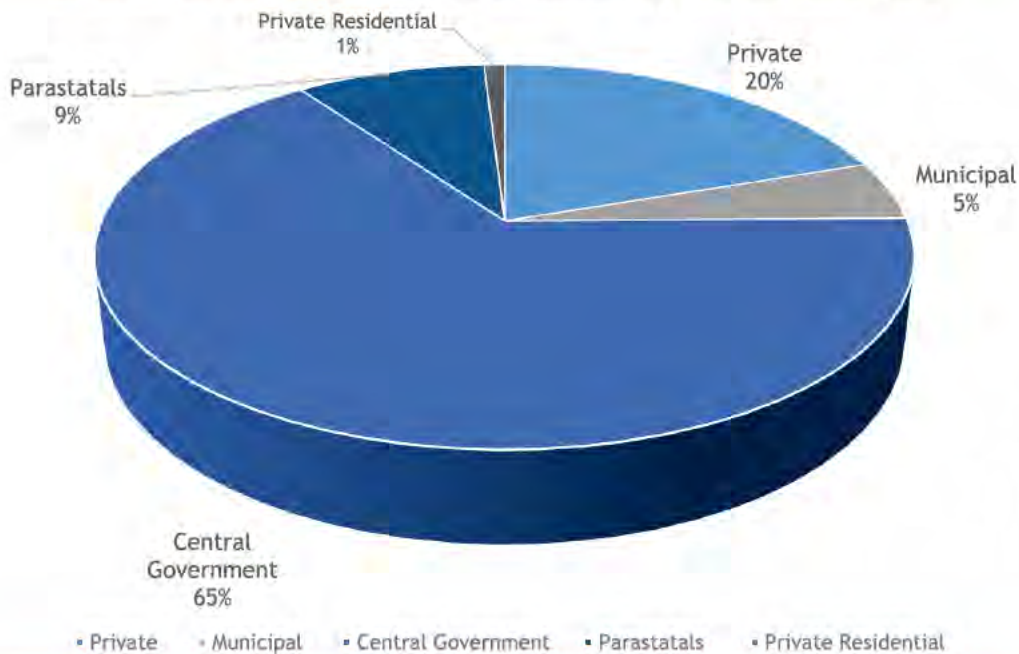


VALUE OF PROJECTS PER CLIENT CATEGORY



The graph above shows the value of projects registered per client category. The figures indicate that, central government is responsible for 66% of the value of the total value of projects registered with CIC.

Contribution of registered projects by client category



The figure above illustrates that there were 232 projects registered in both private and public sector. While Figure 2 shows the number of projects registered per client category shows that 65% of projects were registered by Central Government (Government Ministries) while 20% were from private entities. In addition, 9% of projects were registered by parastats while 5% and 1% were registered by Municipalities and 1% private residential entities, respectively.

7. COMPLIANCE AND MONITORING



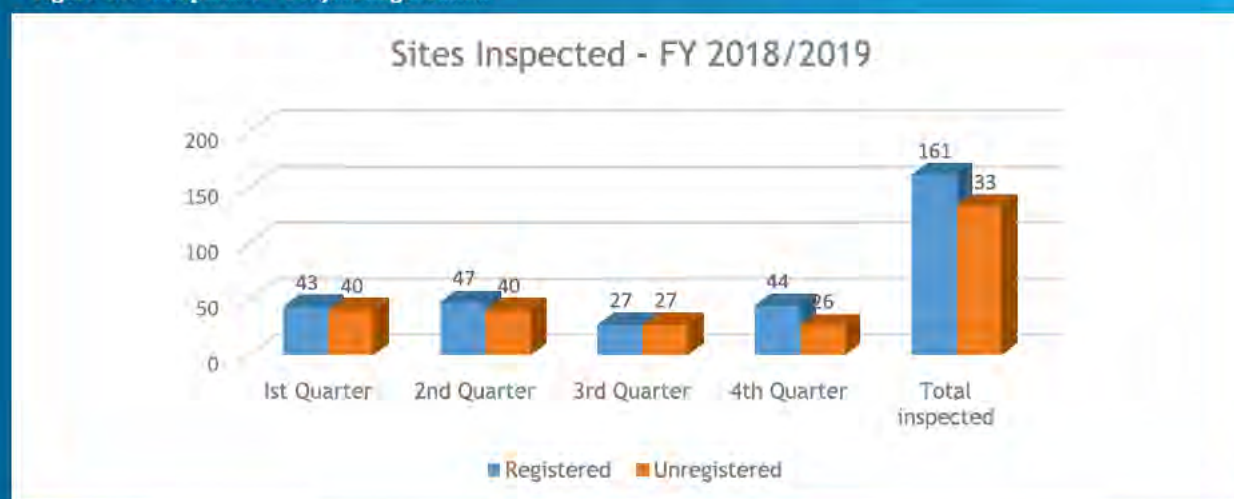
Compliance and Monitoring

7.1. Overview

The Compliance department is tasked with ensuring compliance to the CIC Act and Construction industry Levy Regulations for all stakeholders. The compliance department focuses on the following key activities; Inspections for contractor registration, project registration and the regulation of Foreign Contractors. CIC inspectors assigned to all the regions in Eswatini conduct daily inspections to ensure that all contractors have valid CIC Certificates and that all construction projects are registered with the Council. Whilst general contractor registration for building, civil, mechanical and electrical, has been optimal at 85%, compliance to project registration remains a challenge.

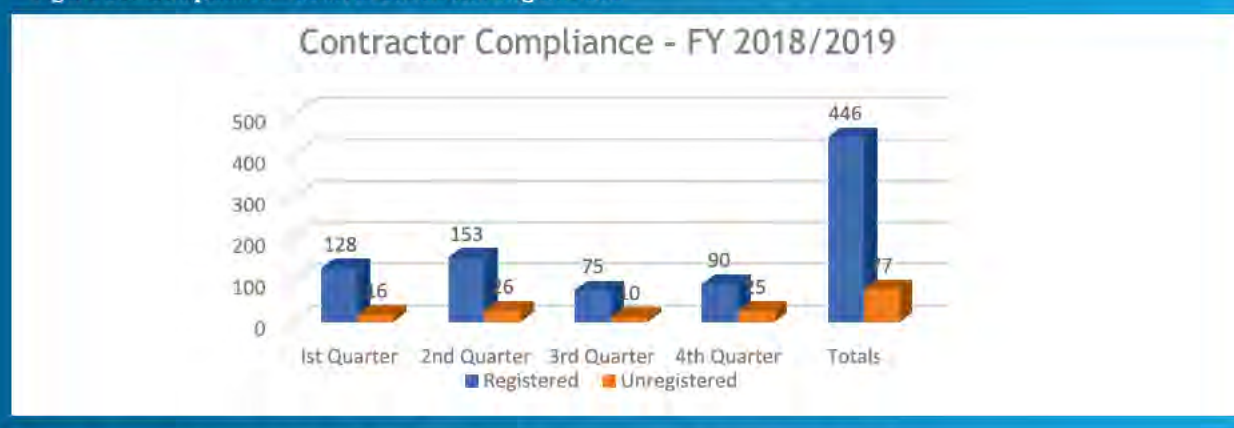
The statistics further show that 77% of the consultants found on sites are registered with the Council. Accordingly, for all construction sites inspected, 55% compliance was recorded in this financial year particularly with private residential and private commercial projects. Public projects are generally compliant.

Figure 19: Compliance – Project Registration



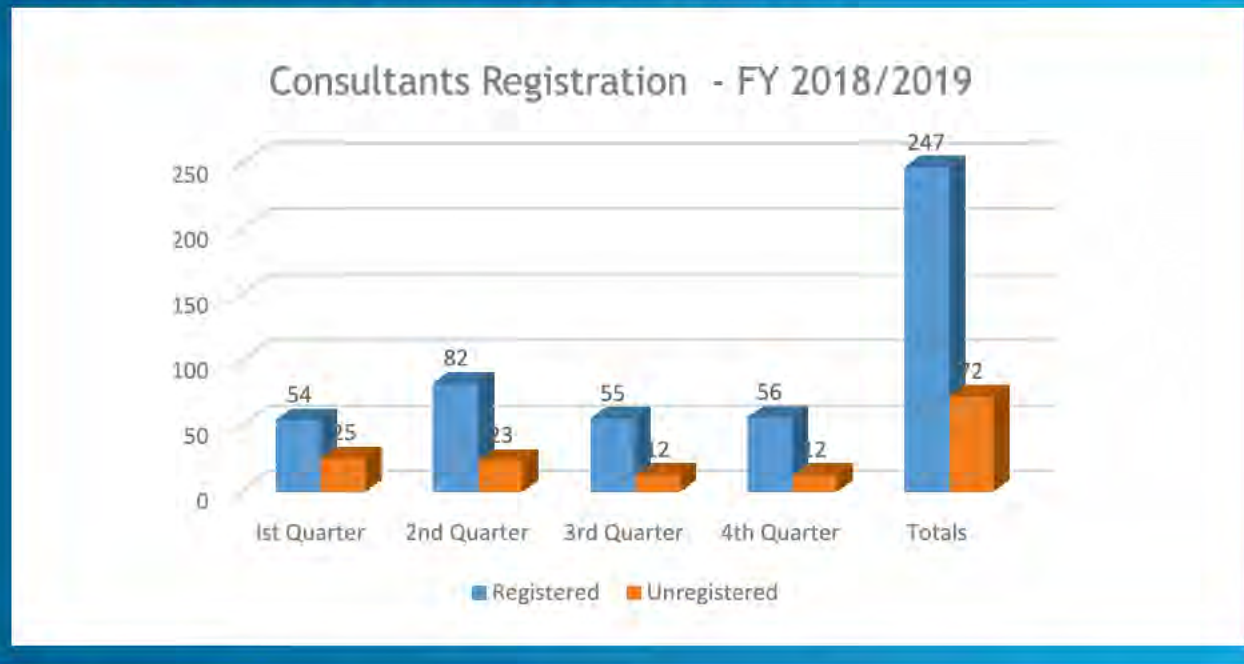
The graph above indicates the number of sites inspected and the rate of compliance in terms of project registration.

Figure 20: Compliance – General Contractor Registration



The graph above indicates the number of registered and unregistered contractors found conducting works on various sites per quarter of the 2018/2019 financial year.

Figure 21: Compliance- Consultancy Practices Registration



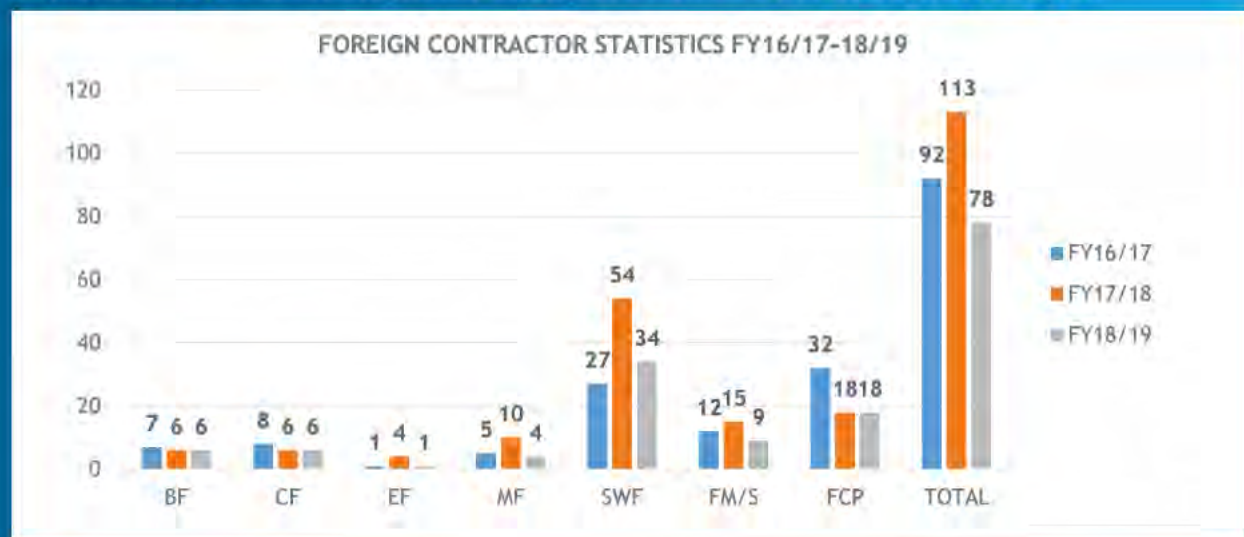
The graph above indicates the number of registered and unregistered consultants found conducting works on various sites per quarter of the 2018/2019 financial year.

7.2. FOREIGN CONTRACTORS PARTICIPATION

Section 40 of the CIC Act provides that a person shall not award a contract for construction works to a foreign company without the approval of the Council. The Council has identified the following challenges;

- Parastatals and Private organizations continue to engage foreign contractors without the approval of CIC.
- Public projects engage foreign sub-contractors without the approval of CIC
- Requests to engage foreign contractors are predominantly for specialized works (Specialist Works), mechanical and electrical works contractors as well as consultants with specialized or experiential credentials
- An increase in the number of foreign companies registering with CIC.

The table below indicates foreign contractor registration statistics from FY 16/17 to FY 18/19.



8. TRAINING AND CAPACITY DEVELOPMENT



Training And Capacity Development

OVERVIEW

There were a number of activities undertaken during the year aimed at developing the industry and were targeted at training and capacity development. These included providing support towards development of construction industry skills and training for contractors and consultants, supporting their growth and sustainability through advocating government for timely payments to industry and the identification of skills gap for different trades through a skills gap survey.

8.1.CONTRACTOR TRAINING AND DEVELOPMENT

The Council through Induna Online Training trained **22** contractors through two online courses and were awarded a Continuing Professional Development (CPD) with 2 Credits and accredited by Consulting Engineers of South Africa (CESA), Association of South African Quantity Surveyors (ASQS) and the South African Council for the Project and Construction Management Professions (SACPCMP). The Council further trained **154** contractors on Business Management, Tax, Compliance and Bookkeeping, Occupational Health and Safety, Traffic Management. A total of 176 participants from the industry benefitted through the capacity development program rolled out by the Council.

COURSE	NO. OF PARTICIPANTS
Comparing Construction Contracts	16
FIDIC Contracts	6
Occupational Health and Safety	56
Traffic Management	66
Business Management, Tax Compliance and Bookkeeping	32
Total trained	176

Traffic Management Course Program

The Traffic Management training programme aimed to provide delegates with the necessary skills and knowledge to enable them to effectively perform their roles as Traffic Safety Officers and or as Designers and hence ensure they operate and design in compliance with legislation and also demonstrate competency across a full range of required duties in road works projects.

Occupational Health and Safety Training

The Occupational Health and Safety Training provided an awareness of occupational, health and environmental management systems to participants. It was expected that there would be improved Occupational Health and Safety performance which will benefit companies, employees, business partners and key stakeholders. The benefits included; identification of responsibilities with regard to health & safety in the workplace; understanding the importance of communication between management and the employees; understanding the importance and role in company safety statement and identification of Fire Hazards and safety precautions to be taken.

Induna Online Training

a. Comparing Construction Contracts

The online course developed capacity with regards to comparing the essential clauses in the four construction contracts namely New Engineering Contract (NEC3), Joint Building Contracts Committee (JBCC), International Federation of Consulting Engineers (FIDIC) and General Conditions of Contracts (GCC) and was divided into nine lessons covering the similarities and differences between the four contracts.

b. FIDIC Contracts

The course participants learnt about issues related to the rights and obligations of the parties to the contract. These covered responsibility for design, issues of extensions of time, variations and certification. Dispute Resolution is highlighted and the issues of notices and claims are discussed.

Business Management Training

The aim was to build capacity of contractors on Risk Management, Costing for the business, Business planning, Record –keeping and Tax Compliance. Contractors learned about the importance of managing their businesses as a professional and separate entity and be able to account for all business activities and transactions which then assists to manage risk and help the business grow

8.2 TRADE TESTING FOR INDIVIDUAL ARTISANS

The CIC sponsored trade testing for 29 individual artisans in collaboration with the Directorate of Vocational Training (DVT). The artisans graduated on the 5th July 2018 and certification was graced by the Honourable Minister Pastor Lindiwe Dlamini. The table below shows the performance of artisans for each of the trades that were tested:

INDIVIDUAL ARTISANS TRADE TESTED

	BLOCKLAYERS / PLASTERERS	PLUMBERS	CARPENTRY / JOINERY	WELDING GAS/ELECTRICAL	TOTAL
TESTED	23	3	1	2	29
FAILED	1	2	0	1	4
QUALIFIED	22	1	1	1	25

8.3 ESWATINI OFFER FOR SADC CONSTRUCTION AND ENERGY RELATED TRADE IN SERVICES

The Kingdom of Eswatini as a member of SADC submitted an offer to SADC which defines how Eswatini will trade with SADC member states on construction related services. The offer was developed by the Construction Industry Council (CIC) working in conjunction with Ministry of Commerce, Industry and Trade (MCIT). The basis of the offer is the SADC Protocol on Trade in Services that Member States signed and which affirmed commitment to liberalize trade in services in the region. The offer is based on General Construction Work on Building, General Construction Work on Civil Engineering, Installation and Assembly Work and Energy Services.

The offer specifies that for any foreign participation in the country's construction sector, a joint venture with a Swazi contractor will be required with foreign ownership of up to 40%.

9. RESEARCH



RESEARCH

9.1. OVERVIEW

RESEARCH PAPER ON EFFECTS OF DELAYED AND NON-PAYMENT OF CONTRACTORS BY GOVERNMENT FOR INFRASTRUCTURE DEVELOPMENT

The Construction Industry Council (CIC) has in response to the worsening cash-flow situation, which is gradually having a telling effect on the industry, undertaken a study to understand what has led to the prevailing situation, its impact, how industry has responded to mitigate its effects and possible solutions both in the short and long term.

The study highlights a number of issues of concern that have been experienced by contractors during the 2016-2018 period.

Major implications for the industry:

- Evidence shows that in the past three years more than 415 employees have been retrenched by industry.
- Contractors are owed more than E700 million by government, which is probably an understated figure considering that it is based only on survey respondents.
- Construction industry stakeholders (service providers) have also been impacted; as evidenced by slow payments for construction goods provided on credit by suppliers and high defaults on outstanding loans from financiers.
- Indications are that government is no longer undertaking new major projects but is rather concentrating on ongoing infrastructure developments.

To mitigate the effects of non or delayed payments in the short term and in future, contractors and construction industry stakeholders have recommended a number of strategies that can be implemented by industry and government and include the following:

Strategies recommended by Industry:

- Government should establish a Construction Bank or Fund responsible for payment of tenders.
- Government should ensure availability of funds before a project is undertaken.
- Industry Associations should set up professional legal advice and services office to handle adjudication on dispute matters.
- Government deposits funds in an escrow account managed by the CIC.
- CIC should mediate between government and contractors and facilitate communication between the two parties.

9.2. LAUNCH OF SKILLS GAP SURVEY

The Skills Gap Survey Report was successfully launched by the Honorable Minister for Public Works and Transport – Pastor Lindiwe Dlamini on 5th July 2018 at The George Hotel in Manzini. The objective of the skills gap survey was to assess the existing skills situation within the Construction Industry in Eswatini, and the extent to which it is responsive and to match it with the skills required to improve the construction sector. In addition, the study was intended to inform the development of the Council's skills training plan and assist identify skills that could be prioritized for importation into the country based on their scarcity. The findings are that there is a shortage of skills locally for some professions that include; Quantity Surveying, Project management, Civil/Structural engineering and Steel works.

10. HUMAN CAPITAL



HUMAN CAPITAL

10.1 Overview

The Council undertakes industry specific research targeted at understanding underlying factors influencing industry performance and to generate solutions that will lead to improved industry's best practices, sustainability, performance, efficiency and effectiveness. Hence during the period under review, the following research activities were undertaken;

10.2 New and improved Organizational structure

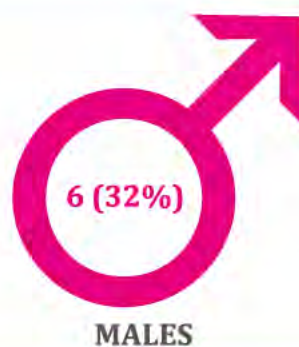
The Board also approved a new organisational structure to improve efficiency and ease of doing business.

10.3 Human Resources Statistics

Table 2: CIC Organizational Growth since Inception

Department	FY2015/2016	FY2016/2017	FY2017/2018	FY2018/2019
CEO's Office	1	1	2	2
Research	1	1	1	2
Operations	3	3	9	7
Finance		1	3	3
Corporate Services		1	3	4
Company Secretary				1
Total No of Employees	5	7	18	19

People Dashboard



10.4 Human Capital Development

Policies – There was development, board approval and implementation of key human resource policies and procedures in alignment with the Council's needs.

Employee Wellness –There was launch of a staff wellness programme, a demonstration of the Council's commitment to prioritizing the welfare of its staff. The Council also became a member of the Swaziland Business Coalition on Health and Aids (SWABCHA), a partnership that has been pivotal in creating awareness in wellness. Rollout of the wellness programme has ensured implementation of fitness and team building initiatives that are aimed at creating a healthy working environment.



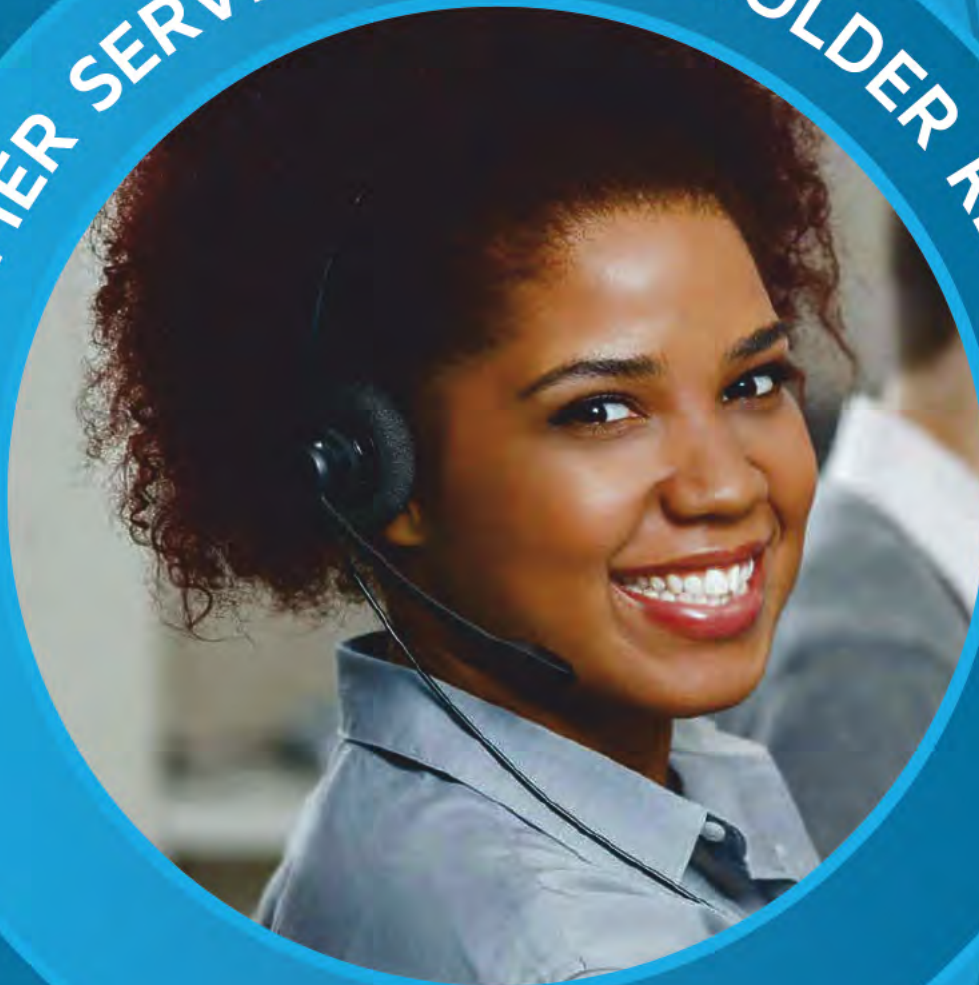
Performance Management System – The Council's desire to boost employee engagement and increased productivity led to the development and implementation of a Performance Management System (PMS). Through the PMS the Council aligned its employees performance, resources and systems to meet its strategic objectives. Furthermore, performance contracts were put in place and staff received training related to implementation of the PMS.

Training –The Training Plan and Budget was approved by the Board. Individual Development Plan (IDP) based trainings took place during the year with 16 trainings successfully completed with an implementation rate of 65%. A variety of training and development opportunities were afforded to staff with an aim of improving employee performance.

Recruitments – The Council filled 3 vacant positions namely the positions of; Research, Training and Business Development Manager, Marketing and Communications Analyst and Receptionist. The Council has 9 vacant positions for the period under review.

Business Model Canvas – A business model canvas (BMC) was developed by the management team as part of the Council's change management strategy. Through the BMC the Council has visualized and positioned its business model for growth and innovation.

11. CUSTOMER SERVICE & STAKEHOLDER RELATIONS



CUSTOMER SERVICE & STAKEHOLDER RELATIONS

11.1 Stakeholder Engagement

One of the functions of the Council is to facilitate communication amongst industry stakeholders, all spheres of Government, statutory bodies and the private sector. In that respect, there has been a significant number of stakeholder engagements during the period which focused on fostering participation of stakeholders in promoting and developing the construction industry.

The Council is in the process of developing an effective framework for stakeholder engagement and will undertake a Stakeholder Mapping exercise next financial year. Stakeholder mapping will assist in drafting an effective and efficient stakeholder engagement strategy. This will further ensure the industry is represented in pertinent issues concerning the industry and create transparency within the Council's operations.

Table 3 below displays the previously identified stakeholders, the medium of reach/engagement and milestones achieved during the period.

Stakeholder	Type of engagement	Milestones
Clients	Periodic meetings and training to align compliance operations within the industry. One on one meetings and interactions	• Increase in industry compliance such as requirements of CIC certificate in construction tender adverts.
Employees	Internal correspondence - newsletter, emails	• Improved employee engagement - Internal Newsletter naming Competition.
Government and parliament	Presentations	• One on one meetings and interactions
Construction Associations	Periodic meetings	• Launch of Construction Industry Associations Policy. • Increased participation of local contractors.
Media	Press media and interviews	• Increased coverage of the Council's activities.
International Bodies	Meetings	• MoU signing with the National House Builder Registration Council South Africa
General Public	Print media, radio shows, website, newsletter and trade shows.	• Pre-recorded Radio shows covering topics on Contractor and Project registrations, contractor categories, levy assessment and remittance; and Compliance and Monitoring of the construction industry.

11.2 Customer service

The Council's target of strengthening stakeholder relations was achieved through improving customer service delivery. The Council established an effective complaint handling procedure which has realized an improvement in the response rate from a three-day average to one-day turnaround.

12. 2018/19 STRATEGIC PLAN PERFORMANCE



12. 2018/19 STRATEGIC PLAN PERFORMANCE

KRA 1: ENSURE FINANCIAL SUSTAINABILITY

Strategic Objective: Implementation of the Revenue Collection Strategy

Action	Action Achieved	Reason/Comment
1. Get Board approval for Implementation of the levy collection strategy	✓ Levy collection strategy in place	Achieved and Ongoing
2. Implement levy collection strategy	✓ Levy collection strategy being implemented	Achieved & Ongoing
3. Increase year on year revenue collection	✓ 16% increase in revenue collected	There is a decline in contractor registration

Strategic Objective: Improvement on Council's cash flow

Action	Action Achieved	Status
1. Align spending patterns with revenue collection	✓ Spending pattern aligned with revenue	Achieved
2. Review Financial Manual	✓ Financial Manual reviewed	Achieved

Strategic Objective: Improve compliance with CIC Act and Levy Regulations

Action	Action Achieved	Status
1. Facilitate direct levy payment by project owners	✓ Direct payments by project owners increased	Achieved
2. Facilitate the approval of CIC Compliance Strategy	✓ Compliance strategy and framework approved	Achieved
3. Implement Compliance Strategy.	✓ Compliance Strategy implemented	Achieved

KRA 2: INDUSTRY DEVELOPMENT AND TRAINING

Strategic Objective: Improve construction industry skills and training

Action	Action Achieved	Status
1. Implement the Construction Industry Skills Training and Development Plan 2018-2020		
✓ Run training on Occupational Health and Safety	✓ Occupational Health and Safety Training not achieved	Deferred due to financial constraints
✓ Facilitate training on Business Management Skills	✓ Business Management skills training not achieved	Deferred due to financial constraints
✓ Conduct Trade Testing for individual artisans	✓ Conducted Trade tested for artisans	Deferred due to financial constraints
✓ Facilitate training on Cost Management and Project Forecasting	✓ Cost Management and Project Forecasting training not achieved	Deferred due to financial constraints

KRA 3: ADVOCACY AND COMPLIANCE

Strategic Objective: Improve compliance on construction standards

Action	Action Achieved	Status
1. Facilitate the development of Construction Industry Procurement Regulations	✓ Draft procurement Regulations not achieved	Deferred due to financial constraints
2. Facilitate the development of the construction Industry Health and Safety Regulations	✓ Draft construction health and safety regulations in place	Achieved

Strategic Objective: Advocate for timely payments to contractors

Action	Action Achieved	Status
1. Present a paper to relevant Government Ministry detailing possible solutions to the challenge of delayed/nonpayment of contractors.	✓ Position Paper not achieved	Pending due to delay in collection of all required information

KRA 4: CUSTOMER SERVICE AND STAKEHOLDER RELATIONS

Strategic Objective: Improve stakeholder relations and engagement

Action	Action Achieved	Status
1. Implement the communication and marketing strategy	✓ Implementation of Communication Strategy done	Achieved and Ongoing

Strategic Objective: Improve service delivery

Action	Action Achieved	Status
1. Develop complaints handling procedure	✓ Customer complaints handling procedure in place	Achieved and Ongoing
2. Improve on turn-around time	✓ Turn around time improved	Achieved and Ongoing
3. Implement complaints handling procedures	✓ Client/customer ratings improved	Achieved and Ongoing



KRA 5: ORGANIZATIONAL CAPACITY AND EFFICIENCY**Strategic Objective: Improve staff skills and knowledge**

Action	Action Achieved	Status
1. Develop a training plan and budget through the Individual Development Plan	✓ Training plan and budget approved	Achieved
2. Make budget provision for the IDP Training Plan	✓ Budget for training plan allocated	Achieved
3. Develop a Reward System	✓ Reward System not achieved	Deferred due to financial constraints
4. Develop a Board development program	✓ Board Development Program in place	Achieved
5. Run/conduct Board capacity building session.	✓ Orientation of Board done	Achieved

Strategic Objective: Improve internal processes

Action	Action Achieved	Status
1. Strategic Plan Review and Budget	✓ Budget and strategic plan reviewed	Achieved
2. Document all business processes	✓ Documentation of all business processes in Standard Operating Procedures (SOPs) in place	Achieved
3. Apply for ISO 9001 Quality Management System certification	✓ Approved ISO 9001 Management System certification work program	Deferred due to financial constraints

Strategic Objective: Improve team culture/organizational culture to make CIC an employer of choice

Action	Action Achieved	Status
1. Develop a change management strategy	✓ Change management strategy not achieved	Deferred due to financial constraints
2. Organize and conduct team building sessions for Staff	✓ Annual Team building sessions undertaken	Achieved
3. Implement the change management strategy	✓ Staff rating on staff surveys not achieved	Deferred, pending development of strategy
4. Design a staff wellness program	✓ Staff Wellness program approved	Achieved



13. IMPLEMENTATION AND MONITORING OF STRATEGIC PLAN



COUNCIL'S STRATEGIC OUTLOOK 2019/20

The Council's work plan is guided by the 2018-2023 strategic plan to deliver on its key strategic objectives. The key deliverables outlined herein also form the basis of evaluating the attainment of strategic goals and key objectives.

Goals	Strategic Objectives	Measure
1. Strive to attain Financial Sustainability	1.1 Implement the Revenue Collection Strategy 1.2 Improve on Council's cash flow 1.3 Improve compliance with CIC Act and Levy Regulations	✓ Percentage increment in levy collected; ✓ Adequacy of funding operations ✓ Compliance ratio
2. Facilitate & Coordinate continuous industry development and training for enhancement of the built environment	2.1 Improve construction industry skills and training 2.2 Promote innovation within construction industry best practice 2.3 Ensure the Implementation of industry specific curriculum 2.4 Improve contractor performance and best practice 2.5 Ensure the growth, graduation and sustainability of Construction SMEs	✓ Implementation rate of the Industry Training Plan ✓ Contractor performance indicators ✓ Agreed changes in the curriculum ✓ Contractor performance reports submitted
3. Advocate for a more conducive environment & enforce the Act to ensure compliance	3.1 Improve compliance on construction industry standards 3.2 Ensure alignment with other Legislative frameworks	✓ Procurement Regulations ✓ Health and Safety Regulations ✓ Board approved amendments to the CIC Act ✓ Board approved amendments to the Construction Levy Regulations
4. Strengthen customer service and improve stakeholder relations	4.1 Improve stakeholder relations and engagement 4.2 Implement the Communication and Marketing Strategy 4.3 Undertake stakeholder mapping 4.4 Develop an Engagement Policy	✓ Increase in customer satisfaction
5. Improve & strengthen systems & processes for enhanced organizational efficiency	5.1 Improve staff skills and knowledge 5.2 Improve internal systems and processes 5.3 Improve team culture/organizational culture 5.4 Improve corporate responsibility	✓ Performance Ratings ✓ Turnaround times for issuance of certificates - management reports

MONITORING OF IMPLEMENTATION

Whereas management will be monitoring the implementation of the strategic plan on a monthly basis through activity-based targets/outputs, the Board will play a pivotal role in assisting management to deliver on the strategy by reviewing performance on a quarterly basis and on an annual basis. The CIC's performance management system will be aligned to strategy delivery so that the results quickly show gaps in the implementation.

A mid-term strategy review will be conducted at the end of Year 3 to test whether the strategic plan remains valid for subsequent remaining years. However, annual performance reviews will continue.

CIC'S FINANCIAL HISTORICAL DATA AS AT 31 MARCH 2019



CIC'S FINANCIAL HISTORICAL DATA AS AT 31 MARCH 2019

	2019	2018	2017	2016	2015
CONSTRUCTION LEVY	8 911 200	5 711 564	69 123	-	
REGISTRATION FEES	777 700	1 082 400	1 083 150	883 100	-
SUBSCRIPTION FEES	4 378 500	4 723 752	4 420 900	3 031 850	3 659 000
ADMINISTRATION FEES	645 115	714 398	612 500		
OTHER INCOME: INTEREST & PENALTIES	233 576	339 834	229 727	188 009	8 453
	14 946 091	12 571 948	6 415 400	4 102 959	3 667 453
OPERATING EXPENSES	14 563 365	12 049 501	5 870 920	5 190 016	2 428 745
DEPRECIATION	613 516	420 296	183 574	166 013	-
TOTAL COSTS	15 176 881	12 469 797	6 054 494	5 356 029	2 428 745
SURPLUS/DEFICIT	-230 790	102 151	360 906	-1 253 070	1 238 708
BALANCE SHEET					
PROPERTY, PLANT & EQUIPMENT	3 559 667	2 804 299	1 401 965	643 217	471 683
CURRENT ASSETS	1 758 473	767 080	462 204	740 887	2 411 127
TOTAL ASSETS	5 318 140	3 571 379	1 864 169	1 384 104	2 882 810
EQUITY & LIABILITIES					
ACCUMULATED FUND	217 906	448 696	346 546	- 14 362	1 238 708
LIABILITIES					
NON CURRENT LIABILITIES	453 006	86 071	149 521	218 403	213 213
CURRENT LIABILITIES	4 647 228	3 036 612	1 368 102	1 180 063	1 431 341
TOTAL LIABILITIES	5 100 234	3 122 683	1 517 623	1 398 466	1 644 554
TOTAL EQUITY & LIABILITIES	5 318 140	3 571 379	1 864 169	1 384 104	2 882 262





2019

**ANNUAL
FINANCIAL
STATEMENTS**

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General Information

Country of incorporation and domicile Eswatini

Nature of business and principal activities Regulate and promote the Construction Industry

Directors	Daniel Dlamini - Chairperson	
	David Manyatsi - Vice Chairperson	Resigned 04 June 2018
	Nhlanhla Maphanga - Vice Chairperson	Appointed 04 June 2018
	Mkhululi Mamba	
	Robert Russo	Resigned 04 June 2018
	Lawrence Samuels	
	Derrick Shiba	
	Sanele Khuluse	
	Sidumo Dlamini	Resigned 04 June 2018
	Dumsile Shongwe	
	Trevor Tshabalala	Resigned 06 March 2019
	Eric Kunene	Appointed 06 March 2019
	Marianna Pullen	Appointed 06 March 2019

Chief Executive Officer Nhlanhla Dlamini

Business address J.S.M. Matsebula Street
Mbabane

Postal address P. O. Box 5020 Mbabane, H100

Bankers Eswatini Development and Savings Bank
Nebank (Eswatini) Limited

Auditors Kobla Quashie and Associates
Chartered Accountants
(Eswatini) Manzini

Legal Advisor S.V. Mdladla and Associates

Directors' Responsibilities and Approval

Annual Financial Statements for the year ended 31 March 2019

The directors are required in terms of the Construction Industry Council Act No. 14 of 2013 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Council as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

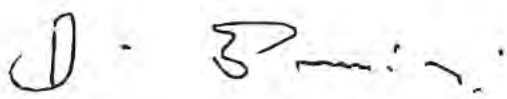
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Council and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Council and all employees are required to maintain the highest ethical standards in ensuring the Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Council is on identifying, assessing, managing and monitoring all known forms of risk across the Council. While operating risk cannot be fully eliminated, the Council endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Council's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the Council has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Council's annual financial statements. The annual financial statements have been examined by the Council's external auditors and their report is presented on pages 4 to 5

The annual financial statements set out on pages 6 to 26, which have been prepared on the going concern basis, were approved by the board of directors on 02 October 2019 and were signed on its behalf by:



Chairperson



Chief Executive Officer

Independent Auditors' Report

Annual Financial Statements for the year ended 31 March 2019

To the members of Construction Industry Council

We have audited the annual financial statements of Construction Industry Council, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on 6 to 24.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Construction Industry Council Act No. 14 of 2013. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

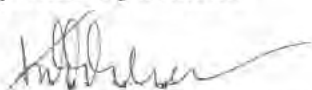
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due 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 annual 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Construction Industry Council as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Construction Industry Council Act No. 14 of 2013.

Kobla Quashie and Associates
(Eswatini) Manzini



Registered Auditor: Daniel Bediako

Chartered Accountants



Directors' Report

Annual Financial Statements for the year ended 31 March 2019

The directors submit their report for the year ended 31 March 2019.

1. Review of activities

Main business and operations

The Construction Industry Council (CIC) is an independent regulatory body established by an Act of Parliament (Construction Industry Council Act No. 14 of 2013) as part of Government's strategy to provide for the promotion and development of the Construction Industry in Eswatini.

The Council continued to be engaged in regulating and promoting the construction industry and operates principally in Eswatini.

The operating results and state of affairs of the Council are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

3. Directors

The directors of the Council during the year and to the date of this report are as follows: Name Changes

Daniel Dlamini - Chairperson	
David Manyatsi - Vice Chairperson	Resigned Monday, 04 June 2018
Nhlanhla Maphanga - Vice Chairperson	Appointed Monday, 04 June 2018
Mkhululi Mamba	
Trevor Tshabalala	Resigned Wednesday, 06 March 2019
Roberto Russo	Resigned Monday, 04 June 2018
Lawrence Samuels	Appointed Monday, 04 June 2018
Derrick Shiba	
Sidumo Dlamini	Resigned Monday, 04 June 2018
Sanele Khuluse	
Dumsile Shongwe	
Eric Kunene	Appointed Wednesday, 06 March 2019
Marianna Pullen	Appointed Wednesday, 06 March 2019

Directors' Report

Annual Financial Statements for the year ended 31 March 2019

4. Secretary

The secretary of the Board during the year was Mr Nhlanhla Dlamini inline with Section 18(4)(b) of Construction Industry Council Act No. 14 of 2013.

The secretary of the company is Qinisile Maseko.

5. Auditors

Kobla Quashie and Associates will continue in office for the ensuing year.

Statement of Financial Position

Annual Financial Statements for the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	2	3 559 667	2 804 299
Current Assets			
Trade and other receivables	3	239 610	117 752
Cash and cash equivalents	4	1 518 863	649 328
Total Assets		1 758 473	767 080
		5 318 140	3 571 379
Equity			
Accumulated funds		217 906	448 696
Non-Current Liabilities			
Borrowings	5	453 006	86 071
Current Liabilities			
Trade and other payables	6	4 428 675	2 921 631
Provisions	7	-	2 925
Total Liabilities		4 647 228	3 036 612
		5 100 234	3 122 683
Total Equity and Liabilities		5 318 140	3 571 379

Statement of Comprehensive Income

Annual Financial Statements for the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019	2018
Income		14 837 875	12 514 541
Operating expenses		(15 115 277)	(12 419 410)
Operating surplus	8	(277 402)	95 131
Interest income		108 216	57 407
Finance costs		(61 604)	(50 386)
(Deficit)/ Surplus for the year		(230 790)	102 152
Other comprehensive income		-	-
Total (deficit)/ surplus		(230 790)	102 152
(Deficit)/ Surplus for the year		(230 790)	102 152

Statement of Change In Equity

Annual Financial Statements for the year ended 31 March 2019

	Accumulated funds	Total equity
Figures in Emalangeni		
Balance at 01 April 2017	346 544	346 544
Changes in equity	102 152	102 152
Total changes	102 152	102 152
Balance at 01 April 2018	448 696	448 696
Changes in equity		—
Total comprehensive income for the year	(230 790)	(230 790)
Total changes	(230 790)	(230 790)
Balance at 31 March 2019	217 906	217 906

Statement of Cash Flows

Annual Financial Statements for the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	9	2 084 470	2 195 629
Interest income		108 216	57 407
Net cash from operating activities		2 192 686	2 253 036
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1 734 979)	(1822630)
Cash flows from financing activities			
Finance lease movement		411 828	(111 700)
Total cash movement for the year		869 535	318 706
Cash at the beginning of the year		649 328	330 622
Total cash at end of the year	4	1 518 863	649 328

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

Construction Industry Council

Annual Financial Statements for the year ended 31 March 2019

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Construction Industry Council Act No. 14 of 2013. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Eswatini Emalangeni.

These accounting policies are consistent with the previous period.

1.1 Introduction

Construction Industry Council (CIC) is a Government parastatal established in terms of the Construction Industry Act No. 14 of 2013. It is a corporate body with perpetual succession capable of suing and being sued, subject to the provisions of the Act.

The addresses of the office and principal place of business are disclosed in the introduction of the annual report on page 1.

1.2 Significant judgments

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivables

The Council assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Council makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 7 - Provisions.

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

1.3 Changes in Accounting Policies and Disclosures

Amendments mandatory effective for the year ended 31 March 2019

The following is a summary of the new and revised IFRSs that are mandatory effective for the annual periods beginning on or after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Council has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies. The new accounting policies are set out in note 1.9. In accordance with the transition provisions in IFRS 15, the Council has not restated comparatives for the 2018 financial year. Management made an impact assessment and concluded that no adjustment was required. Refer to note 10 for more detailed explanation.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and provide some transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash considerations.

Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. The amendments have no impact on the Council's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The amendment has no impact on the Council's financial statements.

IFRS 9 Financial Instruments

The Council has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Council did not early adopt IFRS 9 in previous periods.

Classification and measurement

The IFRS 9 standard includes changes in the classification and measurement bases of the Council's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Amounts owing by related parties, trade and other receivables, other financial assets and cash and cash equivalents are measured at amortised cost. There is therefore no change to classification of these assets.

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

IFRS 9 requires financial assets to be classified on the basis of two criteria:

1.3 Changes in Accounting Policies and Disclosures (continued)

- The business model within which financial assets are managed, and
- Their contractual cash flow characteristics (whether the cash flows represent solely payments of principal and interest).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are required to be measured at fair value through profit and loss if they are held for the purposes of trading, if their contractual cash flows do not meet the 'solely payments of principal and interest criterion, or if they are managed on a fair value basis and the Council maximises cash flows through sale.

IFRS 9 allows an entity to irrevocably designate a financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch).

Impairment calculation

The impairment model has been changed from an "incurred loss" model from IAS 39 to a forward-looking "expected credit loss" (ECL) model under IFRS 9.

IFRS 9 outlines a "three stage" model for impairment based on credit quality since initial recognition, as summarized below:

A financial asset / loan issued that is not credit impaired on recognition and has not undergone significant deterioration in credit risk (SICR) since initial recognition is classified in "Stage 1". If a significant increase in credit risk since initial recognition has been identified, the financial asset is classified in "Stage 2" but is not yet deemed to be credit impaired. If the financial asset is credit impaired then it is classified in Stage 3.

Within the Council the following definitions exist for the classification of financial assets and identification of SICR:

- Any financial asset which is performing and up to 30 days in arrears is considered Stage 1
- Any financial asset with a maximum arrears level of between 31 and 90 days is considered Stage 2
- Any financial assets with a maximum arrears level of greater than 90 days is considered credit impaired and stage 3

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

Once the portfolio has been classified into the three given stages, IFRS 9 loss allowances are measured on either of the following bases:

- Stage 1: 12-month expected loss – A 12-month ECL implies the loss expected in the 12 months following Reporting date
- Stage 2 and Stage 3: Lifetime ECLs – that is, the loss expected over the lifetime of loans falling within this category

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

ECL Methodology

The methodology adopted by the Council to calculate Expected Credit Losses relies on historical cash flow data across all jurisdictions. This data allows for an accurate estimation of historical losses, given certain levels of arrears reached. This data takes into account any recoveries made from accounts which rectify from arrears, as well as written off amounts from accounts which failed to rectify. The historical data is distilled into Expected Credit Loss rates which are applied to individual accounts, based on the level of arrears for that account.

In addition to the historical cash flow modelling, Expected Credit Losses are subjected to forward looking adjustments based on “upside” and “downside” scenarios. That is, the final ECL value is a weighted average of the current impairment number (given current portfolio dynamics), a projected value based on favourable conditions and a projected value based on unfavourable conditions. This is based on the IFRS 9 requirement that ECL estimates are based on multiple future scenarios encompassing with favourable and unfavourable economic conditions.

1.3 Changes in Accounting Policies and Disclosures (continued)

Refer to note 10 for more detailed explanation.

Amendments not mandatory effective for the year ended 31 March 2019

The Council has not yet adopted the following standards and interpretations, which have been published and are mandatory for accounting periods beginning on or after 1 January 2019:

- Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015-2017 cycle;
- Amendments to IAS 23 Borrowing costs: Annual Improvements to IFRS 2015-2017 cycle;
- IFRIC 23 Uncertainty over Income Tax Treatments, and
- IFRS 16 Leases.

Amendments to IAS 12 Income Taxes

These amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits. The amendments are not expected to have a significant impact on the Council's financial statements. They apply for annual periods beginning on or after 1 January 2019.

Amendments to IAS 23 Borrowing costs

These amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The amendments are not expected to have a significant impact on the Council's financial statements. They apply for annual periods beginning on or after 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used, and
- the potential impact of uncertainties that are not reflected.

The standards and interpretations are not expected to have a significant impact on the Council's financial statements. IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

1.3 Changes in Accounting Policies and Disclosures (continued)

The Council have begun assessing the potential impact of IFRS 16 on the financial statements.

The Council enters into operating leases of relatively short duration (not more than 3 years) and with the overall lease expenditure not amounting to more than 5% of the operating expenditure. Operating lease expenditure will have a similar accounting treatment as finance lease. The right to use an asset is recognised by the lessee and a lease liability representing its obligation to make lease payments. The standard is not expected to have a significant impact on the results of the Council.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Council; and
- the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item Rates

Furniture and fixtures	10%
Motor vehicles	25%
Office equipment	10%
Computer	33.33%
Leasehold improvements	10%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the Council becomes a party to the contractual provisions of the instruments.

The Council classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Loans to managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Council's accounting policy for borrowing costs.

1.6 Leases

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

Finance leases – lessee

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

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

Summary of Significant Accounting Policies

Annual Financial Statements for the year ended 31 March 2019

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The provision for employee entitlement to salaries and annual leave represent the amount the Council has a present obligation to pay, as a result of employees' services provided up to the balance sheet date. The provision has been calculated based on the current year salary rates.

Pension obligation

The Council has a defined contribution plan that is maintained by Metropolitan. The entity's liability ends with the paying over the contributions to Metropolitan and has no further obligation thereafter. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Terminal benefits

Terminal benefits are payable whenever an employees' employment is terminated before the normal retirement date or if the employee accepts voluntary redundancy in exchange for these benefits. The Council only recognises termination benefits when it is demonstratively committed to either terminate the employment of current employees according to a detailed formal plan or as a result of an offer made to employees to encourage voluntary redundancy. Benefits falling due in more than 12 months are discounted in present values

Summary of Significant Accounting Policies

1.8 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.9 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Council and the amounts of revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue has been recognised from application fees, subscriptions for membership renewal, administration fee, penalties and levies in the year under review.

Interest income

Interest is recognised, in profit or loss, using the effective interest rate method.

1.10 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Related parties

The major related party to the Council apart from its Directors is the Government of Eswatini who exercises a significant influence over its financial and operating decisions.

Figures in Emalangeni

2019

2018

2. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying	Cost / Valuation	Accumulated depreciation	Carrying
Furniture and fixtures	825	(167	658 062	671	(91	580
Motor vehicles	1 048	(514	534 023	427	(317	109
Office equipment	177	(44	132 645	176	(27	149
Computer	1 853	(521	1 331	1 823	(262	1 561
Leasehold improvements	922	(18	903 279	448	(44	403
	162	883)		661	700)	961
Total	4 827	(1 267	3 559	3 547	(743	2 804

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
	580 035					
Furniture and fixtures		153 525	-	-	(75 498)	658 062
Motor vehicles	109 732	621 745	-	-	(197 454)	534 023
Office equipment	149 241	7 870	-	(7 000)	(17 466)	132 645
Computer	1 561 330	29 677	-	-	(259 349)	1 331 658
Leasehold improvements	403 961	922 162	(366 095)	7 000	(63 749)	903 279
	2 804 299	1 734 979	(366 095)	-	(613 516)	3 559 667

Reconc. of property, plant & equipment -2018

Motor vehicles	216 515	-	(106 783)	109 732
Office equipment	110 899	47 225	(8 883)	149 241
Computer	49 105	1 699 072	(186 847)	1 561 330
Leasehold improvements	435 667	19 993	(51 699)	403 961
	1 401 965	1 822 630	(420 296)	2 804 299

3. Trade and other receivables

Employee costs in advance	49 683	36 022
Deposits	71 100	30 300
Architects, Engineers, Surveyors & AP Council	13 680	13 680
Sundry receivables	105 147	37 750
	239 610	117 752

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 999	5 000
Nedbank (Eswatini) Limited - current & call accounts	1 131 476	392 313
Eswatini Development & Saving Bank - current & call accounts	382 388	252 015
	1 518 863	649 328

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

5. Borrowings

Minimum lease payments due

- within one year	218 553	112 056
- in second to fifth year inclusive	453 006	86 071
Present value of minimum lease payments	671 559	198 127

Current liabilities	218 553	112 056
	671 559	198 127

The lease obligation is with Eswatini Development and Savings Bank and is secured by motor vehicles with a net book value of E534 023 : (2018 - E109 732) included in note 2.

It is Council policy to lease certain property (motor vehicles) under finance leases.

6. Trade and other payables

Trade payables	1 557 159	1 690 267
Advance deposits	1 718 965	421 286
Unallocated receipts	1 152 551	810 078
	4 428 675	2 921 631

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

7. Provisions

Reconciliation of provisions – 2019

Opening balance	Utilised during the year
Gratuity	2 925 2925
	Total

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

8. Operating surplus

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

Operating lease charges

Premises

- Contractual amounts	706 083	323 220
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Notes to the Annual Financial Statements

Figures in Emalangeni

2019

2018

8. Operating surplus (continued)

Loss on sale of property, plant and equipment	(366 095)	-
Depreciation on property, plant and equipment	613 516	420 296
Employee costs	7 616 592	6 549 465
Directors' fees and expenses	843 186	1 000 441
Auditors' remuneration	92 847	96 558

9. Cash generated from operations

(Deficit)/ surplus for the year	(230 790)	102 152
Adjustments for:		
Depreciation and amortisation	613 516	420 296
Loss on sale of assets	366 095	-
Interest received	(108 216)	(57 407)
Finance costs	61 604	50 386
Movements in provisions	(2 925)	-
Changes in working capital:		
Trade and other receivables	(121 858)	13 830
Trade and other payables	1 507 044	1 666 372
	2 084 470	2 195 629

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

10. Changes in accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the Council have applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Council's financial statements are described below.

The Council has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification of financial assets

There has been no change in financial liabilities and they are still classified at amortised cost.

IFRS 15 Revenue from Contracts with Customers

In the current year, the Council has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18.

Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Council's financial statements are described below. Refer to the revenue accounting policy for additional details.

The Council has applied IFRS 15 with an initial date of application of 01 April 2018 in accordance with the cumulative effect method.

The Directors have reviewed, assessed and concluded that there is no change in revenue recognition. Consequently, this standard has no impact on the Council.

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

Figures in Emalangeni	2019	2018
11. Related parties		
Relationships		
Stakeholder with significant influence	Government of Swaziland	
Members of the Council	Daniel Dlamini Nhlanhla Maphanga Dumsile Shongwe Derrick Shiba Lawrence Samuels Mkhululi Mamba Eric Kunene Marianna Pullen	
Members of key management	Nhlanhla Dlamini	
Related party transactions		
Expenses		
Directors fees and expenses	843 186	1 000 441

12. Risk management

Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern in order to provide returns for Council and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Notes to the Annual Financial Statement

Annual Financial Statements for the year ended 31 March 2019

The capital structure of the Council consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 5 , cash and cash equivalents disclosed in note 4, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The Council's risk to liquidity is a result of the funds available to cover future commitments. The Council manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Detailed Statement of Financial Performance

Annual Financial Statements for the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019	2018
Income			
Administration fees		645 115	714 398
Registration fees		777 700	1 082 400
Construction levy		8 911 200	5 711 564
Annual subscription fees		4 378 500	4 723 752
Interest received		108 216	57 407
Penalties and other income		125 360	281 227
Tender documents		-	1 200
		14 946 091	12 571 948
Operating expenses			
AESAP grant paid		741 142	841 000
Advertising and marketing		803 342	730 421
Auditors remuneration		92 847	96 558
Bank charges		83 090	93 819
Cleaning		16 092	12 831
Computer expenses		30 778	102 619
Consulting fees		632 280	771 908
Depreciation		613 516	420 296
Directors' fees and expenses		841 837	1 000 441
Employee costs		7 616 592	6 549 465
Insurance		217 393	71 331
Kitchen supplies		9 756	8 324
Loss on disposal of assets		366 095	-
Motor vehicle expenses		26 365	5 795
Operations, monitoring and compliance expenses		173 080	20 378
Printing and stationery		140 503	240 756
Protective clothing		14 157	12 748
Rent		706 083	323 220
Repairs and maintenance		19 125	6 234
Telephone and fax		270 659	256 322
Training and development		481 324	201 317
Travel, accommodation and conferences		1 145 680	613 095
Utilities		73 541	40 532
		15 115 277	12 419 410
Operating surplus	8	(169 186)	152 538
Finance costs		(61 604)	(50 386)
(Deficit)/ Surplus for the year		(230 790)	102 152



CONSTRUCTION
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