

RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

Annual Financial Statements
for the year ended 31 March 2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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Published by National Treasury

Private Bag X115, Pretoria, 0001, South Africa
Tel: +27 12 395 6697, Fax: +27 12 406 9055

Reconstruction and Development Programme Fund

Annual Financial Statements 31 March 2017
is also available on www.treasury.gov.za

ISBN: 978-0-621-45944-9 | RP: 347/2017

Layout: National Treasury Communications



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RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

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EXECUTIVE OVERVIEW



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THE EXECUTIVE OVERVIEW 2016/17

South Africa is in the 23rd year of democracy. Government's mission still remains the quest for a united, democratic, non-sexist, non-racial and prosperous nation. Through the guidance of the National Development Plan (NDP), the aim is to build a country free from poverty, inequality and unemployment.

The Reconstruction and Development Programme fund received grants and donations from foreign donors to assist in achieving the goals set out by the NDP. During the 2016-17 financial year, grants and donations increased by 22 percent however, some of the funds utilised on the priorities were from the grants and donations received in the previous financial years. Herewith a brief overview of the various sectors.

1. HEALTH SERVICES

The Health sector received funding amounting to R550 million from international donors during the financial year ended 31 March 2017. The overall objectives were:

- To prevent new HIV, STI's and TB infections;
- To enable the health community to meet National Strategic Plan on HIV, STI's and TB programmes;
- To address social and structural drivers of HIV, STI's and TB prevention and care;
- To sustain health and wellness among people living with HIV and those affected by HIV and AIDS;
- To create an enabling environment for programme implementation through effective management, planning and monitoring;
- To implement public health programmes;
- For surveillance and disease control and prevention activities focusing on infectious and non-infectious diseases;
- For HIV Counselling and testing including Paediatric HIV care and management;
- For the prevention of mother to child transmission programme;
- For Integrated Management of Childhood illness;
- For TB/HIV Management;
- For Central Chronic Medicines Dispensing and distribution programme; and
- Medical male circumcision.

The programme achieved the following:

- 3 699 688 adults and children with advanced HIV infection received antiretroviral therapy;
- 140 health workers within 52 districts were trained in respect of counselling and testing of the children and couples with regards to infectious and non-infectious diseases;
- Revision, printing and distribution of 8000 HIV Counselling and Testing (HCT) registers to all provinces;
- 11 317 cases with drug resistant TB began second line treatment; Communities were educated through the media on the prevention of mother to child transmissions (PMTCT) of HIV;
- To date, 94 151 circumcisions were conducted in 64 sites;
- 16 500 Paediatric and Adolescent HIV management disclosure guidelines were printed and rolled out and workshops were conducted;
- 329 Pharmacist Assistants were appointed to work within health facilities to assist with the Central Chronic Medicines and distribution programme (CCMDD);
- 7.9 per cent of people from vulnerable populations were reached through media in respect of TB preventions; and

THE EXECUTIVE OVERVIEW 2016/17

- 36 per cent inmates diagnosed with TB commenced with the treatment while
- 47.1 per cent of inmates were provided with a comprehensive TB and HIV prevention packages in various correctional centres.

2. EDUCATION

The education sector received R150 million to strengthen the fundamental elements of the General Education and training band to ensure quality basic education for all learners and to provide career development services. The programme achieved the following:

- 27.5 million of Grade 1 to 9 workbooks were printed and delivered to schools;
- 3 512 335 Grade R workbooks were printed and delivered to all schools across the country;
- 168 teacher-interns were recruited, supported and developed;
- 100 participants attended the Early Childhood Development (ECD) Round Table and also participated in 5 commissions towards strengthening the implementation of the ECD; and
- 26 000 schools apply the Curriculum Assessment Policy Statements (CAPS) with the emphasis on technical schools and inclusive education.

3. THE GENERAL ADVISORY SUPPORT PROGRAMME

The programme received R60 million during the 2016/2017 financial year. The objectives were:

- To establish National Treasury Expenditure Review Project;
- Implement Standard Chart of Accounts (SCOA) for Municipalities;
- Public Finance Data Analysis and Review Project; and
- Provincial Development Finance Institutions Review.

The programme achieved the following:

- 27 Public Expenditure reviews (PERs) were finalised and 25 reviews are available on Government Technical and Advisory Centre (GTAC) website;
- For the Municipal SCOA (mSCOA)
 - version 6 for municipalities was implemented;
 - 336 delegates across 4 provinces completed the training together with budget training;
 - 22 delegates completed the basic accounting training;
 - 5 821 officials and stakeholders across the affected environment received related training;
 - 3 124 officials including Councillors and Provincial Treasury officials across the country received training;
 - 243 municipalities registered on the National Treasury Local Government (LG) upload portal; and
 - 54 municipalities uploaded an mSCOA aligned budget to the National Treasury LG upload portal.
- Data rationalisation process, data modelling and improved reporting processes were implemented;
- All 8 of the current Provincial Development Finance Institutions (PDFI's) as part of broader effort to develop a more coherent and cost-effective development finance system for South Africa were reviewed.

THE EXECUTIVE OVERVIEW 2016/17

4. THE JUSTICE SERVICES

Donors contributed R45 million towards the Socio-Economic Justice for all (SEJA) programme with the main purpose of supporting the government of South Africa to fulfil its mandate on the enhancement of Socio-Economic Rights and strengthen partnership with Civil Society. The overall objectives were:

- To improve awareness of constitutional rights with an emphasis on socio-economic rights on vulnerable and marginalised groups;
- To enhance democratic participation through public policy dialogue on constitutional rights;
- To improve and sustain collaboration between Government, Chapter Nine Institutions, Civil Society Organisations and other stakeholders in terms of justice service delivery;
- To increase research on socio-economic rights and jurisprudence; and
- To strengthen capacity, engagement and participation of Civil Society Organisations (CSO's) in the realisation of Constitutional rights.

The programme achieved the following:

- 1 647 470 people were reached through media to raise awareness and knowledge of the Constitution with an emphasis on socio-economic rights and on vulnerable and marginalised groups ;
- 143 grants awarded to CSO's who promote awareness and socio-economic rights among vulnerable and marginalised groups;
- 2 additional research projects on the implementation of socio-economic rights were conducted; and
- 51 community dialogues were conducted and 2 340 people were reached to be informed about service provided and how to access them using community dialogues.

5. THE MASS PARTICIPATION, OPPORTUNITY & ACCESS, DEVELOPMENT AND GROWTH (MOD)

Donors contributed R44 million towards the MOD programme. This programme focuses on promoting various MOD centres and encourages learners to attend after school sporting and art programmes. The following were achieved:

- MOD centres were set up at schools and caretakers appointed;
- Coaches were appointed to work daily at the centres;
- Sport and audio visual equipment as well as sports gear were purchased;
- Transport to activities at a different location were paid for; and
- Activities and festivities took place in all 9 provinces.

THE EXECUTIVE OVERVIEW 2016/17

6. THE ECONOMIC SERVICES

The Energy Sector received donations amounting to R13 million. The overall objective was to identify seismic hazards at different locations within the area which could affect critical structures i.e. subways, bridges, elevated highways, sky trains and dam sites. The following were achieved:

- Computing of PSHA map for 123 sites using shear wave velocity values from Multichannel Analysis of Surface Waves (MASW) ;
- Data collected for 195 sites in Johannesburg was processed and reviewed using Surfeits' Software package;
- Data required for the Probabilistic Seismic Hazard Analysis (PSHA) has been gathered and development; and
- PSHA calculations and Post processing to prepare response spectrum, which includes confirmation and investigation into suspect earthquakes and large earthquakes.

RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND



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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

UNQUALIFIED OPINION

1. I have audited the financial statements of the Reconstruction and Development Programme Fund set out on pages 6 to 8, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Reconstruction and Development Fund as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Reconstruction and Development Programme Fund Act, 1994 (As amended by Act 79 of 1998).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

RESPONSIBILITIES OF ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Reconstruction and Development Programme Fund Act, 1994 (As amended by Act 79 of 1998) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting officer is responsible for assessing the Reconstruction and Development Programme Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

PERFORMANCE INFORMATION REPORTING

10. The fund is not required to prepare a report on its performance against predetermined objectives as it does not fall within the ambit of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and such reporting is also not required in terms of the Reconstruction and Development Programme Fund Act, 1994 (As amended by Act 79 of 1998).

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

11. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the fund with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
12. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORTS

13. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records as required by section 40(1)(a) and/or (b) of the PFMA. Material misstatements of current assets identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

OTHER INFORMATION

14. The Reconstruction and Development Programme Fund's accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the accounting officer's review report. The other information does not include the financial statements and the auditor's report thereon.
15. My opinion on the financial statements and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
16. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

17. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

FINANCIAL AND PERFORMANCE MANAGEMENT

- Management did not keep regular, accurate and complete financial records to support the information reported in the financial statements.

Auditor-General

Pretoria
27 October 2017



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and on the fund’s compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reconstruction and Development Programme Fund’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause the fund to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

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ACCOUNTING OFFICER'S REVIEW



national treasury

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ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2017

The Reconstruction and Development Programme Fund (RDP Fund) was established on 1 November 1994 in terms of the Reconstruction and Development Programme Fund Act, 1994 (Act No 7 of 1994) (RDP Act). An amended Act was promulgated on 28 October 1998 (Act No 79 of 1998).

The income of the RDP Fund consists of government grants and donations received. Although donor countries and spending agencies follow up continuously on deposits made into the RDP fund it was not feasible for the fund to institute accounting controls over funds received from donors before initial entry of the receipts in the accounting records. Therefore the revenue disclosed might be incomplete.

The RDP Fund showed increased activity during the 2016/17 financial year. Grants and donations received, increased by 22% (compared to 2015/16) to R1 786 million from R1 458 million. The increased grants and donations are as a result of final tranche receipts under the EU-SA multi annual programme (MIP 2007-2014) which were mainly Sector Budget Policy Programmes. These grants and donations do not represent all the Official Development Assistance (ODA) provided to South Africa by the international donor community. Technical assistance represents a significant proportion of foreign aid, and a number of donors do not allow South African Spending Agencies to assume responsibility for the financial management of ODA.

The amounts transferred to the Spending Agencies from the RDP Fund decreased by 22% (compared to 2015/16) to R1 945 million from R2 480 million. The decreased transfers to Spending Agencies are as a result of the variable and fixed tranche requirements required from the Spending Agencies. Funds are not immediately transferred to Spending Agencies; they are requested on an annual basis and aligned to their business plans. Total accumulated funds in the RDP Fund increased to R4 195 million from R3 817 million in 2015/16. This amount consists of a capital element of R3 276 million and interest accrued on capital invested totaling R1 070 million. Included in the balance of accumulated funds are un-earmarked funds to be reallocated. These un-earmarked funds were received since the inception of the fund in 1994 until the amended RDP Act which was passed on 28 October 1998 and the RDP Fund is still waiting Cabinet approval. This funding comprised mainly from the donation of R40 million by the South African Post Office and the accumulation of interest thereon. Of the said transfers, 38% (2015/16: 68%) was from grants and donations received during the year. These transfers enabled Spending Agencies to initiate and implement programmes in various sectors.

The main reasons why there is no immediate disbursement from the RDP Fund account to South African Spending Agencies are:

- Donors deposit funds into the RDP Fund prior to the project commencement whilst spending is spread over the life of the project.
- Time lags exist between deposits and transfer payments as most deposits into the RDP Fund account are prior to transfer payments being made to South African Spending Agencies.
- Funds in the RDP Fund account are transferred to Spending Agencies on their request. Until required, such funds are invested with the Public Investment Corporation (PIC) to earn interest.
- Un-earmarked funds, i.e. deposits for which no project has been specified, are sometimes made into the RDP Fund. Such payments have to be verified prior to decision-making by Cabinet on their utilisation. Un-earmarked funds in the RDP Fund amounts to R303 million and the included interest earned amounts to R270 million. A new proposal on the utilisation of R40 million of the un-earmarked capital funds to be re-submitted to the Minister of Finance for consideration.
- Donor-supported development projects are sometimes implemented slower than originally envisaged due to capacity constraints in implementing agencies and/or donor institutions, unrealistic planning and/or complicated implementation modalities in cases where donor rules and procedures have to be followed. All of these factors can contribute to funds remaining in the RDP Fund account longer than planned.

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2017

The tables below reflect grants and donations of R10 million and more. The amounts received for the year exclude interest, whilst amounts transferred for the year may include interest accrued and surrenders from Spending Agencies. Accumulated funds as at 31 March 2017 are net of refunds to donors and include interest accrued.

TABLE 1: Analysis of Grants and Donations by Spending Agency for the various programmes:

	TRANSFERRED FOR THE YEAR				ACCUMULATED FUND AS AT 31 MARCH 2017			
	2016/17		2015/16		2016/17		2015/16	
	R'm	%	R'm	%	R'm	%	R'm	%
Health	790	41	1 204	49	264	6	345	9
Trade and Industry	332	17	179	7	607	14	863	23
Basic Education	145	7	150	6	102	2	232	6
Higher Education and Training	98	5	47	2	169	4	93	2
Energy	91	5	185	7	100	2	84	2
National Treasury	77	4	121	5	2 070	49	1 349	35
Provincial Treasury (KwaZulu Natal)	74	4	42	2	-	-	-	-
Social Development	57	3	76	3	24	1	61	2
Justice and Constitutional Development	45	2	73	3	18	1	18	1
Cultural Affairs and Sports (Western Cape)	44	2	40	2	-	-	-	-
Public Service and Administration	44	2	28	1	94	2	55	1
Various Departments	35	2	28	1	417	10	427	11
Science and Technology	32	2	173	7	130	3	99	3
Department of Rural Development and Land Reform	27	1	36	1	-	-	-	-
Environmental Affairs	16	1	-	-	48	1	39	1
Mineral Resources	13	1	17	1	-	-	-	-
Community Safety (Western Cape)	14	1	12	-	-	-	-	-
Women	11	-	-	-	-	-	-	-

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2017

	TRANSFERRED FOR THE YEAR				ACCUMULATED FUND AS AT 31 MARCH 2017			
	2016/17		2015/16		2016/17		2015/16	
	R'm	%	R'm	%	R'm	%	R'm	%
Parliament	-	-	38	2	-	-	-	-
Performance Evaluation and Monitoring	-	-	31	1	-	-	-	-
Cooperative Governance and Traditional Affairs	-	-	-	-	31	1	-	-
Water Affairs and Sanitation	-	-	-	-	19	1	17	1
Economic Development and Tourism (KZN)	-	-	-	-	15	-	-	-
Department of International Relation and Corporation	-	-	-	-	-	-	13	-
Transport	-	-	-	-	12	-	11	-
Defence	-	-	-	-	18	1	17	1
Public Works	-	-	-	-	13	1	12	-
PE Municipality	-	-	-	-	24	1	22	1
Provincial Treasury (Eastern Cape)	-	-	-	-	-	-	15	-
Education	-	-	-	-	10	-	12	-
SA Police Service	-	-	-	-	10	-	10	-
Economic Development	-	-	-	-	-	-	23	1
SUBTOTAL	1 945	100	2 480	100	4 195	100	3 823	100
Receivable from Departments	-	-	-	-	151	-	229	-
Total Capital Transfers	1 945	100	2 480	100	4 346	100	4 052	100
Interest Allocated	-	-	-	-	-	-	-	-
Payables to Departments	-	-	-	-	-	-	-	-
TOTAL	1 945	100	2 480	100	4 346	100	4 052	100

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2017

TABLE 2: Programmes for which Grant and Donations were received:

	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2016/17		2015/16		2016/17		2015/16	
	R'm	%	R'm	%	R'm	%	R'm	%
General Budget Sector Support Programme	817	46	-	-	-	-	-	-
SAF-C-NDOH-DD01.0	428	24	-	-	-	-	-	-
Primary Health Care Sector Policy Support	110	6	-	-	240	12	322	13
COAG I and II	84	5	46	3	82	4	22	1
Teaching and Learning Development Reform	79	4	-	-	-	-	-	-
Various other projects	69	4	48	4	74	4	64	3
Public Service Improvement Facility	68	4	34	2	42	2	24	1
Socio-Economic justice for all	45	3	65	4	45	2	65	3
Building a Capable State	32	2	-	-	20	1	18	1
Caasnet Programme	25	1	-	-	-	-	-	-
BIOFISA II Programme	19	1	21	1	-	-	17	1
Settlement and Development of Land Beneficiaries Programme	10	-	10	1	27	1	36	1
SAF-H-NDOH	-	-	753	52	467	24	858	35
Sector Policy Support Programme	-	-	245	17	145	7	150	6
Teaching and Learning Development Reform contract	-	-	80	5	21	1	-	-
Orphans, Vulnerable Children and Youth Project ¹	-	-	71	5	38	2	33	1
Orphans, Vulnerable Children and Youth Project ²	-	-	42	3	17	1	24	1
Renewable Energy Development Programme	-	-	19	1	22	1	31	1
SECO- Local Economic Development Programme	-	-	13	1	-	-	-	-

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2017

	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2016/17		2015/16		2016/17		2015/16	
	R'm	%	R'm	%	R'm	%	R'm	%
Preparation of Intended Nationally Determined Contribution	-	-	11	1	-	-	-	-
Employment Creation Sector Support Policy Programme	-	-	-	-	297	15	145	6
ICT Innovation Programme to support development and government Service Delivery	-	-	-	-	-	-	45	2
Legislative Sector Policy Support Programme	-	-	-	-	-	-	38	2
Pro Poor Policy Programme Phase I ,II and III	-	-	-	-	-	-	18	1
Financial Management Improvement Programme (FMIP) III	-	-	-	-	11	1	27	1
Strengthening Performance Monitoring and Evaluation for the Poor in SA	-	-	-	-	-	-	14	-
Innovation for Poverty Alleviation Programme	-	-	-	-	-	-	40	2
Child Protection Programme	-	-	-	-	-	-	12	-
General Advisory Budget Support Programme 8	-	-	-	-	40	2	-	-
Micro zonation Model of Johannesburg	-	-	-	-	13	1	17	-
Gender Based Violence	-	-	-	-	11	1	-	-
Technical and Management Support	-	-	-	-	-	-	13	-
SWEEP II Programme	-	-	-	-	33	2	33	1
Implementation of Smart Metering Programme	-	-	-	-	68	4	152	6
ICT Innovation Programme to Support Development and Government Service Delivery	-	-	-	-	27	1	-	-
Opportunities for Practical Policy	-	-	-	-	-	-	64	3

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2017

	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2016/17		2015/16		2016/17		2015/16	
	R'm	%	R'm	%	R'm	%	R'm	%
The MOD Programme	-	-	-	-	44	2	40	2
Wolwekloof Programme	-	-	-	-	14	1	12	-
Career Advice Service Project	-	-	-	-	73	4	47	2
KZN Technology/ Science Parks Programme	-	-	-	-	74	4	42	2
SUB TOTAL	1 786	100	1 458	100	1 945	100	2 480	100
Receivable from Departments	-	-	-	-	-	-	-	-
TOTAL	1 786	100	1 458	100	1 945	100	2 480	100

TABLE 3: Analysis of Grants and Donations by Donor

	RECEIVED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH 2017			
	2016/17		2015/16		2016/17		2015/16	
	R'm	%	R'm	%	R'm	%	R'm	%
EU	1 071	60	396	27	3 276	78	2 962	78
Global Fund	428	24	753	52	15	-	-	-
CDC of United States	84	5	45	3	29	1	26	1
Belgium	75	4	44	3	110	3	76	2
Canada (CIDA)	37	2	11	1	62	1	41	1
Various Donors	27	2	21	1	165	4	198	5
Ass. of Common Wealth University	25	1	-	-	-	-	-	-
UN	21	1	-	-	18	-	-	-
Finland	18	1	21	1	30	1	14	-
KFW (Germany)	-	-	113	8	33	1	59	2

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2017

	RECEIVED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH 2017			
	2016/17		2015/16		2016/17		2015/16	
	R'm	%	R'm	%	R'm	%	R'm	%
Denmark	-	-	25	2	10	-	-	-
Switzerland	-	-	16	1	44	1	41	1
UNEP	-	-	13	1	19	1	21	-
UK	-	-	-	-	29	1	29	1
Post and Telecoms	-	-	-	-	279	7	259	7
Sweden	-	-	-	-	-	-	29	1
USAID	-	-	-	-	25	1	26	1
Road Accident Fund	-	-	-	-	12	-	11	-
IBRD	-	-	-	-	15	-	14	-
Republic of China	-	-	-	-	12	-	11	-
Euro Sports	-	-	-	-	12	-	-	-
SUBTOTAL	1 786	100	1 458	100	4 195	100	3 823	100
Receivables from Departments/ Province	-	-	-	-	151	-	229	-
TOTAL	1 786	100	1 458	100	4 346	100	4 052	100

ACCOUNTING OFFICER'S APPROVAL

for the year ended 31 March 2017

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognized Accounting Practice (GRAP) including any interpretations of such Statements issued by the Accounting Practices Board, on the going concern basis. The annual financial statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements of estimates.

The annual financial statements on pages 19 to 40 have been approved by the Acting Accounting Officer and Financial Accountant on 27 October 2017.



Zanele Mxunyelwa
Acting Accounting Officer



Karen Maree
Financial Accountant

RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

Annual Financial Statements
for the year ended 31 March 2017

ANNUAL FINANCIAL STATEMENTS

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

		2017	2016
	Notes	R'000	R'000
ASSETS			
Current assets		4 346 650	4 052 614
Cash and Cash Equivalents	2	4 195 422	3 823 898
Receivables	2.1	151 228	228 716
Total Assets		4 346 650	4 052 614
LIABILITIES			
Current liabilities		4 346 650	4 052 614
Funds awaiting distribution	4.1	4 346 650	4 052 614
Total liabilities		4 346 650	4 052 614

STATEMENT OF FINANCIAL PERFORMANCE

as at 31 March 2017

		2017	2016
	Notes	R'000	R'000
REVENUE FROM EXCHANGE TRANSACTIONS			
		1 794 306	2 250 363
Revenue relating to Expenditure	3	1 794 306	2 250 363
Total revenue		1 794 306	2 250 363
EXPENSES			
Funding of Reconstruction and Development Programme Fund projects and programmes	3	1 794 306	2 250 363
Total expenses		1 794 306	2 250 363
Surplus/(deficit) for the period		-	-

CASH FLOW STATEMENT

as at 31 March 2017

		2017	2016
	Notes	R'000	R'000
Cash flow from operating activities			
Receipts			
		1 794 306	2 250 363
Revenue relating to Expenditure	3	1 794 306	2 250 363
Expenditure			
		1 794 306	2 250 363
Funding of Reconstruction and Development Programme Fund projects and programmes	3	1 794 306	2 250 363
Net cashflow available from operating activities		-	-
Net movements in working capital			
		371 524	(382 383)
(Increase)/decrease in receivables relating to donations		77 488	145 003
Increase/(decrease) in payables relating to Liabilities		294 036	(527 386)
Net increase / (decrease) in cash and cash equivalents for the year		371 524	(382 383)
Cash and cash equivalents at the beginning of the year		3 823 898	4 206 281
Cash and cash equivalents at the end of the year	2	4 195 422	3 823 898

STATEMENT OF CHANGES IN NET ASSETS

as at 31 March 2017

	2017
	R'000
Balance at 31 March 2014	-
Surplus /(deficit) for the year	-
Balance at 31 March 2015	-
Surplus /(deficit) for the year	-
Balance at 31 March 2016	-
Surplus /(deficit) for the year	-
Balance at 31 March 2017	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

1. BASIS OF PRESENTATION

The summary of principal accounting policies is presented to assist in the evaluation and appreciation of the annual financial statements. The financial statements are prepared on a going concern basis, using the historical cost basis except where stated otherwise. The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

1.1 FIGURES PRESENTED

1.1.1 Services Received in kind

The RDP Fund receives services in kind from National Treasury for the shared internal audit activity and remuneration paid to the members of the Audit and Risk Committee

The National Treasury also pays the personnel cost, admin expenses, bank charges raised by the SA Reserve Bank (SARB) and audit fees for the accounting of the RDP Fund.

The RDP Fund cannot reliably determine the fair value for the service it received in kind. Accordingly no amount is recognised in the Statement of Financial Performance for the value of these services received.

1.1.2 Rounding

Unless otherwise stated, all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.1.3 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements.

1.2 REVENUE FROM EXCHANGE TRANSACTION

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Therefore an exchange transaction is between two parties giving and/or receiving assets, services, etc. for the same value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

Recognition

Revenue received from the donor is recognised in the statement of financial performance only when there is a reasonable assurance that the Spending Agency will comply with the conditions attached to the grants and donations.

Such revenue is matched against the expenditure when the conditions of the grants and donations would have been fulfilled.

1.3 EXPENDITURE

1.3.1 Funding of the Reconstruction and Development Programme projects and programmes.

Expenditure matches the revenue and will only be reflected when the conditions of the grants and donations have been fulfilled.

1.4 FOREIGN CURRENCIES

Grants and donations received from foreign donors are recorded in Rand by applying to the foreign currency amount the exchange rate at the date of the receipt of the grants and donations.

1.5 FINANCIAL INSTRUMENTS

Financial Instruments include financial assets and liabilities.

Financial assets consist of cash and cash equivalents, investments and receivables.

Financial liabilities consist of funds awaiting distribution and payables.

Initial recognition and measurement

Financial instruments are initially recognised when the fund becomes a party to the contractual provisions of the relevant instrument, and are initially recognised at fair value. Bank charges are expensed. Subsequent to initial recognition these instruments are measured as set out below.

1.5.1 Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature closely approximate their fair value.

Cash and cash equivalents comprise of cash on hand and balances held with the SARB

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

1.5.2 Investments

Funds awaiting distribution consist of amounts invested in financial instruments classified as cash investments by the Public Investment Corporation (PIC). From 1 December 2013 funds are also invested in money market accounts at ABSA, FirstRand, Nedbank and Standard Bank. Funds are available upon request. Investments are subsequently measured at amortised cost which includes the amount at which financial assets were measured at initial recognition, minus repayments plus interest received. This is adjusted for any write down for impairment in value.

1.5.3 Receivables

In the absence of any provision to the contrary in the technical assistance agreement this is raised for grants and donations transferred to the spending agencies, but not spend at financial year end.

1.5.4 Liabilities

Grants and Donations are recognised in the statement of position when the grants and donations are received and awaiting distribution to the spending agencies.

Interest income is recognized on a time proportionate basis using the effective interest rate method.

Management fees and operating expenses are recognised when due and payable.

New Standards and Interpretations

Standards and Interpretations not yet effective

At the date of authorisation of these financial statements, the following accounting standards of GRAP were in issue, but not yet effective and are not likely to affect the annual financial statements when they are adopted as these Standards have been used to formulate and inform the current policies and disclosures

GRAP 20:	Related Party Disclosures
GRAP 32:	Service Concession Arrangements (Grantor)
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents
IGRAP 17:	Service concession arrangements where a grantor controls a significant residual interest in an asset

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

	2017	2016
	R'000	R'000

2. CASH AND CASH EQUIVALENTS

Investments with PIC	4 195 421	3 817 590
Cash with Standard Bank	349 962	275 205
Money Market accounts with:	3 845 459	3 542 385
Bank balance: SARB	1	6 308
Carrying value at year end	<u>4 195 422</u>	<u>3 823 898</u>

2.1 ACCOUNTS RECEIVABLE

Due by Spending Agencies	151 228	228 716
RECEIVABLES RELATING TO PORTFOLIOS	<u>151 228</u>	<u>228 716</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

	2017	2016
	R'000	R'000

3. FUNDING OF RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND PROJECTS AND PROGRAMMES

Amounts to fund projects and programmes

Capital	1 791 535	2 226 837
Interest	2 771	23 526
	<u>1 794 306</u>	<u>2 250 363</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

	2017	2016
	R'000	R'000

4. CURRENT LIABILITIES

4.1 FUNDS AWAITING DISTRIBUTION

Capital	3 276 959	3 256 058
Accumulated Interest - Opening	796 557	583 247
Interest Payable	318 561	290 159
Funds of RDP Projects - Interest	(2 771)	(23 526)
Refunds to Donor (Note 4.2)	(35 455)	(45 908)
Management Fees	(7 200)	(7 415)
*	4 346 650	4 052 614

* Of the total amount of R4 346 650 for capital and accumulated interest the undermentioned balances has not been allocated.

Unallocated Funds

Opening Balance	307 971	292 672
Interest	24 063	20 341
Operating Expenses	(542)	(523)
Allocation During the year	(28 176)	(4 520)
*	303 315	307 971

* Of the total amount of R303 315 un-earmarked funds amounts to R289 503. For further information see paragraph in Accounting Officer's review

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

	2017	2016
	R'000	R'000
4.2 REFUNDS TO DONORS		
Capital		
Refund to EU	13 061	68 255
Refund to Denmark	157	645
Refund to Sweden	3 458	-
Refund to Ireland	1 581	-
Refund to Flemish	27 550	-
Refund to Greece	-	147
Refund to Italy	197	-
Refund to Norway	251	-
Refund to UK/DFID	-	16 755
Refund to Finland	1 841	-
Refund to KFW	-	2 216
Refund to Global Funds	-	15 154
Refund to British HC	-	7 170
Refund to Netherlands	-	11 734
	48 096	122 075

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

	2017	2016
	R'000	R'000
Interest		
Refund to Denmark	1	160
Refund to EU	2 507	180
Refund to Flemish	1 813	-
Refund to Belgium	-	-
Refund to Ireland	470	-
Refund to UK/DFID	-	3 331
Refund to Sweden	28 537	-
Refund to Italy	47	-
Refund to Norway	98	10
Refund to Finland	1 983	-
Refund to KFW	-	447
Refund to Global Funds	-	7 976
Refund to British HC	-	3 125
Refund to Netherlands	-	30 679
	35 455	45 908

Any interest earned for unspent funds on donations may be required to be refunded to the donor upon completion of the contract, pending further negotiations with the donor.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

	2017	2016
	R'000	R'000

5. RELATED PARTY TRANSACTIONS

5.1 PUBLIC INVESTMENT CORPORATION (PIC)

Grants and donations received but not required for immediate use are invested with the PIC in terms of section 8(1) of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998).

Herewith a summary of the transactions with PIC:

Investments	4 195 421	3 817 590
Interest	318 561	290 159
Management Fees	(7 200)	(7 415)
	4 506 781	4 100 334

5.2 SPENDING AGENCIES

In terms of section 3 of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998) the RDP Fund shall utilise money of the fund :

- (a) to finance reconstruction and development projects and programmes authorised by the Cabinet;
- (aA) in accordance with a technical assistance agreement; and
- (b) for defraying of costs incidental to the administration of the Act.

In terms of section 4 of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998) these funds are transferred to a Spending Agency in accordance with the relevant technical assistance agreement. For more detail see Analysis of Grants and Donations transferred to a Spending Agency (Table 2) as stated in the Accounting Officers Review.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2017

5.3 NATIONAL TREASURY

The RDP Fund receives services in kind from National Treasury for the shared internal audit activity and remuneration paid to the members of the Audit and Risk Committee.

The RDP Fund cannot reliably determine the fair value for the service it received in kind. Accordingly no amount is recognised in the Statement of Financial Performance for the value of these services received.

The National Treasury also pays the personnel cost, admin expenses, bank charges raised by the SA Reserve Bank and audit fees for the accounting of the RDP Fund.

These expenses are recorded in the Annual Financial Statements of the National Treasury.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

6. CHANGES IN ACCOUNTING POLICY

In terms of GRAP 23 non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

In terms of section 3 of the RDP Act (Act No 7 of 1994 as amended by Act 79 of 1998) the money in the fund shall be utilised to finance RDP projects authorised by Cabinet and it should be in accordance with a technical agreement.

The RDP Fund is only a conduit for receiving the grants and donations and the accountability for spending of the funds lies with the Spending Agency. The Fund does not transfer these funds to entities pursuant to laws, regulation or other binding arrangements that impose stipulations that they be used for particular purposes. The stipulation for transfer is determined by the donor.

In terms of section 4 of the RDP Act a banking account in the name of the funds shall be kept with the SARB

1. into which all monies received for the benefit of the fund shall be deposited; and
2. from which transfers shall be made to a spending agency in accordance with the relevant technical assistance agreement.

In light of the above the following accounting policies changed:

Revenue from non-exchange transaction are no longer applicable as the RDP Fund accounts for all grants and donations and interest received as liabilities. Expenditure for management fees and operating expenses paid and refunds to donors are also accounted for against liabilities.

In the absence of any provision to the contrary in the technical assistance agreement a receivable is raised for grants and donations transferred to the spending agencies, but not spend at financial year end.

As grants and donations received are no longer accounted for as non-exchange revenue an accumulated surplus are no longer raised.

Exchange revenue and expenditure in the statement of financial performance are only raised when such revenue is matched against the expenditure and when the conditions of the grants and donations would have been fulfilled.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

	Restated Figures 2016 R'000	Prior year figures 2016 R'000	Difference R'000
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STATEMENT OF FINANCIAL POSITION

LIABILITIES

Unallocated Funds	4 052 614	-	4 052 614
Liabilities			
Total liabilities	4 052 614	307 971	3 744 646
Net assets	-	3 744 646	(3 744 646)
Accumulated surplus/(deficit)	-	3 744 646	(3 744 646)
Total net assets and liabilities	4 052 614	4 052 614	-

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

	Restated Figures 2015 R'000	Prior year figures 2015 R'000	Difference R'000
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STATEMENT OF FINANCIAL POSITION

LIABILITIES

Current liabilities

Unallocated Funds	-	292 672	(292 672)
Liabilities	4 580 000	-	4 580 000

Total liabilities

4 580 000	292 672	4 287 328
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Net assets

Accumulated surplus/(deficit)

-	4 287 328	(4 287 328)
-	4 287 328	(4 287 328)

Total net assets and liabilities

4 580 000	4 580 000	-
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DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

	Restated Figures 2016 R'000	Prior year figures 2016 R'000	Difference R'000
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STATEMENT OF FINANCIAL PERFORMANCE

REVENUE	2 250 363	1 748 473	501 890
Grants and Donations	-	1 458 314	(1 458 314)
Interest Income	-	290 159	(290 159)
Revenue relating to Expenditure	2 250 363	-	2 250 363
Refund to Donors	-	(167 983)	167 983
Total revenue	2 250 363	1 580 490	669 873
EXPENSES			
Funding of Reconstruction and Development Programme projects and programmes	2 250 363	2 100 460	149 903
Management Fees and operating expenses	-	7 415	7 415
Total expenses	2 250 363	2 107 875	142 488
Surplus/(deficit) for the period	-	(527 386)	527 386

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

	Restated Figures 2016 R'000	Prior year figures 2016 R'000	Difference R'000
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CASH FLOW STATEMENT

Cash flow from operating activities

Receipts	2 250 363	2 127 093	123 270
Grants and donations received	-	1 458 314	(1 458 314)
Revenue relating to Expenditure	2 250 363	-	2 250 363
Interest Income	-	290 159	(290 159)
Refunds to/ (from) Spending Agencies	-	378 619	(378 619)
Expenditure	2 250 363	2 654 477	(404 114)
Transfers to Spending Agencies	-	2 479 079	(2 479 079)
Funding of Reconstruction and Development Programme Fund projects and programmes	2 250 363	-	2 250 363
Refunds to donors	-	167 983	(167 983)
Management fees paid to PIC	-	7 415	(7 415)
Net cashflow available from operating activities	-	(527 386)	527 386
Net movements in working capital	(382 383)	145 003	(527 386)
(Increase)/decrease in receivables relating to donations	145 003	145 003	-
Increase/(decrease) in payables relating to Liabilities	(527 386)	-	(527 386)
Net increase / (decrease) in cash and cash equivalents for the year	(382 383)	(382 383)	-
Cash and cash equivalents at the beginning of the year	4 206 281	4 206 281	-
Cash and cash equivalents at the end of the year	3 823 898	3 823 898	-

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

	Restated Figures 2016 R'000	Prior year figures 2016 R'000	Difference R'000
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STATEMENT OF CHANGES IN NET ASSETS

Balance at 31 March 2013	-	2 959 637	(2 959 637)
Surplus /(deficit) for the year	-	1 127 796	(1 127 796)
Net Movement in unallocated funds	-	(18 433)	18 433
Balance at 31 March 2014	-	4 069 000	(4 069 000)
Surplus /(deficit) for the year	-	442 240	442 240
Net Movement in unallocated funds	-	(223 912)	(223 912)
Balance at 31 March 2015	-	4 287 328	(3 850 672)
Surplus /(deficit) for the year	-	(527 386)	(527 386)
Net Movement in unallocated funds	-	(15 299)	(15 299)
	-	-	-

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

7. FINANCIAL RISK ANALYSIS

7.1 FINANCIAL RISK FACTORS

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the financial performance of the Fund.

7.1.1 MARKET RISK

The purpose of the risk management policy of the RDP fund is to limit exposure to market risks such as possible market fluctuations and subsequent losses by investing the RDP funds at a cash instruments only, as opposed to other types of financial instruments

Market risk is the risk that the RDP Fund earnings or capital will be adversely affected by changes in the level or volatility of market rates or prices such as foreign exchange rates and trade market risks. Therefore the risk management policy of the RDP Fund is to limit these exposures by not investing in any market related instruments.

7.1.2 CREDIT RISK

The risk management policy of the RDP Fund is to invest in cash and money instruments only. These transactions are limited to a high-credit-quality financial institution namely the PIC. Funds are invested at variable interest rate.

Investments are only made with issuers with a minimum credit rating of "AA or Higher" as defined by the National Long Term Fitch (IBCA) or an equivalent rating by any other recognised credit rating agency will be considered. It was agreed with the Investment Manager that investments will be made in the money accounts of ABSA, Firststrand, Nedbank and Standard Bank.

On the overall portfolio an amount of R4,1 million will be earned less or more per month when the interest rate is adjusted with a 100 basis points.

RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

Annual Financial Statements
for the year ended 31 March 2017

National Treasury

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

