



Reconstruction  
& Development  
Programme Fund

Annual financial statements for the year ended 31 March 2012



**national treasury**

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**REPUBLIC OF SOUTH AFRICA**





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& Development  
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Annual financial statements for the year ended 31 March 2012

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Reconstruction  
& Development  
Programme Fund

## EXECUTIVE OVERVIEW



**Pravin Gordhan**  
Minister of Finance

## EXECUTIVE OVERVIEW

For the year ended 31 March 2012

The 2011/12 financial year is special because it marks the 15th anniversary of the Constitution of the Republic which gives full expression to our democratic ideals. The Constitution is South Africa's fundamental vision statement which guides our policies and actions. We reaffirm our commitment to advance the ideals of our country's Constitution at all times.

Steady progress was made in various areas such as health, education, the fight against crime, human settlements, energy, water provision, rural development and others. Through the Reconstruction and Development Programme (RDP) Fund, funding in relation to Health services, Water services, Safety and Security, Education and Local Economic Development was received:

A brief overview for these sectors is as follows:

### HEALTH SERVICES

The international government contributed R460 million mainly towards the Strengthening of National and Provincial Capacity building programmes which aims at:

- Delivering of quality, affordable and accessible health services at primary, secondary and tertiary level;
- Expanding and strengthening of Primary Health Care services;
- Improvement of access to quality HIV & AIDS services in the Public sector; and
- Enhancement of Tuberculosis control activities

The Programme achieved the following:

- The National Department of Health (NDOH) provided funding to three Universities namely; University of Pretoria, University of Johannesburg and the Walter Sisulu University for the clinical Association three-year degree programme. To date 55 students completed their first year of study while 23 students completed their second year and have been placed at district hospitals;
- The district health information system program trained more than 3000 data capturers from four Provinces to improve the recording, collation and reporting of health indicators with a special emphasis on HIV/AIDS and TB;
- The Peer Education Programme for young adults which aims to decrease teenage pregnancy and sexually transmitted illnesses has been identified, piloted and rolled out to three provinces namely North West, Mpumalanga and Limpopo. The trained educators are currently managing the Youth Centre Programmes in North West and are placed at Primary Health Care Centres at the other two provinces;
- The TB Control program procured the genexpert machines and cartridges through the National Health Laboratory Services (NHLS) which were placed in the provinces. These machines increased the number of tests for rapid tuberculosis detection, multi drug resistant tuberculosis (MDR-TB) and TB in HIV infected individuals whilst also reducing the result turnaround time; and
- Pharmacovigilance training was provided to nurses to assist with initiating and managing of patients on Antiretroviral (ART) drugs.

## EXECUTIVE OVERVIEW

For the year ended 31 March 2012

### EDUCATION

The education sector received R237 million for strengthening fundamental elements of the general education and training programme that are key to improving the quality of education at primary school level. These programmes aim to support the following areas:

- Expanding access to quality early childhood development (ECD) opportunities, effective implementation of the curriculum; and
- Attracting and ensuring appropriately qualified and competent teachers in all learning areas at all levels with special focus on scarce skills.

The following was achieved through these donations:

#### PRIMARY EDUCATION SECTOR SUPPORT

- More effective teaching and learning of literacy and numeracy, particularly for learners from poor schools and communities;
- Accelerated provision of adequate and appropriate learning and teaching support material to the poorest primary schools; and
- An improved initial teacher education system that attracts and delivers high numbers of capable Foundation Phase primary school teachers.

#### OTHER ACHIEVEMENTS

- 4 424 500 Physical Science and Mathematics supplementary textbooks were purchased and distributed to all Grade 10-12 learners;
- Assessment Items Bank (IAB) files were developed printed and distributed to all provinces to strengthen assessment from Grade R to 9;
- The orientation of the National Training Team (NTT) and Provincial subject advisors was conducted;
- The National Curriculum Statement (NCS) was implemented from Grade R to 12;
- The language, technology, science and maths (LTMS) national catalogue was developed for Grade 1 to 3 and Grade 10;
- R7,3 million was transferred to South African Council for Educators (SACE) for managing and maintaining the professional teacher development system;
- Printing and distribution of human resource guidelines and pamphlets to all schools and training of human resource managers;
- School support visits were done to assess the impact of the intervention on numeracy and literacy results in selected schools;
- Health screening advocacy material for parents and teachers were re-printed and distributed to provinces; and
- Monitoring tool regarding the linking of schools to local police stations was developed and safe school committees were established.



## EXECUTIVE OVERVIEW

For the year ended 31 March 2012

### INNOVATION FOR POVERTY ALLEVIATION

During 2011/12 donors contributed R87 million towards programmes that are aimed at supporting interventions that contribute to the Department's policy & strategy of using science and technology to reduce poverty through job creation, Small and Medium Enterprise development, economic growth and the improvement of the quality of life.

This was mainly for:

#### SUSTAINABLE LIVELIHOODS PROJECTS

- Demonstration Agronomy (New Essential Oil Crops) – thirty employment opportunities were created and fifteen blocks have been successfully planted with various essential oil groups. This will also be rolled out to rural areas;
- Demonstration Agronomy (Rosa Damascene) – hundred thousand roses have been cultivated to produce essential oil of Rose damascene that is required for perfume;
- Development of herbal and botanical products – rural communities are cultivating and processing medicinal plants; and
- Chemcity plant oils and extract beneficiation for cosmetics – thirteen people have been employed on the project for extracting natural and ethnic oils to be utilised in the cosmetic and wellness industry.

#### INFORMATION COMMUNICATION TECHNOLOGY (ICT) PROJECTS

ICT enhances the learning process and management of learning institutions. The wireless mesh network project and digital doorway are aimed at providing broadband and connectivity to the rural areas of South Africa:

- The project is being piloted in 200 schools in the rural communities of Mpumalanga and Limpopo;
- 90 schools with a total of 7 250 learners have benefited from the pilot project; and
- Nokia supports the delivery of educational material via wireless network as content on TV at schools.

#### RENEWABLE ENERGY PROJECT

A project to provide clean energy to rural areas through hybrid renewable energy systems has been set up with the Durban University of Technology. The aim of this project is to provide electricity and its appropriate technological and socio-cultural management systems for sustainable long term development in remote areas of South Africa.

## EXECUTIVE OVERVIEW

For the year ended 31 March 2012

### WATER SERVICES

Donors contributed R426 million towards water programmes during 2009/10 and 2010/11 financial years to improve the provision of water and provide sanitation. A portion of the funds was utilised by the Department of Water Affairs in the year under review; mainly for the following programmes:

- Metolong dam and water supply programme;
- Integrated Water Resource Management Programme; and
- Masibambane water support and sanitation programme.

#### METOLONG DAM AND WATER SUPPLY

The objective of this programme is to construct Metolong dam and associated infrastructure to supply potable water for domestic and industrial use to Lesotho. The contract to build Metolong Dam and a raw pumping station was awarded to Sinohydro of China in August 2011 and construction started in October 2011 and is due to be completed in 2013.

#### INTEGRATED WATER RESOURCE MANAGEMENT PROGRAMME (IWRM)

This is a systematic process for the sustainable development, allocation and monitoring of water resources for social, economic and environmental objectives. It has three main programmes namely, Water Conservation and Demand Management, Water Allocation Reform and Rain Water Harvesting.

Water Conservation and Demand Management achieved the following:

- A total of 22 193 335 cubic meters of water has been saved;
- 47 municipalities were supported to improve compliance with water quality standards and 46 were supported to improve compliance with waste water quality standards; and
- Training was provided in municipal areas for water leak operators, repair of household water meters and the building of rainwater harvesting tanks.

Water Allocation Reform programme is to ensure equitable allocation of water resources especially to historically disadvantaged individuals and to promote the sustainable use of water resources and the beneficial and efficient use of water. During the year under review a total of 20 536 734 cubic meters volume of water was allocated to historically disadvantaged persons.

Rain Water harvesting programme aims to promote the collection of rainwater to be stored for later use. A total of 6 487 tanks were distributed to rural communities for access to water supply and food production.

#### MASIBAMBANE WATER SUPPORT AND SANITATION

The programme aims to improve the quality of life of poor communities by providing basic water and sanitation services and ensuring equitable access to effective, affordable, economical and sustainable water services.

## EXECUTIVE OVERVIEW

For the year ended 31 March 2012

- An additional 709 197 people have been provided with household water and 163 488 households have been provided with sanitation facilities;
- 25 635 job opportunities were created through the regional bulk infrastructure programme working for water and working on fire projects; and
- To minimise water shortages two boreholes were refurbished in the Moretele Local Municipality eight boreholes were constructed in the OR Tambo Local Municipality and 147 boreholes were completed in Kwazulu Natal.

## LOCAL ECONOMIC DEVELOPMENT AND PRIVATE SECTOR SUPPORT

The international community contributed R435 million towards this sector for:

- Sector Wide Enterprise Employment and Equity (SWEEP) programme;
- Risk Capital Facility (RCF); and
- Employment Creation Fund

### SWEEP

This programme promotes direct investment and growth in the industrial and services economy with particular focus on employment creation. In the year under review machinery at the Tshivase Tea Estate has been installed and commissioned and the technical staff has been trained and are ready to run the rooibos plant. Marketing and promotion of the Tshivase Rooibos tea product has also commenced.

### RISK CAPITAL FACILITY

This facility is aimed at providing employment opportunities to historically disadvantaged individuals (HDI) in the small and medium enterprises sector. Funds were allocated to the Independent Development Corporation that disbursed R9 475 497 through the Niche fund and R7 520 069 through the direct investment channel.

### EMPLOYMENT CREATION FUND

Funds received were allocated to the three spheres of government to enhance the economic and employment cluster infrastructure cluster and human development cluster for HDI's.

In this regard R41 814 252 was distributed to various projects undertaken to reduce the red tape associated with starting a new business biodiesel initiatives and learnership projects for the youth.

## EXECUTIVE OVERVIEW

For the year ended 31 March 2012

### JUSTICE

During the 2011/12 financial year donors contributed R71 million towards the Access to Justice and Promotion of Constitutional Rights programme (AJPCR).

The following was achieved:

- 45 new Community Bases Advice Offices (CBAOs) were established;
- 44 CBAOs participated in the Capacity Building programme;
- 382 courts were designated as equality courts;
- national programme to promote the equality act and prevention of unfair discrimination act was implemented;
- Constitutional rights was broadcast on various community radio stations; and
- 121 service level agreements were concluded with civil society organisations to implement and promote human rights awareness programmes.

### LEGISLATIVE SECTOR POLICY SUPPORT PROGRAMME

The International donors contributed R48 million for the financial year ended 31 March 2012. The overall objective of the agreement was to support government's efforts to strengthen participatory democracy and to serve the citizens of South Africa in accordance with the Constitution, legislation and mandates of Members of Parliament and Members of Provincial Legislatures.

Legislature has conducted outreach activities to communities by taking Parliament/Legislature to the people and provided relevant material in languages accessible to citizens. To standardise capacity amongst Legislatures a standardised training programme has been introduced for which 335 members of Parliament enrolled whilst the legal advisors forum members have completed a legislative drafting course.



Reconstruction  
& Development  
Programme Fund

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP) FUND

For the year ended 31 March 2012



A U D I T O R - G E N E R A L  
S O U T H A F R I C A

*Auditing to build public confidence*

PUBLISHED BY AUTHORITY



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RDP FUND

For the year ended 31 March 2012

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the financial statements of the Reconstruction Development Programme Fund set out on pages 19 to 30, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

### ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) 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.

### AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RDP FUND

For the year ended 31 March 2012

## BASIS FOR QUALIFIED OPINION

### ACCOUNTING FOR DONATIONS RECEIVED

6. The income of the RDP Fund consists of government grants and donations received. In common with similar organisations 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. Accordingly, it was impracticable for me to extend my audit examination beyond the receipts actually recorded.

### QUALIFIED OPINION

7. In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Reconstruction Development Programme Fund as at 31 March 2012 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### COMPLIANCE WITH LAWS AND REGULATIONS

9. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

### INTERNAL CONTROL

10. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

*Auditor General*

Pretoria

22 October 2012



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Reconstruction  
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Programme Fund

## ACCOUNTING OFFICER'S REVIEW



Freeman Nomvalo  
Accounting Officer



## ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2012

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 2011/12 financial year. Grants and donations received increased by 46% (compared to 2010/11) to R1 480 million from R1 011 million. 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 40% compared to R837 million in 2011/12 from R1 400 million. Total accumulated funds in the RDP Fund increased to R2 187 million from R1 554 million in 2010/11. This amount consists of a capital element of R1 637 million and interest accrued on capital invested totaling R550 million. Cabinet approval is still awaited for the re-allocation of the R210 million donated by the SA Post Office. Of the said transfers 71% (2010/11: 57%) 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.
- Unallocated 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. Unallocated capital funds in the RDP Fund amounts to R97 million and the interest earned on these amounts to R190 million. A new proposal on the utilisation of R40 million of the unallocated 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.

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 2012 are net of refunds to donors and include interest accrued.

## ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2012

\* To comply with **GRAP 23** the amounts received in the RDP Fund are reflected:

- As an inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow.
- As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction.

## ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2012

**TABLE 1**

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

	TRANSFERRED FOR THE YEAR				ACCUMULATED FUND AS AT 31 March 2012			
	2011/12		2010/11		2011/12		2010/11	
	R'm	%	R'm	%	R'm	%	R'm	%
Water Affairs and Forestry	165	8	363	20	116	8	26	2
Trade and Industry	618	32	345	19	70	5	15	1
Health	542	28	232	13	71	5	68	6
Science and Technology	129	7	130	7	49	4	55	5
Various Departments	73	4	98	5	387	29	455	39
Justice and Constitutional Development	78	4	76	4	34	3	45	4
Basic Education	157	8	63	3	348	25	258	21
National Treasury	-	-	45	2	21	2	15	1
Eastern Cape: Provincial Treasury	24	1	41	2	-	-	-	-
Economic Development and Tourism - Northern Cape & Limpopo	-	-	34	2	-	-	-	-
Education(KZN)	-	-	32	2	-	-	-	-
Corporate Governance and Traditional Affairs	-	-	30	1	-	-	-	-
SAMDl (PALAMA)	21	1	23	1	-	-	-	-
Economic Development and Tourism- Mpumalanga	-	-	24	1	-	-	-	-
Economic Development and Tourism- KwaZulu Natal	-	-	23	1	-	-	-	-
Health – Free State	15	1	33	1	-	-	-	-
Environmental Affairs	-	-	24	1	21	2	17	2
Department of Rural Development and Land Reform	14	1	21	1	-	-	-	-
Health – Northern Cape	-	-	21	1	-	-	-	-
Health – North west	-	-	18	1	-	-	-	-
Human Settlement	14	1	-	-	12	1	25	2
Agriculture and Fisheries	-	-	18	1	13	1	-	-
Ethekwini Municipality	-	-	17	1	-	-	-	-
Ekurhuleni Municipality	-	-	17	1	-	-	-	-

## ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2012

	TRANSFERRED FOR THE YEAR				ACCUMULATED FUND AS AT 31 March 2012			
	2011/12		2010/11		2011/12		2010/11	
	R'm	%	R'm	%	R'm	%	R'm	%
City of Johannesburg	-	-	15	1	-	-	-	-
Department of International Relation and Corporation	-	-	15	1	22	2	19	2
Sedibeng Municipality	-	-	15	1	-	-	-	-
Ephraim Mogale Local Municipality	-	-	15	1	-	-	-	-
Agriculture and Environmental Affairs(KZN)	-	-	14	1	-	-	-	-
Correctional Services	-	-	13	1	13	1	-	-
Higher Education and Training	-	-	11	1	81	6	82	7
Health – KZN	-	-	10	1	-	-	-	-
Presidency-National Youth Commission	-	-	10	1	-	-	-	-
Parliament	48	2	-	-	-	-	-	-
SA Police service	20	1	-	-	10	1	39	3
Office of the Presidency	-	-	-	-	-	-	-	-
Office of the Premier	-	-	-	-	10	1	-	-
Defence	-	-	-	-	21	2	19	2
Public Works	-	-	-	-	10	1	10	1
Public Service and Administration	16	1	-	-	-	-	10	1
PE Municipality	-	-	-	-	18	1	12	1
SUBTOTAL	-	-	-	-	-	-	-	-
New Energy Programme	-	-	-	-	-	-	-	-
<b>SUBTOTAL</b>	<b>1934</b>	<b>100</b>	<b>1846</b>	<b>100</b>	<b>1327</b>	<b>100</b>	<b>1170</b>	<b>100</b>
Receivable from Departments	(1103)	-	(453)	-	860	-	384	-
Total Capital Transfers	831	100	1393	100	2187	100	1554	100
Interest Allocated	6	-	7	-	-	-	-	-
Payables to Departments	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>837</b>	<b>100</b>	<b>1 400</b>	<b>100</b>	<b>2187</b>	<b>100</b>	<b>1554</b>	<b>100</b>

## ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2012

**TABLE 2**

Programmes for which Grant and Donations were received:

	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2011/12		2010/11		2011/12		2010/11	
	R'm	%	R'm	%	R'm	%	R'm	%
Sector Policy Support Programme	591	40	316	31	509	24	63	3
Various other projects	130	9	214	21	148	8	203	11
Local Economic Development Programme	19	1	201	20	24	1	64	4
Strengthening National and Provincial Capacity	44	3	110	11	72	4	149	8
Controlling and Prevention of HIV/AIDS and other Diseases	-	-	29	3	-	-	-	-
CB TAFF	-	-	23	2	-	-	34	2
Various projects (NDA)	-	-	22	2	-	-	-	-
Urban Environmental Management Programme	-	-	16	2	-	-	92	5
Public Sector Training and Development	-	-	16	2	12	1	16	1
Biofisa Programme	-	-	15	2	-	-	15	1
Empowerment Food Security Programme	-	-	13	1	-	-	13	1
Reduce the impact of HIV & AIDS within Correctional Service	-	-	13	1	-	-	13	1
Integrated Water Resource Management (IWRM)	-	-	12	1	-	-	-	-
N2 Gateway Project	-	-	11	1	14	1	-	-
Masibambane Water Supplies	-	-	-	-	129	7	364	20
Employment Creation Sector Support Policy Programme	340	23	-	-	340	17	-	-
Expanded Partnership for the Delivery of Primary Health Care and HIV and AIDS Programme	-	-	-	-	35	2	111	6
Access to Justice and Promotion of Human Rights Programme	71	5	-	-	71	4	44	2
Legislative Sector Policy Support Programme	48	3	-	-	48	2	-	-
Education Facility Supporting Rural Development	-	-	-	-	-	-	32	2
SAF-H-NDOH	55	4	-	-	55	3	-	-
Support to South Africa's Growth Strategy Programme	95	6	-	-	43	2	-	-
Higher Education HIV and AIDS Programme	-	-	-	-	-	-	10	1
Innovation for Poverty Alleviation Programme	87	6	-	-	80	4	73	3

## ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2012

	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2011/12		2010/11		2011/12		2010/11	
	R'm	%	R'm	%	R'm	%	R'm	%
Black Business Supplier Development Programme	-	-	-	-	30	2	30	2
Establishment of the BPO HUB	-	-	-	-	-	-	28	2
Diamond and Jewelry Hub	-	-	-	-	-	-	26	1
Pilot the implementation of the DST	-	-	-	-	26	1	26	1
Establishment of an agro-processing hub un Bushbuckridge	-	-	-	-	-	-	23	1
Establishment of three large blueberry out-growers at Keiskammahoek as the 2nd phase of Eastern Cape Berry Corridor	-	-	-	-	11	1	21	1
E-Justice	-	-	-	-	-	-	20	1
Organic Cluster for Rural Development	-	-	-	-	-	-	15	1
Community Work Programme	-	-	-	-	-	-	15	1
SA Pesticide initiative II	-	-	-	-	-	-	15	1
Piloting the Sebenza Nathi Initiative	-	-	-	-	-	-	11	1
Risk Capital Facility II Programme	-	-	-	-	98	5	98	5
Co-operation in the Prevention and Controlling of HIV/AIDS and other Infectious diseases	-	-	-	-	35	2	41	2
SWEEP II Programme	-	-	-	-	100	5	134	6
Private Sector Support for Risk Capital	-	-	-	-	-	-	32	2
Deployment of SA Protection in Burundi	-	-	-	-	-	-	15	1
Metolong Dam	-	-	-	-	35	2	-	-
Development of sustainable Policing in Sudan	-	-	-	-	15	1	-	-
Inspire Programme	-	-	-	-	10	1	-	-
Interest Allocated	-	-	-	-	-	-	7	-
<b>SUB TOTAL</b>	<b>1480</b>	<b>100</b>	<b>1011</b>	<b>100</b>	<b>1940</b>	<b>100</b>	<b>1853</b>	<b>100</b>
Receivable from Departments	-	-	-	-	(1103)	-	(453)	-
<b>TOTAL</b>	<b>1480</b>	<b>100</b>	<b>1011</b>	<b>100</b>	<b>837</b>	<b>100</b>	<b>1 400</b>	<b>100</b>

## ACCOUNTING OFFICER'S REVIEW

For the year ended 31 March 2012

**TABLE 3**

Analysis of Grants and Donations by Donor

	RECEIVED FOR THE YEAR				ACCUMULATED FUNDS AT 31 March 2012			
	2011/12		2010/11		2011/12		2010/11	
EU	1181	80	564	56	558	41	417	35
Global Fund	99	7	110	11	-	-	-	-
UK	95	6	-	-	78	6	14	1
Various Donors	74	5	146	14	156	12	232	20
Canada (CIDA)	21	1	57	6	10	1	11	1
Flemish	10	1	23	2	43	3	28	2
Denmark	-	-	47	5	46	3	58	5
Post and Telecoms	-	-	-	-	212	16	200	17
Finland	-	-	23	2	37	3	35	3
Netherlands	-	-	-	-	35	3	33	3
African Renaissance Fund	-	-	-	-	26	2	-	-
Sweden	-	-	-	-	24	2	23	2
Switzerland	-	-	-	-	23	2	22	2
Belgium	-	-	-	-	21	2	20	2
USAID	-	-	-	-	17	1	17	1
CDC of United States	-	-	42	4	15	1	-	-
Ireland	-	-	-	-	15	1	31	3
IBRD	-	-	-	-	11	1	11	1
Norway	-	-	-	-	-	-	18	2
<b>SUBTOTAL</b>	<b>1480</b>	<b>100</b>	<b>1011</b>	<b>100</b>	<b>1327</b>	<b>100</b>	<b>1170</b>	<b>100</b>
Payables to Departments	-	-	-	-	-	-	-	-
Receivables from Departments/Province	-	-	-	-	860	-	384	-
<b>TOTAL</b>	<b>1480</b>	<b>100</b>	<b>1011</b>	<b>100</b>	<b>2187</b>	<b>100</b>	<b>1554</b>	<b>100</b>

## **ACCOUNTING OFFICER'S APPROVAL**

For the year ended 31 March 2012

The annual financial statements are prepared in accordance with the South African Standards of Generally Recognised 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 30 have been approved by the Accounting Officer and Financial Accountant on 12 October 2012.



Freeman Nomvalo

**Accounting Officer**



Karen Maree

**Financial Accountant**



## STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 R'000	2011 R'000
<b>Assets</b>			
<b>Currents assets</b>		<b>2 187 472</b>	<b>1 554 964</b>
Cash and Cash Equivalents	2.1	1 327 066	1 170 517
Accounts Receivable	2.2	860 406	384 448
<b>Total Assets</b>		<b>2 187 472</b>	<b>1 554 964</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Funds awaiting distribution	3.1	2 187 259	1 554 964
Accounts Payable	3.2	213	1
<b>Total Liabilities</b>		<b>2 187 472</b>	<b>1 554 964</b>

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2012

	Notes	2012 R'000	2011 R'000
<b>Income</b>	4	<b>837 009</b>	<b>1 400 660</b>
Income relating to expenditure -			
Grants and donations		830 767	1 393 671
Interest		6 242	6 989
<b>Expenditure</b>		<b>837 009</b>	<b>1 400 660</b>
Operating expenses	5	-	-
Funding of Reconstruction and Development Programme projects and programmes	6	837 009	1 400 660
<b>Net funds for the year</b>		<b>-</b>	<b>-</b>

## CASH FLOW STATEMENT

For the year ended 31 March 2012

	Notes	2012 R'000	2011 R'000
Cash receipts from donors and spending agencies		1 004 547	844 044
Cash paid to donors and spending agencies		(913 227)	(1 520 113)
<b>Cash utilised from donations received</b>		<b>91 320</b>	<b>(676 069)</b>
Interest received		65 228	70 873
<b>Net Cash flow from operating activities</b>	7.1	<b>156 548</b>	<b>(605 195)</b>
Cash and cash equivalents at the beginning of the year		1 170 517	1 775 713
<b>Cash and cash equivalents at the end of the year</b>	7.2	<b>1 327 066</b>	<b>1 170 517</b>

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2012

### **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**

##### 1.1.2 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 RECOGNITION**

The following specific recognition criteria are adopted:

##### 1.2.1 Grants and donations

Grants and donations are recognised in the statement of financial performance when it is probable that future economic benefits and service potential will flow to the fund and the amount can be measured reliably. Grants and donations are recognised to the extent that the fund complied with the conditions attached to the grants and donations.

A liability is recognised when the conditions attached to the grants and donations have not been met. This liability is reduced to the extent that there is no further obligation arising from the receipt of the grants or donations.

##### 1.2.2 Interest income

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

#### **1.3 EXPENDITURE**

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

Transfers to spending agencies are recognised as an expense when the spending agencies comply with all conditions stipulated by the Reconstruction and Development Fund (RDP Fund) for the transfer of donor funds.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2012

### 1.3.2 Refunds to donors

Refunds to donors represent an outflow of funds and are recognised as a decrease when requested by the donor.

### 1.3.3 Operating expenses

Operating expenses are recognised when due and payable.

## 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 investment and receivables.

Financial liabilities consist of funds awaiting distributions 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 South African Reserve Bank (SARB).

#### 1.5.2 Investments

Investments consist of amounts invested in financial instruments classified as loans and receivables (cash investments) by the Public Investment Corporation (PIC). 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

Interest receivable is measured based on the interest rate granted by PIC on the deposit. Receivables are stated at amortised cost, which due to their short-term nature closely approximate their fair value.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2012

### 1.5.4 Funds awaiting distribution

Funds awaiting distribution are measured at amortised cost, which due to their short-term nature closely approximate their fair value. Funds awaiting distribution will be withdrawn from the corresponding investment amount.

### 1.5.5 Payables

Payables are stated at amortised cost which due to their short-term nature closely approximate their fair value.

### 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:

- GRAP 18: Segment reporting
- GRAP 20: Related Party Disclosures
- GRAP 25: Employee benefits
- GRAP 105: Transfer of functions between entities under common control
- GRAP 106: Transfer of functions between entities not under common control
- GRAP 107: Mergers

#### Standards that will become effective from 1 April 2012

- GRAP 21: Impairment of non-cash-generating assets
- GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24: Presentation of Budget Information in Financial Statements
- GRAP 26: Impairment of cash-generating assets
- GRAP 103: Heritage Assets
- GRAP 104: Financial instruments

GRAP 23 was early adopted. However the management believes the adoption of these standards in future will have no material impact on the financial statements, as the majority of them are not applicable and the relevant one/ones would not change the figures but assist in monitoring the financial performance of the RDP Fund.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2012

	2012 R'000	2011 R'000
<b>2 CURRENT ASSETS</b>		
Opening balance as at 1 April	1 554 964	1 993 732
Net movement of funds for the year (note 3)	632 295	(438 768)
Closing balance as at 31 March 2012	<u>2 187 259</u>	<u>1 554 964</u>

The closing balance comprise of:  
Financial Assets classified as Loans and Receivables

### 2.1 CASH AND CASH EQUIVALENTS

Investments with PIC	1 321 316	1 164 406
Interest receivable from PIC	5 149	4 544
Bank balance: SARB	601	1 568
<b>Carrying value at year end</b>	<u>1 327 066</u>	<u>1 170 517</u>

Investment at PIC consist of Interest receivable from PIC R5 149

### 2.2 ACCOUNTS RECEIVABLE

Due by Departments	860 406	384 448
<b>Receivables relating to portfolios</b>	<u>860 406</u>	<u>384 448</u>

Inclusive in the balance of the Investments with PIC is an amount of R 41 (2011: R40) which represents a separate portfolio that was used for payment of related audit fees. The amount of R 1 (2011: R2) represents interest earned on this portfolio.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2012

	2012 R'000	2011 R'000
<b>3 FINANCIAL LIABILITIES</b>		
<b>3.1 FUNDS AWAITING DISTRIBUTION</b>		
Opening Balance as at 1 April	1 554 964	1 993 732
Net movement of funds for the year	632 295	(438 768)
Closing balance as at 31 March 2012	<b>2 187 259</b>	<b>1 554 964</b>
<b>Net movement of funds comprise of:</b>		
Grant and donations received	1 480 505	1 011 779
Interest received	65 229	63 182
Transfer from National Revenue Fund	-	-
Refund from Mineral Resources	-	2 142
Refunds from Spending Agencies (Note 9)	-	-
Refund to donors (Note 8)	(72 445)	(115 194)
Operating expenses (Note 5)	-	-
Management fees paid to PIC	(12)	(17)
Funding of Reconstruction and Development Programme projects and programmes	(837 009)	(1 400 660)
Refunds to Spending Agencies	(3 974)	-
	<b>632 295</b>	<b>(438 768)</b>
<b>3.2 PAYABLES</b>		
Due to Correctional Services	213	-
Management fees to PIC	-	1
	<b>213</b>	<b>1</b>
<b>4 INCOME RELATING TO EXPENDITURE</b>		
Grants and donations and interest		
Grants and donations received limited to expense	830 767	1 393 671
Interest	6 242	6 989
	<b>837 009</b>	<b>1 400 660</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2012

	2012 R'000	2011 R'000
<b>5 OPERATING EXPENSES</b>		
The operating expenses for the year comprise of the following:		
Auditor's Remuneration	-	-
	-	-
Audit fees to the amount of R268 (2010/11:R263) were borne by the National Treasury. All other expenditure in the operation of the RDP Fund is also borne by the National Treasury.		
<b>6 AMOUNTS TO FUND PROJECTS AND PROGRAMMES</b>		
Capital	830 767	1 393 671
Interest	6 242	6 989
	<b>837 009</b>	<b>1 400 660</b>
<b>7 NOTES TO THE CASH FLOW STATEMENT</b>		
<b>7.1 RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net funds for the year		
(Increase)/decrease in trade and other receivables	(475 958)	(162 185)
Increase/(decrease) in trade and other payables	632 506	(443 010)
<b>Cash flow from operating activities</b>	<b>156 548</b>	<b>(605 195)</b>
Receivables and payables relating to portfolios were eliminated for the calculations of the cash flow (Refer note 2.1). For more detail on the flow of funds refer to note 3.		
<b>7.2 CASH AND CASH EQUIVALENTS</b>		
Investments	1 326 465	1 168 950
Bank balance: SARB	601	1 568
	<b>1 327 066</b>	<b>1 170 517</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2012

	2012 R'000	2011 R'000
<b>8 REFUNDS TO DONORS</b>		
<b>CAPITAL</b>		
Refund to Global Fund	7 467	979
Refund to Unicef	986	428
Refund to EU	12 644	60 433
Refund to Netherlands	-	8 570
Refund to Sweden	-	4 783
Refund to Denmark	-	-
Refund to Belgium	-	-
CIDA	4 265	-
CDC of United States	16 704	-
Post Office	32	-
Impumelelo Awards	-	-
Ireland	5 345	-
UK/DFID	62	-
Switzerland	7	-
ICGEB	18	-
Hermanus Municipality	-	-
Kynsna Municipality	-	-
Spain	3 780	-
Mossel Bay Municipality	50	-
Bitou Municipality	-	-
<b>INTEREST</b>		
Refund to EU	19 854	31 612
Refund to Netherlands	27	2 302
Refund to Global Fund	30	1 885
Refund to Sweden	-	4 201
Hermanus Municipality	124	-
Impumelelo Innovations Award	4	-
Kynsna Municipality	8	-
Post Office	88	-
Mossel Bay Municipality	77	-
Bitou Municipality	20	-
CIDA	853	-
	<b>72 445</b>	<b>115 194</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2012

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Any unspent funds and interest on donations may be required to be refunded to the donor upon completion of the contract pending further negotiations with the donor.		
<b>9 REFUNDS FROM SPENDING AGENCIES</b>		
Capital	-	453 300
Interest	-	-
	<u>-</u>	<u>453 300</u>

All refunds from spending agencies for 2011/12 are reduced against the expenditure for funding of RDP projects.

## 10 RELATED PARTY TRANSACTIONS

### 10.1 PUBLIC INVESTMENT CORPORATION (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) any funds not required for immediate use may be invested with the PIC.

The PIC is listed as a Schedule 3B entity under the control of the Minister of Finance. These transactions are entered into in the normal course of business. Donations are received for Official Development Assistance to support the Republic of South Africa in meeting its core responsibilities. Therefore it was agreed with PIC that management charges will be kept at a minimum.

#### Investment

Capital	1 636 795	1 050 269
Accumulated Interest	550 464	504 695
	<u>2 187 259</u>	<u>1 554 964</u>

### 10.2 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 can receive donations if authorized by Cabinet and if it is in accordance with a Technical Assistance Agreement.

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.

The RDP Fund does not charge the Spending Agencies fees for the rendering of this service.

## **DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2012

### **11 FINANCIAL RISK ANALYSIS**

#### **11.1 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.

##### **11.1.1 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 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.

##### **11.1.2 CREDIT RISK**

The risk management policy of the RDP Fund is to invest in cash instruments only. These transactions are limited to a high-credit-quality financial institution namely the PIC. Funds are invested at variable interest rate. Although the return on a cash investment might be lower when interest rates are in a downward trend the risk when investing in cash is limited as the capital amount will never be lost.

On the overall portfolio an amount of R1 105 will be earned less or more per month when the interest rate is adjusted with a 100 basis points.









Reconstruction  
& Development  
Programme Fund

Annual financial statements  
for the year ended 31 March 2012

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**national treasury**

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National Treasury  
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