

RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

Annual financial statements for the year ended 31 March 2014



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



EDUCATION

HEALTH

HOUSING

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DEFENCE



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EXECUTIVE OVERVIEW



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EXECUTIVE OVERVIEW

for the year ended 31 March 2014

South Africa has made many strides in improving the lives of the people since the dawn of democracy but the struggle to eliminate poverty and reduce inequality continues. Investments in education, health care provision, safer communities, rural development and land reform and creation of jobs are therefore at the heart of government's plan.

Grants and donations increased by 22 per cent during 2013/14 and the funds were utilised to focus on the set priorities.

Herewith a brief overview of various sectors:

1. HEALTH SERVICES

A total amount of R 692 million was contributed by donors for the Health Services during the 2013/14 financial year. This was mainly for the following:

1.1 GLOBAL FUND GRANT SAF-H-NDOH

The objectives of the programme are to:

- Strengthen Health Systems Support (HSS) employees for HIV and TB;
- Promote a safe sexual behaviour among South Africans in general;
- Strengthen pharmacovigilance, resistance monitoring and adverse events related to Antiretroviral Therapy (ART); and
- Detect and treat TB.

The programme achieved the following:

- 86.9 per cent of people who were tested for TB received treatment;
- 88.7 per cent of pregnant women infected with HIV received antiretrovirals to reduce the risk of mother-to-child transmissions;
- 83 per cent of infants born to HIV infected women started co-trimoxazole prophylaxis within two months of birth;
- 514 health professionals were trained on antiretroviral (ARV) monitoring;
- 2 464 health facilities are using electronic ARV register;
- 2 583 022 adults and children with advanced HIV infection currently receive the ART;
- 3 suppliers, Medipost, Optipharm and Pharmacy Direct, were contracted for the chronic medication access programme.

The project has started delivering medicines to patients in 8 provinces;

- 595 health professionals received training on Prevention of Mother to child transmission (PMTCT);
- 138 Pharmacovigilance centres report on ARV adverse effects and to date 890 Health Care Professionals were trained in North West and Mpumalanga; and
- 2 492 inmates were tested.

2. EDUCATION SERVICES

During the financial year ended 31 March 2014 the education sector received R375 million from the international donors. The overall objective of the Primary Education Sector Policy Support Programme (PrimED SPSP) is to contribute to improve performance in literacy and numeracy so learners can achieve better results throughout secondary, higher education and vocational training. This programme aims to:

- Expand access to quality Early Childhood Development (ECD) opportunities especially in poor communities; and
- Attract appropriately-qualified and competent teachers in all learning areas at all levels, with special focus on scarce skills.

Herewith the sub programmes:

2.1. CURRICULUM POLICY SUPPORT AND MONITORING

- Study guides for Accounting, Economics, Life Sciences and Geography were completed;
- Grade 4 to 6 Natural Science and Technology (NST) textbook were completed;
- 13 025 Life Science study guides were printed and the e-version of the guides were uploaded on the website;
- 66 participants were trained in Limpopo and Western Cape on improved Multi-Grade teaching in schools and communities;
- 60 core trainers were trained to support the teacher training in provinces and workbooks in the respective African languages were distributed to pilot schools;
- 121 teachers were trained on special needs education;
- Afrikaans Curriculum and Assessments Policy Statements for senior phase have been delivered to 81 district offices; and
- South African Sign Language were developed for foundation, intermediate, senior and FET phases.

EXECUTIVE OVERVIEW

for the year ended 31 March 2014

2.2 THE TEACHER, EDUCATION HUMAN RESOURCE AND INSTITUTIONAL DEVELOPMENT

- Improved working conditions for teachers by developing policies and guidelines for the teaching profession;
- The directorate embarked on Persal clean-up project to ensure that organisational structure includes only funded posts that are captured correctly on the system and linked to relevant codes of the Basic Accounting System (BAS)
- Placed 67 Interns in the Department of Basic Education internship programme; and
- Improved teacher's knowledge and competencies through continuing professional teacher development.

2.3 PLANNING INFRASTRUCTURE AND ASSESSMENTS

- Norms and Standards for School Infrastructure were set;
- Provision of Furniture to Schools were made and orders placed;
- Establishment of the Item Banking System for numeracy and literacy; and
- Conducted an annual national assessment.

3. JUSTICE SERVICES

Donors contribute towards the strengthening of democracy by improving access to Justice and promoting Constitutional rights in South Africa. For the 2013/14 financial year R80 million was contributed towards the Access to Justice and Promotion of Human Rights (AJPCR) programme. Its main objective is to.

This programme aims to:

- Provide access to Justice, including Restorative Justice Mechanisms for vulnerable and marginalised groups;
- Raise awareness and knowledge and of Constitutional rights among vulnerable and marginalised groups; and
- Increase participative democracy through public policy dialogues and strengthening the capacity of community based organisations.

4. INNOVATION FOR POVERTY ALLEVIATION PROGRAMME

The Science and Education sector received R61 million for the Innovation for Poverty Alleviation Programme. This Programme is a Sector Budget Support (SBS) to the Department of Science and Technology (DST) funded by the European Commission (EC).

This programme aims to:

- Create sustainable jobs through science and technology and innovation intervention;
- Support the establishment of sustainable livelihoods through small-scale, science and technology based agro processing and aquaculture industries in line with the bio-economic objectives of the sector;
- Enhance human settlements through appropriate technologies for amongst others access to clean water, Information and Communication Technology (ICT) and renewable energy;
- Support Small and Medium Enterprises in terms of technological demonstration;
- Develop and improve global environmental science and response through ICT; and
- Strengthen the science and technology sector.

5. GENERAL ADVISORY AND POLICY SUPPORT SERVICES

The international donors contributed R36 million for the General Advisory and Policy Support Services which intends to or focuses on three components namely:

- Building and developing the capability of public institutions to deliver services across all three spheres of government;
- Providing policy support services; and
- Strengthening the programme and/or project design, planning, implementation;
- monitoring and reporting of government programmes.

EXECUTIVE OVERVIEW

for the year ended 31 March 2014

6. FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME (FMIP) III

FMIP III supports the National Capacity Development Strategy (CDS) that aims to achieve and sustain excellence in the management of public funds. In this regard international donors contributed R32 million.

This programme focused on:

- Developing an enabling Public Financial Management (PFM) environment and at all the three spheres of government;
- Enhancing the organisational PFM at all the three spheres of Government;
- Empowering and retaining competent and committed PFM employees throughout the three spheres of government;
- Developing and maintaining mutually-beneficial stakeholder relationships within the PFM domain and
- Increasing PFM capacity within the Provincial Government and for Local Government.

7. PUBLIC SECTOR TRAINING AND DEVELOPMENT IN COUNTRIES EMERGING FROM CONFLICT

The international donors contributed R17 million towards Public Sector Training and Development programme. The main purpose of this programme is to enhance the management and leadership capability of the public service in three post-conflict countries namely Rwanda, Burundi and South Sudan. The intention of this is to develop integrated public management skills to improve service delivery and address gender equalities in these countries. In this regard training and development modules and guidelines were developed, rolled out and implemented.

8. STRENGTHENING PERFORMANCE AND MONITORING FOR THE POOR

This programme received R12 million to strengthen South Africa's open government commitments and systems at national and provincial levels, in order to improve government accountability for delivering services and to address poor service delivery.

In this regard:

- The monitoring and reporting system for front line service delivery was developed, implemented and is currently operational;
- The citizen based delivery monitoring system were developed and is currently piloted; and
- An outcomes based evaluation system for government's programmes was developed and is currently being rolled out.

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

FOR THE YEAR ENDED 31 MARCH 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



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National Treasury
REPUBLIC OF SOUTH AFRICA



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

for the year ended 31 March 2014

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the financial statements of the Reconstruction and Development Programme Fund set out on pages 15 to 28, which comprise statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, and statement of cash flows for the year then ended, as well as 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 2004) (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.

BASIS FOR QUALIFIED OPINION

COMPLETENESS OF GRANTS AND DONATIONS RECEIVED

6. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all grants and donations received for the current and prior year. Due to the status of the accounting records, I was unable to confirm the grants and donations by alternative means. Consequently, I was unable to determine whether any adjustment to Grants and Donations stated at R2 405 574 000 (2013: R1 974 898 000) in the financial statements was necessary.

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 and Development Programme Fund as at 31 March 2014, 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 OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RDP FUND

for the year ended 31 March 2014

EMPHASIS OF MATTER

8. I draw attention to the matter below. My opinion is not modified in respect of this matter

RESTATEMENT OF CORRESPONDING FIGURES

As disclosed in note 11 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during 31 March 2014 in the financial statements of the Reconstruction Development Programme (RDP) Fund at, and for the year ended, 31 March 2013.

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 considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matter reported below under the fundamentals of internal control is limited to the significant deficiencies that resulted in the basis for qualified opinion included in this report.

FINANCIAL MANAGEMENT

11. There was no system of control over donations received to ensure that complete, relevant and accurate information is accessible and available to support recording of the receipts in the accounting records.

ACCOUNTING OFFICER'S REVIEW



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ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2014

The Reconstruction and Development Programme (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 2013/14 financial year. Grants and donations received, increased by 22% (compared to 2012/13) to R2 405 million from R1 974 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 increased by 61%, compared to R1 765 million in 2013/14 from R1 097 million. Total accumulated funds in the RDP Fund increased to R3 674 million from R3 015 million in 2012/13. This amount consists of a capital element of R3 001 million and interest accrued on capital invested totaling R673 million. Cabinet approval is still awaited for the re-allocation of the R228 million donated by the SA Post Office. Of the said transfers, 35% (2012/13: 42%) 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 R142 million and the interest earned on these amounts to R216 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 2013 are net of refunds to donors and include interest accrued.

GRAP 23 prescribes the principles for accounting for revenue for non-exchange transactions. In accordance with GRAP 23, the RDP fund will need to consider the recognitions of donations received, as presented in the statement of Financial Performance, based on each individual technical assistance agreement. To the extent that the technical assistance agreements contain no conditions linked to RDP fund, donations will need to be recognised in full, when they are received.



ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2014

Prior to 2013/14 revenue for grants and donations was recognised to the extent that the fund complied with the conditions attached to the grants and donations. The effect of the correction is set out below.

As the RDP fund is not party to the technical assistance agreements but in terms of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998) only accounts for money received to the benefit of the fund and from which transfers are made for funding of projects a re-statement was done.

This Office is of opinion that accounting for the RDP fund will meet the accounting standards as set out in "accounting by principals and agents". This is currently still an exposure draft (ER 122) and this office is awaiting this to be approved as a GRAP standard.

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2014

TABLE 1

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

	TRANSFERRED FOR THE YEAR				ACCUMULATED FUND AS AT 31 MARCH 2013			
	2013/14		2012/13		2013/14		2012/13	
	R'm	%	R'm	%	R'm	%	R'm	%
Health	882	50	948	45	927	25	250	12
Basic Education	375	21	304	15	99	3	453	21
Science and Technology	109	6	35	2	105	3	155	8
National Treasury	97	6	30	1	1 046	29	411	20
Justice and Constitutional Development	95	5	-	-	33	1	113	6
Parliament	70	4	-	-			72	4
Trade and Industry	54	3	473	23	717	20	20	1
Various Departments	41	2	62	3	562	13	470	22
National School of Government	18	1	31	1	-	-	-	-
Performance Evaluation and Monitoring	13	1	-	-	-	-	-	-
Human Settlement (Western Cape)	11	1	-	-	-	-	-	-
Water Affairs and Forestry	-	-	88	4	27	1	27	1
Energy	-	-	74	4	18	1	-	-
Nelson Mandela Metro Municipality	-	-	32	1	-	-	-	-
Sports and Recreation	-	-	-	-	12	-	-	-
Office of the Presidency	-	-	-	-	15	-	-	-
Environmental Affairs	-	-	-	-	12	-	-	-
Department of Rural Development and Land Reform	-	-	-	-	14	-	10	-
Human Settlement	-	-	16	1	-	-	-	-
Agriculture and Fisheries	-	-	-	-	13	-	-	-
Department of International Relation and Corporation	-	-	-	-	24	1	23	1
Correctional Services	-	-	-	-	-	-	13	1
Higher Education and Training	-	-	-	-	27	1	-	-
Social Development	-	-	-	-	23	1	-	-
Office of the Premier	-	-	-	-	-	-	-	-

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2014

	TRANSFERRED FOR THE YEAR				ACCUMULATED FUND AS AT 31 MARCH 2013			
	2013/14		2012/13		2013/14		2012/13	
	R'm	%	R'm	%	R'm	%	R'm	%
Transport	-	-	-	-	11	-	-	-
Defence	-	-	-	-	21	1	21	1
Public Works	-	-	-	-	10	-	10	1
Public Service and Administration	-	-	-	-	16	-	-	-
PE Municipality	-	-	-	-	14	-	13	1
SUBTOTAL	-	-	-	-	-	-	-	-
SUBTOTAL	1 765	100	2 093	100	3 746	100	2 061	100
Receivable from Departments	-	-	5	-	391	-	948	-
Total Capital Transfers	1 765	100	2 098	-	4 137	100	3 009	100
Interest Allocated	-	-	3	-	-	-	-	-
Payables to Departments	-	-	-	-	-	-	-	-
TOTAL	1 765	100	2 101	100	4 137	100	3 009	100

TABLE 2

Programmes for which Grant and Donations were received:

	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2013/14		2012/13		2013/14		2012/13	
	R'm	%	R'm	%	R'm	%	R'm	%
Sector Policy Support Programme	-	-	366	18	375	21	572	27
General Budget Sector Support Programme	761	32	465	24	-	-	-	-
SAF-H-NDOH	518	22	336	17	692	39	358	17
Primary Health Care Sector Policy Support	470	20	332	17	170	9	224	11
Opportunities for Practical Practice	-	-	-	-	40	2	-	-
Innovation for Poverty Alleviation Programme	-	-	113	6	61	3	20	1
Various other projects	187	6	104	5	103	6	100	5
Financial Management Improvement Programme (FMIP) III	32	1	-	-	32	2	-	-
Child Protection Programme	18	1	-	-	-	-	-	-
General Advisory Budget Support	15	1	-	-	37	1	-	-
Pro Poor Policy Programme	14	1	-	-	-	-	-	-
Building a Capable State	14	1	-	-	-	-	-	-
Anti - Corruption Capacity Building Programme	13	1	-	-	-	-	-	-
Strengthening National and Provincial Capacity	-	-	-	-	-	-	46	2
Disposition Fund	13	-	-	-	-	-	-	-

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2014

	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2013/14		2012/13		2013/14		2012/13	
	R'm	%	R'm	%	R'm	%	R'm	%
Settlement and Development of Land Beneficiaries Programme	13	-	-	-	-	-	-	-
Public Sector Training and Development	-	-	21	1	18	1	28	1
SAF-H-NDOH-D01.1	-	-	22	1	-	-	-	-
N2 Gateway Project	-	-	-	-	11	1	15	1
Masibambane Water Supplies	-	-	-	-	-	-	59	3
Employment Creation Sector Support Policy Programme	337	14	-	-	-	-	324	15
Expanded Partnership for the Delivery of Primary Health Care and HIV and AIDS Programme	-	-	-	-	-	-	18	1
Access to Justice and Promotion of Human Rights Programme	-	-	80	4	80	5	-	-
Legislative Sector Policy Support Programme	-	-	69	4	69	4	-	-
Support to South Africa's Growth Strategy	-	-	-	-	-	-	80	4
E-Justice Programme	-	-	-	-	11	1	-	-
Strengthening Performance Monitoring and Evaluation for the Poor in SA	-	-	-	-	12	2	-	-
Pilot the implementation of the DST	-	-	-	-	-	-	-	-
Urban Renewal Programme	-	-	32	2	-	-	32	2
Co-operation in the Prevention and Controlling of HIV/AIDS and other Infectious diseases	-	-	34	2	-	-	34	2
Interest Allocated	-	-	-	-	-	-	-	-
SWEEP II Programme	-	-	-	-	54	3	69	3
Metolong Dam	-	-	-	-	-	-	20	1
National Development Policy Support Programme	-	-	-	-	-	-	72	3
Renewal Energy Programme	-	-	-	-	-	-	22	1
Inspire Programme	-	-	-	-	-	-	-	-
Interest Allocated	-	-	-	-	-	-	-	-
SUB TOTAL	2405	-	1974	100	1 765	100	2 093	100
Receivable from Departments	-	-	-	-	-	-	5	-
TOTAL	2405	-	1974	100	1 765	100	2098	100

ACCOUNTING OFFICER'S REVIEW

for the year ended 31 March 2014

TABLE 3

Analysis of Grants and Donations by Donor

	RECEIVED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH 2014			
	2013/14		2012/13		2013/14		2012/13	
EU	1 626	68	1 473	75	2 793	76	1 374	67
Global Fund	518	22	358	18	11	-	-	-
UK	-	-	-	-	-	-	19	1
Canada (CIDA)	49	1	28	1	38	1	-	-
Various Donors	174	7	81	4	316	7	186	8
KFW (Germany)	13	1	-	-	10	-	-	-
Flemish	-	-	-	-	30	1	36	2
Denmark	15	1	-	-	30	1	21	1
Post and Telecoms	-	-	-	-	228	6	219	11
Finland	-	-	-	-	40	1	38	2
Netherlands	-	-	-	-	38	1	37	2
African Renaissance Fund	-	-	-	-	-	-	-	-
Sweden	-	-	-	-	26	1	25	1
Switzerland	-	-	-	-	30	1	24	1
Belgium	10	-	-	-	-	-	27	1
USAID	-	-	-	-	20	1	18	1
Road Accident Fund	-	-	-	-	9	-	-	-
Ireland	-	-	-	-	-	-	-	-
IBRD	-	-	-	-	12	1	11	1
CDC of United States	-	-	34	2	-	-	16	1
Republic of China	-	-	-	-	10	-	10	-
SUBTOTAL	2 405	100	1 974	100	3 746	100	2 061	100
Receivables from Departments/Province	-	-	-	-	391	-	948	-
TOTAL	2 405	100	1 974	100	4 137	100	3 009	100

ACCOUNTING OFFICER'S APPROVAL

for the year ended 31 March 2014

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 15 to 28 have been approved by the Accounting Officer and Financial Accountant on 15 October 2014.

A red rectangular box covering a handwritten signature in black ink.

Michael Sass
Accounting Officer

A handwritten signature in black ink that reads "Karee".

Karen Maree
Financial Accountant

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Current assets		4 138 306	3 010 016
Receivable	2,2	409 540	955 974
Cash and cash equivalents	2,1	3 728 766	2 054 042
Total Assets		4 138 307	3 010 016
LIABILITIES			
Current liabilities			
Payables	2,3	546	53
Total liabilities		546	53
Net assets		4 137 760	3 009 963
Accumulated surplus/(deficit)		4 137 760	3 009 963
Total net assets and liabilities		4 138 307	3 010 016

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2014

	Notes	2014 R'000	2013 R'000
REVENUE			
		2 528 977	2 043 331
Grants and donations		2 405 574	1 974 898
Interest income		123 403	68 433
Refund to donors		(70 993)	(109 850)
Total revenue after refunds		2 457 984	1 933 481
EXPENSES			
Funding of Reconstruction and Development Programme projects and programmes	6	1 328 271	1 109 460
Management Fees and operating expenses		1 917	12
Total expenses		1 330 188	1 109 472
Surplus/(deficit) for the period		1 127 796	824 008

CASH FLOW STATEMENT

for the year ended 31 March 2014

	Notes	2014 R'000	2013 R'000
Cash flow from operating activities			
Receipts			
		2 966 619	3 035 699
Grants and donations received		2 405 573	1 974 898
Interest income		123 403	68 433
Refunds to/ (from) Spending Agencies	7	437 643	992 369
Expenditure			
		1 838 824	2 211 690
Transfers to Spending Agencies		1 765 914	2 101 828
Refunds to donors		70 993	109 850
Management fees paid to PIC		1 917	12
Net cashflow available from operating activities		1 127 796	824 008
Net movements in working capital			
		546 927	(97 031)
(Increase)/decrease in receivables relating to donations		546 434	(96 871)
Increase/(decrease) in payables relating to management fees		493	(160)
Net increase / (decrease) in cash and cash equivalents for the year		1 674 723	726 978
Cash and cash equivalents at the beginning of the year		2 054 043	1 327 065
Cash and cash equivalents at the end of the year		3 728 766	2 054 043

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2014

Balance at 31 March 2011	1 554 964
Adjustments due to prior period error	630 993
Balance at 31 March 2012	2 185 957
Surplus / (deficit) for the year	824 008
Balance at 31 March 2013	3 009 964
Surplus / (deficit) for the year	1 127 796
Balance at 31 March 2014	4 137 760

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

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 ROUNDING

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

1.1.2 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 NON-EXCHANGE TRANSACTION

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue comprises mainly of domestic and foreign grants and interest on investments.

Reconstruction and Development Funds (RDP) Act, Act 7 of 1994 (as amended by Act 79 of 1998) states that all monies received for the benefit of the fund shall be deposited in the RDP account held at the South African Reserve Bank.

RECOGNITION

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the

same inflow. An inflow of resources are recognised to the extent that it is probable that the benefits flow to the RDP Fund.

MEASUREMENT

Revenue from non-exchange transaction is measured at fair value.

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 Programme (RDP) Fund for the transfer of donor funds.

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 MANAGEMENT FEES AND OPERATING EXPENSES

Management fees and 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, investments and receivables.

Financial liabilities consist of funds awaiting distribution and payables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

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). From 1 December 2013 funds are also invested in money market accounts at ABSA, Firststrand, Nedbank and Standard Bank. 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.

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.

1.6 ACCUMULATED SURPLUS

Accumulated surplus represents the gross inflow of economic benefits which represents an increase in net assets and the amount transferred to the Spending Agency when the conditions are met. The Reconstruction and Development Funds (RDP) Act, Act 7 of 1994 (as amended by Act 79 of 1998) states that the Accountant-General is responsible to control the fund and to keep proper record. The accounting officer of the spending agency is accountable for the money allocated to that spending agency. The surplus/defecit is therefore not available for distribution.

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 18:	Segment reporting
GRAP 20:	Related Party Disclosures
GRAP 32:	Service Concession Arrangements (Grantor)
GRAP 105:	Transfer of functions between entities under common control
GRAP 106:	Transfer of functions between entities not under common control
GRAP 107:	Mergers
GRAP 108:	Statutory Receivables

STANDARDS THAT BECAME EFFECTIVE FROM 1 APRIL 2013

GRAP 25:	Employee benefits
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
2 INVESTMENTS		
2.1 CASH AND CASH EQUIVALENTS		
Investments with PIC	3 656 966	2 035 435
Cash with Standard Bank	91 338	-
Money Market accounts with:	3 565 628	-
Bank balance: SARB	71 801	18 607
Carrying value at year end	<u>3 728 766</u>	<u>2 054 043</u>
2.2 ACCOUNTS RECEIVABLE		
Accrued Interest	17 777	7 084
Due by Departments	391 763	948 890
Receivables relating to portfolios	<u>409 540</u>	<u>955 974</u>
2.3 PAYABLES		
Due to Environmental Affairs	-	52
Management fees to PIC	546	1
	<u>546</u>	<u>53</u>
3 ACCUMULATED FUNDS		
Opening Balance as at 1 April	3 009 964	2 185 956
Net movement of funds for the year	1 127 796	824 008
Closing balance as at 31 March	<u>4 137 760</u>	<u>3 009 964</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
3.1 NET MOVEMENT OF FUNDS COMPRISE OF:		
Grant and donations received	2 405 573	1 974 898
Refunds from Spending Agencies (Note 6)	437 870	992 369
Interest received	123 403	68 433
Funding of Reconstruction and Development Programme projects and programmes	(1 765 914)	(2 101 828)
Refunds to Spending Agencies	(228)	-
Refund to donors (Note 4)	(70 993)	(109 850)
Management fees paid to PIC	(1 917)	(12)
	1 127 796	824 008

4 REFUNDS TO DONORS

Capital		
Refund to EU	42 910	43 195
Refund to CDC of United States	14 856	-
Refund to Denmark	4 179	577
Refund to Usaid	748	463
Refund to UNDP	626	-
Refund to GIZ	337	-
Refund to Switzerland	182	999
Refund to IRD	157	-
Refund to CABRI	91	-
Refund to Flemish	43	7 470
Refund to Ireland	-	5 321
Refund to British BDDSA	-	2 058
Refund to Vodacom	-	1 760
Refund to Norway	-	1 155
Refund to UK/DFID	-	1 036
Refund to Finland	-	896
Refund to Unicef	-	847
Refund to Canada (CIDA)	-	730
Refund to Netherlands	-	376
Refund to Nicro	-	271
Interest		
Refund to Denmark	3 973	24 751
Refund to EU	1 943	6 180
Refund to Flemish	767	796

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
Refund to Belgium	155	-
Refund to Cabri	15	-
Refund to Usaid	7	24
Refund to Canada (CIDA)	3	6
Refund to British BDDSA	-	4 447
Refund to Norway	-	2 179
Refund to UK/DFID	-	2 064
Refund to Ireland	-	800
Refund to Finland	-	755
Refund to Switzerland	-	578
Refund to Vodacom	-	86
Refund to Nicro	-	29
Refund to Old Mutual	-	1
	70 993	109 850

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.

5 MANAGEMENT FEES AND OPERATING EXPENSES

Paid to PIC	1 917	12
	1 917	12

6 FUNDING OF RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND PROJECTS AND PROGRAMMES

Amounts to fund projects and programmes		
Capital	1 765 910	2 098 590
Interest	4	3 239
Refund from Spending Agencies	(437 870)	(998 670)
Refund to Spending Agencies	227	6 301
	1 328 271	1 109 460

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
7 REFUNDS		
Refund from Spending Agencies	(437 870)	(998 670)
Refund to Spending Agencies	227	6 301
	<u>(437 643)</u>	<u>(992 369)</u>
8 INTEREST AND SUNDRY INCOME RECEIVED		
Amounts receivable at the beginning of the year	7 084	5 149
Interest earned as per Statement of Financial Performance	123 403	68 433
Amounts receivable at the end of the year	(17 777)	(7 084)
Cash from investing Activities	<u>112 710</u>	<u>66 498</u>
9 CASH AND CASH EQUIVALENTS		
Investments	3 656 966	2 035 436
Bank balance: SARB	71 801	18 607
	<u>3 728 766</u>	<u>2 054 043</u>
10 RELATED PARTY TRANSACTIONS		
10.1 PUBLIC INVESTMENT CORPORATION (PIC)		
<p>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.</p> <p>From 1 December 2013 funds are also invested in money market accounts at ABSA, Firststrand, Nedbank and Standard Bank. Market related interest is received and market related management fees are also charged.</p>		
Management Fees		
December	363	1
January	506	1
February	495	1
March	546	1
	<u>1 910</u>	<u>4</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2014 R'000	2013 R'000
As from 1 December Interest Earned is calculated at the market value of the investment made in the Portfolio where cash shall be valued at face value plus accrued interest (If any)		
Interest Earned		
December	10 461	6 136
January	15 472	7 675
February	15 197	6 465
March	17 777	7 084
	58 907	27 360
Capital	3 001 154	1 470 102
Accumulated Interest	673 042	572 417
	3 674 196	2 042 519
The following receivables from spending agencies and the bank balance at SARB, have not yet been invested in PIC		
Outstanding receivables from spending agencies	391 763	948 890
Outstanding bank balance per SARB	71 801	18 607
	463 564	967 497
TOTAL	4 137 760	3 010 016

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. Audit fees to the amount of R 405 (2012/13 R 834) were borne by National Treasury.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

2014	2013
R'000	R'000

11. PRIOR PERIOD ERROR

GRAP 23 prescribes the principles for accounting for revenue for non-exchange transactions. In accordance with GRAP 23, the RDP fund will need to consider the recognitions of donations received, as presented in the statement of Financial Performance, based on each individual technical assistance agreement. To the extent that the technical assistance agreements contain no conditions linked to RDP fund, donations will need to be recognised in full, when they are received.

Prior to 2013/14 revenue for grants and donations was recognised to the extent that the fund complied with the conditions attached to the grants and donations. The effect of the correction is set out below.

As the RDP fund is not party to the technical assistance agreements but in terms of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998) only accounts for money received to the benefit of the fund and from which transfers are made for funding of projects the following re-statement was done.

	Restated figures 2013 R'000	Prior year figures 2013 R'000	Difference R'000
11.1 REVENUE	2 043 331	1 097 440	945 891
Grants and donations	1 974 898	1 094 202	880 696
Interest income	68 433	3 238	65 195
Refund to donors	(109 850)	-	(109 850)
Total revenue after refunds	1 933 481	1 097 440	836 041
EXPENSES			
Funding of Reconstruction and Development Programme projects and programmes	1 109 460	1 097 440	12 020
Management Fees and operating expenses	12	-	12
Total expenses	1 109 472	1 097 440	12 032
Surplus/(deficit) for the period	824 008	-	824 008

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

	2012
Changes in funds as at 31 March 2012	630 991
This comprises of:	
Grants and donations received	1 480 505
Interest received	65 229
Refund to donors	(72 445)
Management fees paid to PIC	(12)
Funding of Reconstruction and Development Programme projects and programmes	(838 312)
Refunds to Spending Agencies	(3 974)

12 FINANCIAL RISK ANALYSIS

12.1 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.

12.1.1 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. Cash instruments include investment in money market accounts.

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.

Money market investments are investments with a maximum duration of 12 months. These investments are spread across domestic issuers to reduce and diversify the concentration risk, thereby reducing the risk to the domestic financial market in the (unlikely) event that a liquidity crisis is suffered by an issuer.

Funds are spread according to the following ranges, however, due to the differences that may exist amongst issues a 10 % variance is allowed.

Bank	Recommended % range
ABSA	0-45%
First rand	0-45%
Nedbank	0-45%
Standard Bank	0-45%

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2014

12.1.2 CREDIT RISK

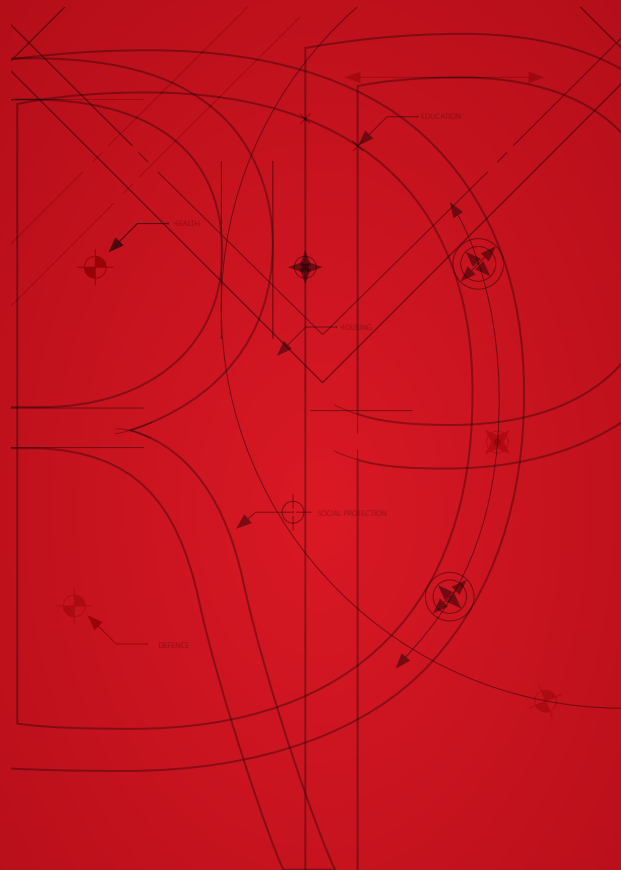
The risk management policy of the RDP Fund is to invest in cash and money instruments only. These transactions are limited to a high-credit-quality financial institution namely the PIC. Funds are invested at variable interest rate.

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 R3,1 million will be earned less or more per month when the interest rate is adjusted with a 100 basis points.

13 CONTINGENT LIABILITY

The department of Environmental Affairs raised a payable from the RDP Fund in their 2013/14 annual financial statements to the amount of R2 471. The funds from the donor has been received by the RDP Fund but Office is still awaiting a requisition from Environmental Affairs for the amount of R2 471.



RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

Annual financial statements for the year ended 31 March 2014

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA