



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001

Enq: Andile Kuzwayo

Ref: FP29-/2/11

Tel: 012 315 5039

Fax: 012 324 2456

Email: Andile.Kuzwayo@treasury.gov.za

25 October 2012

Dear Colleagues

OFFICIAL DEVELOPMENT ASSISTANCE ACCOUNTABILITY IN TERMS OF THE RECONSTRUCTION DEVELOPMENT PROGRAMME ACT AND OTHER APPLICABLE LAWS

In light of the increasing number of qualified audit opinions on the accounting records of Official Development Assistance (ODA) funds and the reputational financial losses to the Government of the Republic of South Africa arising from the manner in which such accounting records are managed, the National Treasury would like to ensure increased accountability and ownership of Official Development Assistance (ODA) funds in terms of the Reconstruction Development Programme Fund Act No 7 of 1994 as amended by (Act No. 79 of 1998); the Public Finance Management Act Section 40 (1a) and the Municipal Finance Management Act Section 62(2). Further, the letter intends to ensure that recipients of ODA funds provide the National Treasury with reports.

In terms of Section 6 of the Reconstruction Development Programme Fund Act (RDP Act) "The Accountant-General shall be the accounting officer responsible for the administration of the fund". In addition, Section 4 (c) of the RDP Fund of 1998 stipulates that the accounting officer of a spending agency shall be accountable for the money allocated to that spending agency.

Over the years, the National Treasury has encountered challenges from recipients of ODA with regard to the:

- Monitoring and management of expenditure including reporting on donor assistance programmes;
- Accountability for ODA funds (reports); and
- Irregular utilization of ODA funds which has resulted in qualified audit opinions.

National Treasury has been scrutinizing the audit reports of the RDP Fund and it has become apparent that spending agencies do not comply with the RDP Act specifically around reporting, accounting and ownership of ODA funds.

In light of the provisions of the RDP Act in particular the provisions of Section 6 (2) of the Act and the fact that there has been repeated concerns expressed that the various spending agencies are not providing appropriate financial records of the resources allocated to their departments from the fund, it is my duty, as the Accounting Officer of the Fund to bring to the attention of accounting officers and spending agencies certain obligations stipulated by the Act.

Section 7 of the RDP Act provides that "... the financial records kept by the accounting officer shall be audited by the Auditor General". Thus it is an obligation on each Accounting Officer of a spending agency to ensure that accurate and complete financial records are kept to avoid any qualified audit opinion by the Auditor General in respect of amongst others, the incompetence of accounting controls over the Fund.

The accounting responsibilities placed on the spending agency's accounting officer are, repeated in amongst others Section 40 (1a) of the PFMA and Section 62(2) MFMA. It needs to be emphasised that failure to comply with the provisions of the RDP Fund Act, PFMA and MFMA obligations placed on spending agency accounting officers in terms of, amongst others, Sections 38, 40, 41, of PFMA and Section 62(2) of the MFMA may constitute an act of financial misconduct.

The National Treasury requires all accounting officers of spending agencies to adhere to the reporting requirements in terms of the management of Official Development Assistance. This includes disclosure of all funds received (grants and in kind assistance) through the following:

- Annual Reports;
- MTEF and ENE databases;
- Reporting to relevant Parliamentary Portfolio Committees;
- Quarterly financial and project reports; and
- The provision of any additional information as may be required.

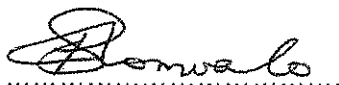
All requests for tranche payments and transfers of ODA (sector budget support and or other programmes) must be accompanied by a full work plan of how the funds will be utilized. A report of past progress, if the programme is already in implementation, must also be submitted.

I trust that this letter will serve as a reminder of the obligations placed on the spending agencies accounting officers and chief financial officers to ensure that we spend our development partners funds in an efficient and fruitful manner. We also should derive optimum value for the projects implemented as we do the same for our own resources. In turn, this ensures that no adverse audit findings will be directed at the accounting officer of any spending agency.

It would be greatly appreciated if the contents of this letter would be brought to the attention of all relevant officials within your department or agency.

Please accept my most sincere appreciation for your commitment to co-operate with the National Treasury in ensuring an effective control environment and accountability in respect of ODA funds in accordance with the RDP Act and other applicable laws.

Yours sincerely



FREEMAN NOMVALO
ACCOUNTANT GENERAL: NATIONAL TREASURY

DATE: 9 November 2012