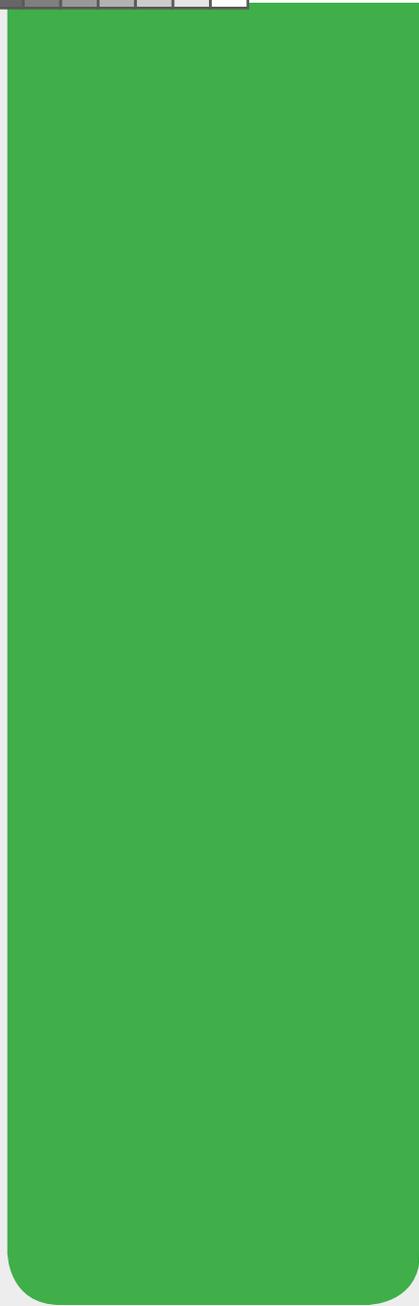


Department of International Relations and Cooperation

THE AFRICAN RENAISSANCE AND
INTERNATIONAL COOPERATION FUND
2015/16



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African Renaissance and International Cooperation Fund
Annual Report for 2015/16 Financial Year
Department of International Relations and Cooperation

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PART

A

General Information

1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered name:

African Renaissance and International Cooperation Fund (ARF)

Physical address:

460 Soutpansberg Road
 Rietondale
 Pretoria
 0084

Postal address:

Private Bag X152
 Pretoria
 0001

Telephone numbers: + 27 12 351 1000

Fax number: + 27 12 329 1000

Email address: info@dirco.gov.za

Website address: www.dirco.gov.za

External auditor: Auditor-General of South Africa

Banker: South African Reserve Bank

Advisory committee secretary: ARF Secretariat

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
ARF	African Renaissance and International Cooperation Fund
AU	African Union
CFO	Chief Financial Officer
DG	Director-General
DIRCO	Department of International Relations and Cooperation
MTEF	Medium Term Expenditure Framework
NEPAD	New Partnership for Africa's Development
PCRD	Post-Conflict Reconstruction and Development
PFMA	Public Finance Management Act
TR	Treasury Regulations
SCM	Supply Chain Management

Definitions

Disbursement	Cash payment
Concurrence	Agreement between Minister of International Relations Cooperation and Minister of Finance
Expenditure	Project with concurrence in the financial year

FOREWORD BY THE MINISTER OF INTERNATIONAL RELATIONS AND COOPERATION

I am honoured to present the 2015/16 Annual Report of the African Renaissance and International Cooperation Fund (ARF). The ARF is a public entity which falls under the oversight of the Department of International Relations and Cooperation's (DIRCO) Executive Authority. Since its inception in 2001, the ARF has remained an important tool for the enhancement of South Africa's development cooperation on the continent and with other identified partners. South Africa is a developmental state which seeks to contribute to the prosperity of the continent and the general well-being of the marginalised people in the world.

This report consists of the ARF's achievements during the 2015/16 financial year in pursuit of its mandate. The fund continued to contribute towards successful implementation of South Africa's international relations strategic programme, which is predicted on the National Development Plan Vision 2030. The approved disbursements were made to support the ARF's objectives.

In this regard, we had to prioritise initiatives and projects which could not only meet the requirements but also consider their envisaged impact in changing the lives of people in the southern African region and on the African continent at large.

We have experienced erratic weather conditions, which resulted in severe droughts in many parts of our continent. For our part and in consideration of similar conditions in our country, we managed to provide the much-needed assistance to the people of Namibia due to the severity of the drought in that country. In line



Minister Maite Nkoana-Mashabane
Department of International Relations and Cooperation

with our commitment to promote small business and cooperatives, the provision of seeds and maize meal was carried out by South Africa emerging business and a farming consortium.

The food security project in Guinea Conakry has continued to yield positive results and serves as one of the important trilateral development cooperation initiatives on the continent which South Africa is involved in. The Vietnamese



Deputy Minister Nomaindiya Mfeketo
Department of International Relations and Cooperation

Government has continued to avail experts in rice and vegetable farming. I must emphasise that this project falls within our broader commitment to improve societal conditions on the continent.

Our diplomacy of Ubuntu enjoins us to respond swiftly individually and collectively to unforeseen humanitarian situations. We collaborated with our global partners in efforts to contain the spread of the Ebola virus disease in West Africa through the provision of medical equipment and personnel, among others. It must be borne in mind that this epidemic was not only a threat to the West African region but had the potential to affect the whole continent and could have spread to other continents.

South Africa has also recorded a milestone in its hosting of the Square Kilometre Array (SKA) following the launch of the MeerKAT. The technology for this telescope was developed by over 200 young scientists, engineers and technicians who proudly and collectively inspired their peers in the country, the continent and the



Deputy Minister Luwellyn Landers
Department of International Relations and Cooperation

world. In this vein, they carry our shared hopes for a better future and are working in collaboration with local and international institutions and relevant industries. We believe that the African Agenda and the Agenda of the South will continue to receive our focussed attention and that our developed partners should be further encouraged to continue supporting our initiatives.

I would like to thank the ARF Advisory Committee under the stewardship of the Chairperson for the sterling work throughout the financial year.

A handwritten signature in black ink, appearing to read 'Maite Nkoana-Mashabane', written over a horizontal line.

Maite Nkoana-Mashabane

Minister of the Department of International Relations and Cooperation

Date: 31 July 2016

FOREWORD BY THE ACCOUNTING AUTHORITY

It is my great honour and privilege to present the Annual Report 2015/16 of the African Renaissance and International Cooperation Fund (ARF) to the South African Parliament, which has always been an important partner in the conduct of South Africa's foreign policy in addition to its constitutionally mandated oversight role over this public entity.

The ARF continued to be an invaluable instrument in the pursuit of the National Development Plan (NDP) and Vision 2030, the Medium Term Strategic Framework (MTSF) and the 14 Strategic Outcomes to which all government departments must subscribe and act upon. Of particular importance to the ARF was the Delivery Agreement for Outcome 11, which focusses on international relations and is entitled: "Creating a Better South Africa and Contributing to a Better and Safer Africa in a Better World".

We are committed to implementing the ARF Strategic Plan 2015 – 2020 and Annual Performance Plan 2016 –2017 to promote South Africa's national interest and values on the continent. It is also my sincere hope that the ARF will continue to show the same level of commitment, loyalty and cooperation necessary to attain a democratic, non-racial, non-sexist and conflict-free developmental African continent.

I am also pleased that the Fund complies with the laws and regulatory prescriptions which govern the management of public funds in South Africa. We have therefore continued to adhere to the established framework for disbursing funds and ensure compliance with accounting and monitoring mechanisms.



Kgabo Mahoi Acting Accounting Authority
Department of International Relations and Cooperation



It is on this bases that we received an unqualified audit opinion from the Office of the Auditor-General of South Africa.

In conclusion, I would like to thank Minister Maite Nkoana-Mashabane and Minister Pravin Gordan for their vision, astute leadership and guidance. Furthermore, I would like to express my sincere appreciation to the ARF Advisory Committee for its dedication, expertise and sterling and commendable work, as well as the ARF Audit Committee and ARF Risk Management Committee for the direction and stewardship they provided with respect to matters related to the ARF.

Kgabo Mahoi
Acting Accounting Authority
African Renaissance and International Cooperation Fund
31 July 2016



5. Statement of responsibility and confirmation of accuracy for the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General.

The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the *Guidelines on the Annual Report* as issued by National Treasury.

The annual financial statements (Part E) have been prepared in accordance with the standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resource information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully



Mr Kgabo Mahoai
Acting Accounting Authority
31 July 2016



6. STRATEGIC OVERVIEW

Vision

The vision of the African Renaissance and International Cooperation Fund (ARF) is a democratic, non-racial, non-sexist, conflict-free developmental African continent.

Mission

The ARF is committed to promoting South Africa's national interests and values, the African Renaissance and the creation of a better world for all.

Values

In order to ensure that funding through the ARF is effective, the ARF will adopt the values of the Paris and Rome Declarations on aid effectiveness. The ARF will ensure that the following key values are adhered to:

- Ownership of the process: The recipient country must own the process of determining the immediate, medium and long-term actions that will address the issues contained in their project proposal.
- An understanding of the political, economic and security considerations of the recipient country must be achieved.
- A needs assessment should be conducted with direct involvement and ownership of the process by the country concerned.
- Integrated planning and coordination are critical in ensuring that South Africa's efforts are in line with the development needs of the identified country.

- Harmonisation of assistance needs to be coordinated. The ARF will position itself as a catalyst to drive the implementation of post-conflict reconstruction and development programmes, to become an important player in partnership with all role players to ensure that available funds are channelled to meet the identified priorities of the affected country.
- In addition to the above, the ARF will conduct its business while constantly adhering to the values of the Department of International Relations and Cooperation, namely:
 - Patriotism
 - Loyalty
 - Dedication
 - Ubuntu
 - Equity
 - Integrity
 - Batho Pele.

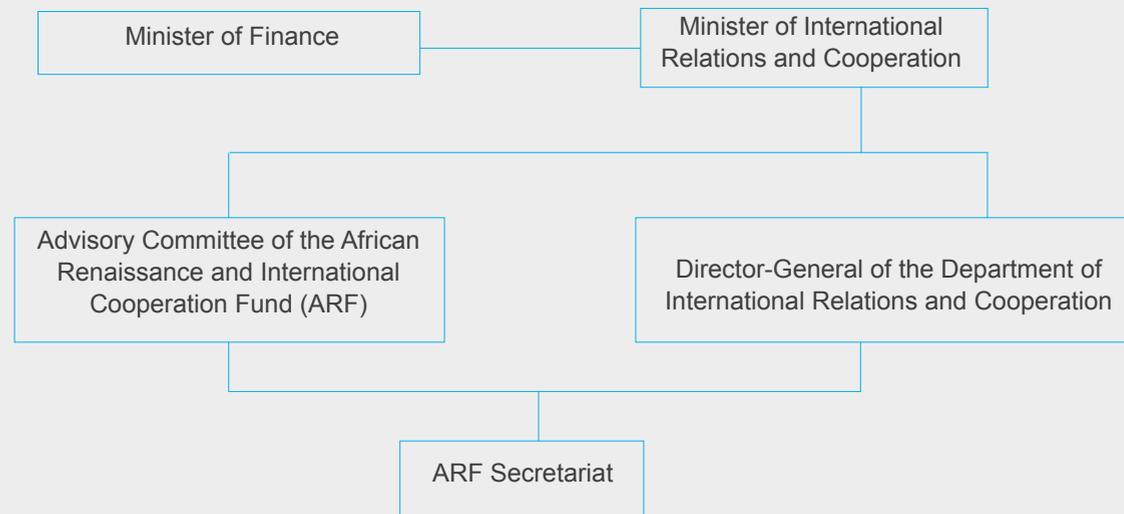


7. LEGISLATIVE AND OTHER MANDATES

The African Renaissance and International Cooperation Fund Act, 2000 (Act 51 of 2000): The Act establishes an African Renaissance and International Cooperation Fund (ARF) to enhance cooperation between the Republic and other countries, in particular African countries, through the promotion of democracy and good governance, the prevention and resolution of conflict, socio-economic development and integration, humanitarian assistance and human resource development.



8. ORGANISATIONAL STRUCTURE





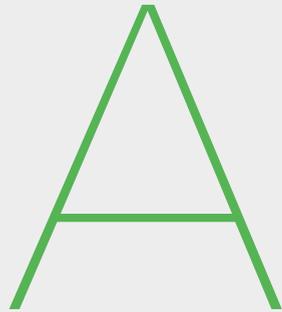
PART

B

Performance information

I. SITUATIONAL ANALYSIS

I.1 Service delivery environment



Africa is at a critical juncture in its development trajectory. The global economy has, since the turn of the century, seen vast shifts in production and trade patterns, which have been accompanied by the emergence of new growth poles in the South.

Since 2000, there has been significant and sustained growth across the continent, driven in part by the prolonged commodity boom, but also by growth in retail, agriculture, services, transport and telecommunications. Political conflicts have declined, economic growth is robust and economic management governance and political stability have improved.

All of the above have contributed to a marked shift in global perceptions of the continent; from pessimism to a sense of enormous potential, with both traditional and new economic powers clamouring to offer their partnership. The continent has been hailed as the next frontier for opportunity and a potential global growth source.

This evolving order presents Africa with challenges as well as opportunities that, if met by effective interventions, could lead to substantial socio-economic and political transformation, propelling the continent forward. The key challenge for African countries today is how to design and implement effective policies to promote industrialisation and economic transformation.

Building on these gains, increased efforts are being directed towards integrating the various economies in Africa through, for example, the Common Market of Eastern and Southern Africa, East African Community and Southern African Development Community (SADC) Tripartite Agreement, as well as boosting intra-African trade. Market integration is being combined with cross-border infrastructure development and rehabilitation, and with programmes of policy coordination to develop cross-border, industrial value chains.

The African Union's (AU) New Partnership for African's Development (NEPAD) is the primary vehicle through which the AU is implementing its socio-economic development agenda. In this regard, the shift from a poverty-reduction paradigm to a growth-expansion paradigm is key in consolidating the African Agenda and forms a central part of the strategic framework of NEPAD.

Considerable progress is being made in various AU/NEPAD programmes, such as the Programme for Infrastructure Development in Africa, the Presidential Infrastructure Championing Initiative and the Comprehensive Africa Agriculture Development Programme.

Notwithstanding the above gains, a number of challenges still remain that require and will continue to receive priority attention from the AU, its regional economic communities and national governments.

These challenges include, among others, the combating of unconstitutional changes in government, boosting local skills and technological capabilities, addressing the challenges posed by environmental and human-induced disasters, addressing prevailing socio-economic disparities compounded by

youth unemployment and the marginalisation of women in economic activities and the securing of limited resources to implement African development initiatives. In this regard, South Africa is committed to implementing the AU's Agenda 2063.

South Africa's strategic role in the SADC, the AU and NEPAD continues to influence the policy direction and programme priorities of these institutions, aimed at achieving an African continent that is integrated, prosperous and peaceful, driven by its own citizens and representing a dynamic force in the global arena. In this regard, the ARF is part of the instruments of the South African Government used to achieve these key strategic objectives.

1.2 Organisational environment

The Advisory Committee has been established to manage the African Renaissance and International Cooperation Fund (ARF) and make recommendations to the Minister of International Relations and Cooperation and the Minister of Finance on the disbursement of funds through loans or other financial assistance. The Advisory Committee consists of the following members:

- the Director-General (DG) or a delegate of the DG
- three officers of the Department of International Relations and Cooperation (DIRCO) appointed by the Minister
- two officers of National Treasury appointed by the Minister of Finance.

The DG is the Accounting Authority of the ARF in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). The DG has established a Secretariat consisting of officers to assist with the disbursement of the funds

and monitoring and administration of projects relating to the fund. The ARF is managed by DIRCO and payments are made on behalf of the fund by the department once concurrence is received from the Minister of Finance.

The above has resulted in the opening of a control account in the accounting records of the department and this account is reconciled with the records of the Fund. The annual financial statements of the ARF are prepared separately from the department as the Fund is registered as a Schedule 3A public entity in terms of the PFMA, 1999. All the transactions and information arising from the work of the ARF are audited by the Auditor-General of South Africa on an annual basis.

The ARF, set up as a public entity, does not yet have all the features of other public entities due to its placement within DIRCO structures. Furthermore, the ARF Accounting Authority continues to use the ARF to assist in the implementation of domestic priorities, i.e. favouring local or regional procurement where possible and empowering local small and previously disadvantaged service providers.

1.3 Key policy developments and legislative changes

There are no major changes to relevant policies or legislation that may have affected the public entity's operations during the period under review or future financial periods.

I.4 Strategic outcome-oriented goals

Strategic goal	Goal statement	Progress
<p>Contribute to an integrated, democratic, peaceful and prosperous continent through development assistance</p>	<p>Contribute to continental development by means of developmental assistance in support of democracy and good governance; human resource development; social-economic development and integration; humanitarian assistance and disaster relief; and Post-Conflict Reconstruction and Development (PCRD)</p>	<p>Continued to contribute to continental development by providing development assistance in support of democracy and good governance; human resource development; social-economic development and integration; humanitarian assistance and disaster relief; and PCRD</p>

2. PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE

2.1 Strategic objectives, performance indicators planned targets and actual achievements

Programme/activity/objective:					
Strategic objectives	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
To promote democracy and good governance	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R830 673.06 with respect to South African deployment of election observers to the SADC Election Observation Mission (SEOM) to Mozambique's general elections, held in Mozambique on 15 October 2014</p> <p>Processed several payments totalling R833 619.75 with respect to South African deployment of election observers to the SEOM to Botswana. General elections were held in Botswana on 24 October 2014</p> <p>Processed several payments totalling R967 763.15 with respect to South African deployment of election observers to the SEOM to Namibia. General elections were held in Namibia on 28 November 2014</p> <p>Processed several payments totalling R379 012.91 with respect to South African deployment of election observers to the SEOM to Zambia. Presidential elections were held in Zambia on 20 January 2015</p> <p>Processed several payments totalling R429 880.65 with respect to South African deployment of election observers to the SEOM to Mauritius. General elections were held in Mauritius on 10 December 2014</p>	100% of approved disbursement to support democracy and good governance processed timeously	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R1 006 151.01 with respect to South African deployment of election observer missions for elections in Mozambique (held in 2014/15), Tanzania and Seychelles</p>	None	None



To contribute to human resource development	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment of R7 100 000 as a second tranche payment from the ARF, to the Public Protector with respect to the African Ombudsman Research Centre Project on 27 January 2015</p>	100% of approved disbursement to support capacity-building processed timeously	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R4 783 127.93 for Africa Capacity Building Foundation project</p>	None	None
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<p>To support socio-economic development and integration</p>	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment of R5 369 000 on 8 May 2014 for the implementation of the Cuban Medical Aid Project in Sierra Leone for the third and fourth quarters of the 2013/14 financial year</p> <p>Processed several payments of R1 049 946 from 1 April to 30 June 2014 for salaries and allowances for project workers, homologues and Vietnamese experts; utilities; petrol and rental with respect to the Rice and Vegetable Production Project in Guinea (Conakry)</p> <p>Processed several payments totalling R1 199 000 from 1 July to 30 September 2014 for salaries for project workers, homologues and Vietnamese experts; utilities; petrol and car servicing; office consumables and computers servicing; cellphone expenses; site visits and rental payment with respect to the Rice and Vegetable Production Project in Guinea (Conakry)</p> <p>Processed several payments totalling R929 981.46 from 1 October to 31 December 2014 with respect to the Rice and Vegetable Production Project in Guinea (Conakry)</p> <p>Processed several payments totalling R1 072 782.71 from 1 January to 31 March 2015 with respect to the Rice and Vegetable Production Project in Guinea (Conakry)</p>	<p>100% of approved disbursement to support socio-economic development and integration processed timeously</p>	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R6 633 023.43 for the implementation of the Cuban Medical Brigade Project in Sierra Leone</p> <p>Processed payments totalling R4 666 933.38 for the Rice and Vegetable Production Project in Guinea (Conakry)</p>	<p>None</p>	<p>None</p>
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<p>To provide humanitarian assistance and disaster relief</p>	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment of R141 000 for oil, green muscle and cost of shipping to the service provider, Balmoral Norse, on 6 October 2014 with respect to humanitarian assistance to Niger</p>	<p>100% of approved disbursement for humanitarian assistance processed timeously</p>	<p>100% of approved disbursement distributed during this reporting period</p> <p>Processed R32 500 000 for emergency relief and preparedness and response to the Ebola disease outbreak</p> <p>Processed payments totalling R48 168 012.34 for Namibia Drought Relief Project</p>	<p>None</p>	<p>None</p>
<p>To support cooperation between South Africa and other countries</p>	<p>No disbursement requested during the reporting period.</p>	<p>100% of approved disbursement for cooperation processed timeously</p>	<p>100% of approved disbursement distributed during this reporting period</p> <p>Processed payments totalling R27 119 915.46 for the Cuban economic package</p>	<p>None</p>	<p>None</p>

To contribute to PCRD	100% of approved disbursement distributed during this reporting period Processed payment of R18 230 000 from the ARF as South Africa's contribution to the SADC Secretariat for the deployment of a SADC Organ Observation Mission in Lesotho on 27 February 2015	100% of approved disbursement for PCRD processed timeously	No disbursement requested during the reporting period	None	None
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2.2. Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/2016	Comment on deviations
Percentage of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting	100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting have been achieved Twenty-one project proposals reviewed and submitted to committee meetings	100% of requests received responded to timeously as per objective of project plan	100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting have been achieved Thirteen project proposals reviewed and submitted to committee meetings	None	None

Number of ARF structures and processes convened to identify and recommend projects	Five meetings held to consider project proposals for recommendation	Four Advisory Committee meetings to consider project proposals for recommendation	Four meetings held to consider project proposals for recommendation	None	None
Percentage of approved disbursement processed	100% of approved disbursements distributed during this reporting period Thirteen approved ARF projects disbursement processed	100% of approved disbursement processed timeously as per objectives of the project plan	100% of approved disbursements distributed during this reporting period Fifteen approved ARF projects disbursement processed	None	None

2.3 Strategy to overcome areas of underperformance

The appointment of a full-time ARF Secretariat is aimed at addressing the backlog of project implementation.

2.4 Changes to planned targets

No changes to planned targets

2.5 Linking performance with budgets

Programme/activity/ objective	2015/16			2014/15		
	Budget	Actual expenditure	(Over)/ underexpenditure	Budget	Actual expenditure	(Over)/under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Appropriation	145 637	199 195	(53 558)	277 560	208 831	68 729
Total	145 637	199 195	(53 558)	277 560	208 831	68 729

Reasons for variance

The forex losses contribute to the expenditure exceeding appropriation. The entity has an accumulated surplus that offsets the overexpenditure in the current financial year.

3. Revenue collection

Sources of revenue	2015/16			2014/15		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Interest income	143 765	143 765	-	112 547	112 547	-
Other revenue	-	-	-	-	-	-
Total	143 765	143 765		112 547	112 547	

Revenue

The interest received of R143 million (2015: R112 million) from investments relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank.





PART
C

Governance

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, 2008 (Act 71 of 2008) corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) and run in tandem with the principles contained in the King Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

The Parliamentary Portfolio Committee on International Relations and Cooperation was briefed on the ARF on the following dates: 3 June 2015, 3 September 2015, 14 October 2015 and 17 February 2016.

3. EXECUTIVE AUTHORITY

In terms of the PFMA, 1999 and in compliance with National Treasury Regulations, for the period under review, the African Renaissance and International Cooperation Fund (ARF) has submitted to the Executive Authority the Strategic Plan 2015 – 2017, the Annual Performance Plan 2015/16, four quarterly reports for 2014/15 and the Annual Report and financial statements.

As prescribed by Treasury Regulations 29.3.1, that the Accounting Authority must establish procedures for quarterly reporting to the Executive Authority in order to facilitate effective performance monitoring, four quarterly reports for the 2014/15 financial year were submitted to the Minister of International Relations and Cooperation for consideration and approval. The four quarterly reports were submitted as follows:

- ARF First Quarterly Report for the period 1 April to 30 June 2015: 7 July 2015
- ARF Second Quarterly Report for the period 1 July to 30 Sep 2015:
28 October 2015
- ARF Third Quarterly Report for the period 1 October to 31 Dec 2015:
28 January 2015
- ARF Fourth Quarterly Report for the period 1 January to 31 March 2016:
29 April 2016.

4. ARF ADVISORY COMMITTEE

Composition of the ARF Advisory Committee

No of meetings held	No of meetings attended	Name of members
Four	Four	Mr C Ramashau (Chairperson)
Four	Two	Ms MV Dlomo*
Four	Three	Ambassador EM Saley
Four	Four	Mr R Toli
Four	Two	Dr N Ngwenya*
Four	Four	Ms B Bhengu (Alternate member)
Four	Zero	Ms NN Mkungwana (Alternate member)*
Four	Zero	Ms S Naran (Alternate member)
Four	Four	Mr D Malcomson (Alternate member)

*Ms Mkungwana, Ms Dlomo and Dr Ngwenya are no longer members of the ARF Advisory Committee.



5. REPORT OF THE ACCOUNTING AUTHORITY

5.1 INTRODUCTION

The African Renaissance and International Cooperation Fund (hereafter referred to as the “Fund” and or “ARF”) was established in terms of Section 2(1) of the African Renaissance and International Cooperation Fund Act, 2000 (Act 51 of 2000) and subject to direction of the Minister under the control of the Director-General (DG) who must keep proper records and accounts of all payments into and out of the ARF and must prepare a statement of income and expenditure and a balance sheet, annually as at 31 March, for auditing by the Auditor-General. The ARF is a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999).

5.2 OBJECTIVES OF THE FUND

The objectives of the ARF are to promote economic cooperation between the Republic of South Africa and other countries by granting loans and/or rendering other financial assistance in respect of development projects in such countries. Therefore, the ARF enables the South African Government to identify and fund, in a proactive way:

- cooperation between the Republic of South Africa and other countries, in particular African countries
- promotion of democracy and good governance
- prevention and resolution of conflict
- socio-economic development and integration
- humanitarian assistance
- human resource development.

5.3 THE UTILISATION OF FUNDS

The Minister must, in consultation with the Minister of Finance, establish an Advisory Committee consisting of the following members:

- the Director-General (DG) or the delegate of the DG
- three officers of the Department of International Relations and Cooperation (DIRCO) appointed by the Minister
- two officers of National Treasury appointed by the Minister of Finance.

The Advisory Committee must make recommendations to the Minister of International Relations and Cooperation and the Minister of Finance on the disbursement of funds through loans or other financial assistance.

The funds must be made available or disbursed upon the recommendation of the Advisory Committee and approval by the Minister in consultation with the Minister of Finance.

Loans or other financial assistance must be granted or rendered in accordance with an agreement entered into between the relevant parties, excluding assistance for the promotion of democracy and good governance or the prevention or resolution of conflict.

5.4 RELATED PARTIES

The related party is DIRCO and the ARF is under the control of the DG in terms of the Public Service Act , 1994 (Act 103 of 1994).

The ARF Secretariat provides secretariat services to the Advisory Committee for consideration of the projects and is specifically responsible for:

- facilitating project proposals for presentation to and consideration by the Advisory Committee
- facilitating the meetings of the Advisory Committee
- preparing a record of such meetings
- facilitating the process of securing concurrence letters
- facilitating the finalisation of service level agreements/Memorandum of Understanding
- facilitating the process for the disbursement of funds
- monitoring the implementation of projects by means of reports, ad-hoc site visits as well as maintaining a project database.

DIRCO acts as an implementing agent in the disbursement of funds to projects using a Control Account. The ARF utilises the established policies and procedures of DIRCO in the disbursement of funds.

5.5 GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

5.5.1 Revenue R289 million (2015: R 390 million)

In terms of the Act, income, among other sources, consists of money appropriated by Parliament for the ARF. During the year under review, an amount of R145 million (2015: R277 million) was appropriated to the Fund.

The interest received of R143 million (2014: R112 million) from investments, relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank.

5.5.2 Expenditure

During the year under review, the ARF recorded an expenditure of R199 million (2015: R208 million). The decrease in expenditure is as a result of a reduced appropriation and decline in fundable projects being presented to the ARF Advisory Committee for recommendation to the ministers.

5.5.3 Irregular expenditure

During the current financial year, the Fund incurred irregular expenditure of R204 000 (2015: R1,2 million) and R131 000 has not been condoned by the Accounting Authority.

5.5.4 Receivables

Receivables represent monies withdrawn from the Fund for local and foreign aid but which were not fully disbursed by DIRCO on behalf of the Fund. A list of receivables is attached as Annexure 1.

5.5.5 Payables

Payables represent the monies due by the Fund in terms of the binding agreements. These commitments are listed in Annexure 2.

5.5.6 Provisions

Provisions are made up of projects that are approved and the timing to settle the obligation is uncertain. These projects are listed in Annexure 3

5.5.7 Other liabilities

Other liabilities are made up of monies owed to the National Revenue Fund due to incorrect approval of cash surplus and listed in Annexure 4

5.6 CORPORATE GOVERNANCE ARRANGEMENTS

The Fund is managed through the control of the DG of DIRCO and the following governance mechanisms are in place:

- the ARF Operational Framework governs the relationship between DIRCO and the ARF
- the role of the ARF Secretariat is to ensure that all applicable laws and legislations are adhered to when projects are approved and funds are disbursed
- the Secretariat is also responsible for monitoring and evaluating projects during implementation
- the Fund has an audit committee and a risk management committee.

5.7 ADDITIONAL INFORMATION

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Changes in Net Assets
- Cash Flow Statement
- Notes to the Annual Financial Statements



Mr Kgabo Mahoi

Acting Accounting Authority

Date: 31 July 2016

6. RISK MANAGEMENT

The ARF has a risk management committee.

The entity has developed its Risk Management Policy and Risk Management Strategy for the implementation of the policy.

Strategic and operational risk assessments are conducted on a regular basis to identify and analyse risks that have the potential to hamper the achievement of strategic objectives. Risk-mitigating strategies/plans are developed to manage and keep risks at an acceptable level. New and emerging risks are regularly identified and monitored through appropriate reporting channels.

The Risk Management Committee consists of external independent persons and members of DIRCO's senior management structure. The Chairperson and Deputy Chairperson of the Risk Management Committee are both external and independent from the entity's structure. The committee provides advice to the Accounting Authority on the adequacy and effectiveness of systems of enterprise-wide risk management.

Risk is incorporated in the planning process to embed risk management in the day-to-day activities.

IDENTIFIED RISKS	MITIGATION STRATEGIES
Delays in the finalisation of concurrence letters, which lead to delays in the implementation of ARF projects	Frequent communication between the two relevant ministries with a view to speed up the process of processing concurrence letters
Risk posed by foreign exchange losses, where commitments for a particular project have been made in a foreign currency	The Advisory Committee recommends ARF projects in local currency in most cases
Lack of operational policy and guidelines for the ARF Fund and Emergency Relief Policy	Facilitating the development of operational policy and guidelines and Emergency Relief Policy
Lack of capacity to monitor and review the implementation of approved ARF projects	Capacitate the ARF Secretariat to monitor and evaluate projects during and after implementation

Name	Qualifications	Internal or external	Date appointed	No of meetings attended
Dr N H Manzini	D Litt et Phil	External - Chairperson	1 February 2013*	2
Mr WE Huma**	B Proc LLB (Bachelor of Laws) LLM (Master's of Laws) Graduate Diploma in Corporate Governance	External	1 December 2013***	2

*Renewed from 1 February 2015

**Seconded from the Audit Committee

***Renewed from 1 December 2015

7. INTERNAL CONTROL UNIT

The Chief Directorate: Internal Audit of the DIRCO obtains its mandate from the PFMA, 1999, as amended and its Treasury Regulations as amended.

The Chief Directorate: Internal Audit is responsible for all the internal audit function of the ARF.

Activities and objectives of Internal Audit during the period have been:

- assessing and evaluating the Fund's performance information
- assessing and evaluating the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.



8. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

Audit Committee responsibility

- The Audit Committee reports that it has complied with its responsibilities arising from Section 76(4) (d) of the Public Finance Management Act, 1999 and Treasury Regulations.
- The Audit Committee also reports that it has adopted appropriate formal Terms of Reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that it has not reviewed changes in accounting policies and practices.

Audit Committee members

Name	Qualifications	Internal or external	If internal, position in the entity	Date appointed	Date Resigned	No of meetings attended (2015/16) (ARF)
Ms ZP Manase	B Com B Compt Hons Higher Diploma in Tax CA (SA)	External (Chairperson)	Not applicable, External	1 September 2013		Four
Mr M Mokono	B Proc, Diploma in Personnel and Training	External (Deputy Chairperson)	Not applicable, External	1 March 2013 to 31 August 2013. Reappointed from 1 September 2013		Four
Ms T Skweyiya	Master's in Political Science	External	Not applicable, External	1 March 2013 to 31 August 2013. Reappointed from 1 September 2013	31 July 2015	Two
Mr P Serote	B Compt Postgraduate Diploma in Accounting CA (SA)	External	Not applicable, External	1 September 2013	30 April 2015	Zero

Dr MEC Moleki	PhD Thesis Med Thesis B Ed B A	External	Not applicable, External	1 September 2013		Four
Adv WE Huma	B Proc LLB (Bachelor of Laws) LLM (Master's of Laws) Graduate Diploma in Corporate Governance Fellow of the Institute of Directors	External (also a Risk Committee Deputy Chairperson)	Not applicable, External	1 September 2013		Four
Mr C Motau	B Com Higher Diploma in Computer Auditing Certificate in Information Technology Projects Management B Com Honours in Information Technology Master's in Business Leadership Master's in Information Technology	External	Not applicable, External	2007 to 2013 Reappointed from 1 September 2013		Four
Ms HN Masedi	B Rationis B Compt Hons Higher Diploma in Computer Auditing M Com Computer Auditing	External	Not applicable, External	1 January 2016		One
Ms KG Mbonambi	B Com Accounting B Com Hons Certificate in Enterprise Risk Management	External	Not applicable, External	1 January 2016		One

The effectiveness of internal control

The system of internal controls is designed to provide cost-effective assurance that assets are safeguarded; promote operational effectiveness and efficiency; encourage compliance with applicable laws and regulations, policies and procedures; and ensure that financial and non-financial information is reliable. Internal Audit provides the Audit Committee with assurance that internal controls are adequate and effective.

The systems of internal control were evaluated by both Internal Audit and the Auditor-General of South Africa (AGSA) (external auditor). The entity has developed an Audit Findings Action Plan (for both internal and external audit findings) for the 2015/16 financial year. The Action Plan is based on audit recommendations. The committee will continuously monitor implementation of the recommendations.

Our review of the Internal Audit work conducted in the public entity revealed certain weaknesses, which were then raised with the Accounting Authority. The committee reinforced the need for the establishment and formalising of corporate governance and institutionalising policies on corporate governance.

During the year under review, limited internal audit work was performed by the Department of International Relations and Cooperation's Internal Audit due to lack of capacity, which resulted in the development of the programme of action for the African Renaissance and International Cooperation Fund (ARF), which includes the establishment of the system of internal control and a functioning Internal Audit unit.

Internal Audit

To enhance its oversight function, the Audit Committee has reviewed the Internal Audit activity through National Treasury, to provide recommendations for sustainable solutions to the identified inadequacies within the unit, and is currently monitoring the progress in that regard. The Head of Internal Audit has been appointed and the filling of all existing vacant positions within the unit to address capacity concerns is being accelerated by the Human Resource Unit. The committee has noted some improvements in the Internal Audit activity.

- Internal Audit carried out the following reviews during the reporting period:
- compliance and operational audits
- predetermined objectives

Performance management

The committee reviewed the Strategic Plan and Annual Performance Plan of the entity. An improvement in compliance with submission of information has been noted. However, there are still challenges with reporting predetermined objectives on the ARF, specifically on the SMART principles.

The committee noted and reviewed the AGSA's assessment of the usefulness and reliability of performance information examined and concurs with the conclusions reached.

In-year management and quarterly report

The entity has been reporting monthly and quarterly to the Treasury as required by the PFMA, 1999 and the quality of the reports has been satisfactory.

Evaluation of financial statements

The Audit Committee has:

- reviewed and discussed with the AGSA and the Accounting Authority the audited annual financial statements to be included in the report
- reviewed the AGSA's management letters and management's responses
- reviewed changes in accounting policies and practices
- reviewed significant adjustments resulting from the audit.

Auditor General's report

The Audit Committee has reviewed the Audit Report of the AGSA, reviewed the AGSA's Management Report and management's response thereto, reviewed the entity's compliance with legal and regulatory provisions and reviewed significant adjustments resulting from the audit. Compliance with laws and regulations remains an area of concern.

The Audit Committee independently met with AGSA and there are no unresolved issues.

The Audit Committee concurs and accepts the conclusions of the AGSA on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.



Zodwa Manase

Chairperson of the Audit Committee

African Renaissance and International Cooperation Fund

31 July 2016

9. COMPLIANCE WITH LAWS AND REGULATIONS

- The Fund shares services provided by DIRCO.

10. FRAUD AND CORRUPTION

- The entity has developed the Fraud and Corruption Prevention Policy and Strategy as part of its commitment to managing fraud and corruption risks.
- There is also a Whistle-Blowing Policy developed in line with the Fraud and Corruption Prevention Policy. The policy outlines the fraud-reporting procedures in detail, with the allowance of reporting anonymously to the National Anti-Corruption Hotline.
- The suspected indications of fraud or corruption are either reported internally through appropriate channels (supervisors and/or Forensic Auditing Unit) or anonymously through the National Anti-Corruption Hotline. Either way, the reported cases are attended to by the Forensic Auditing Unit within 30 days of the reporting.

11. ARF SECRETARIAT

According to Section 6 (2) of the ARF Act, 2000, “the Director-General must establish a Secretariat and appoint members consisting of officers to assist with the disbursement of the funds and monitoring and administration of projects relating to the Fund”.

In line with the above, the DG has appointed full-time officers to assist with the disbursement of funds and monitoring and administration of projects relating to the Fund. Furthermore, the Fund is managed by DIRCO and payments are made on behalf of the Fund by the department once concurrence has been received from the Minister of Finance.



PART

D

Human Resource (HR) Management



NOT APPLICABLE TO THE ARF SINCE THEY ARE COVERED BY THE
DEPARTMENT OF INTERNATIONAL RELATIONS AND COOPERATION.



PART

E

Annual Financial Statements



I. Report of the Auditor-General to Parliament on the African Renaissance and International Cooperation Fund

Report on the financial statements

Introduction

1. I have audited the financial statements of the African Renaissance and International Cooperation Fund set out on pages 54 to 75, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority 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 the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the African Renaissance and International Cooperation Fund Act of South Africa, 2000 (Act No. 5 of 2000) (ARF Act), and for such internal control as the accounting authority 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 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 audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the African Renaissance and International Cooperation Fund as at 31 March 2016 and its financial performance and cash flows for the year the ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and the ARF Act.

Emphasis of matter

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

Corresponding figures

8. As disclosed in note 13 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the public entity at, and for the year ended, 31 March 2015.

Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2016:
 - Objective: Contribute to an integrated, democratic, peaceful and prosperous continent through development assistance, capacity-building and humanitarian assistance on pages 18 to 24.

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objective. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information.
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objective:
 - Contribute to an integrated, democratic, peaceful and prosperous continent through development assistance, capacity-building and humanitarian assistance

Additional matter

14. I draw attention to the following matter:

Achievement of planned targets

15. Refer to the annual performance report on pages 18 to 25 for information on the achievement of the planned targets for the year.

Compliance with legislation

16. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

17. The accounting authority did not submit financial statements for auditing within two months after the end of the financial year, as required by section 55(1)(c) (i) of the PFMA.
18. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA. Material misstatements of payables, provisions, receivables and expenditure identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

19. Effective steps were not taken to prevent irregular expenditure of R203 644 as disclosed in note 12 to the financial statements, as required by section 51(1)(b) (ii) of the PFMA.

Ineffective systems of financial and internal control

20. Money from old projects not required for immediate use was not invested, as required by section 7(1) of the ARF Act.
21. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA.

Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership

23. The accounting authority was slow in addressing the significant deficiencies identified during the audit process, resulting in material non-compliance with laws and regulations due to an overall lack of accountability in addressing reported deficiencies.

Auditor-General

Pretoria

29 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



2. Annual Financial Statements for the period ended 31 March 2016

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2015/16 R '000	Restated 2014/15 R '000
Revenue			
Revenue from non-exchange transactions			
Appropriated funds	1	145 637	277 560
Revenue from exchange transactions			
Investment income	2	143 765	112 547
Total Revenue		289 402	390 107
Expenditure			
Local and foreign aid assistance	3	(161 773)	(189 900)
Forex losses	4	(37 422)	(18 931)
Total expenditure		(199 195)	(208 831)
Surplus for the period		90 207	181 276

STATEMENT OF FINANCIAL POSITION

	Note	2015/16 R '000	Restated 2014/15 R '000
ASSETS			
Current Assets			
Cash and Cash Equivalent	5	2 338 574	2 205 263
Receivables from non-exchange transactions	6	210 822	204 919
Total assets		2 549 396	2 410 182
LIABILITIES			
Current Liabilities			
Payables from non-exchange transaction	7	278 133	286 071
Provisions	8	569 172	512 227
Other liabilities	9	140 185	0
Total liabilities		987 490	798 298
Net assets			
Accumulate surplus		1 561 906	1 611 884
Total net assets and liabilities		2 549 396	2 410 182

STATEMENT OF CHANGES IN NET ASSETS

Restated Balance as 31 March 2014

Surplus for the period ending 31 March 2015

Adjustment: Forex Los

Restated Balance as at 31 March 2015

Add: Surplus for the year

Less: Amount not approved by National Treasury

Balance as at 31 March 2016

notes	Accumulated Surplus R'000
	1 430 608
	200 207
	(18 931)
	<hr/> 1 611 884
	90 207
	(140 185)
	<hr/> 1 561 906

CASH FLOW STATEMENT

	Note	2015/16 R '000	2014/15 R '000
Cash flow from operating activities			
Receipts			
Appropriated funds	1	145 637	277 560
Investment income	2	143 765	112 547
		289 402	390 107
Payments			
Cash disbursements to related party: DIRCO for disbursement of funds to projects	10	(156 092)	(49 714)
		(156 092)	(49 714)
Net Cash flow from operating activities	11	133 310	340 393
Cash flows from investing activities			
Loans granted to associates / other economic entities		-	-
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		133 311	340 392
Cash and cash equivalents at the beginning of the year		2 205 263	1 864 871
Cash and cash equivalents at the end of the year	5	2 338 574	2 205 263

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final budget	Actual amounts on a comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance					
Revenue					
Revenue from non-exchange Transactions					
Appropriated funds	145 637	-	145 637	(199 195)	-53 558
	145 637	-	145 637	(199 195)	-53 558

Basis of Preparation:

The budget was prepared on the cash basis and presented hereto on a comparable basis since the actual non-exchange revenue in the budget is comparable to the income statement. Hence, there is no reconciliation performed as per requirement of GRAP 24 paragraph 46.

Variance:

Variance is as a result of expenditure incurred in the current financial year, including forex losses that exceed the allocated budget, because funds are available from the accumulated surplus to cover the overspending.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Judgments, estimates and assumptions

In applying accounting policies, management is required to make various judgments, apart from those involving estimations, which may affect the amounts of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which may be material to the financial statements. Details of any significant judgments and estimates are explained in the relevant policy where the impact on the financial statements may be material.

1.2 GRAP numbers not yet effective

The following standards have been issued but are not yet effective and have not been early adopted by the entity:

Standard number	Standard name	Effective date (if applicable)
GRAP 20	Related Party Disclosures	No effective date
GRAP 32	Service Concession Arrangements: Grantor	No effective date
GRAP 108	Statutory Receivables	No effective date
GRAP 109	Accounting by Principals and Agents	No effective date

The above Standards of GRAP and/or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The Fund has not early adopted any of these standards or amendments thereto, but has referred to them for guidance in the development of the accounting policies of the Fund in accordance with GRAP 3:

1.3 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that resources will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.4 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Revenue comprises mainly government grants/transfer payments and investment income.

Revenue from non-exchange transactions

The ARF recognises revenue from appropriation funds when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from non-exchange transactions arise when the ARF either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions, including revenue from government grants, is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount (i.e. where all conditions have been met).

Revenue from exchange transactions

Investment Income

Investment income comprises interest income on funds invested. Interest income for financial assets not classified at fair value through surplus or deficit is recognised on a time-proportion basis using the effective interest method.

1.5 Expenses

In accordance with the African Renaissance and International Cooperation Fund Act, 2000 (Act. 51 of 2000), expenses are recognised at the date that the Minister of Finance issues a concurrence letter indicating approval of projects recommended by the Advisory Committee and the disbursement thereof is in the South African Rand equivalent of the approved amount as per the date of the concurrence letter.

1.6 Forex gains/losses

Forex gain/losses arise on financial instruments that are denominated in a foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Subsequent measurement

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in surplus or deficit in the period in which they arise.

1.7 Comparatives

The comparatives shown in these financial statements are limited to comparatives shown in the previous year's audited financial statements.

1.8 Financial instruments

The Fund's principal financial assets are cash and cash equivalents and receivables. These financial assets are reported at fair value at year end and, receivables are reduced by the provision for impairment.

Financial liabilities are classified according to the substance of the agreement or arrangement entered into. The principal financial liabilities of the Fund are amounts due to outside parties in respect of projects approved in terms of the African Renaissance and International Cooperation Fund Act, 2000 (Act. 51 of 2000)

Initial recognition and measurement

Financial instruments are initially recognised when the entity becomes a party to the contract. The entity determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial instruments are initially measured at fair value plus transaction costs, except that transaction costs in respect of financial instruments classified at fair value through surplus or deficit are expensed immediately.

Subsequent measurement

1.8.1 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost less impairment losses. Gains and losses are recognised in the Statement of Financial Performance when the loans and receivables are derecognised or impaired, as well as through the amortization process.

Receivables are subsequently measured at amortized cost less accumulated impairment losses.

1.9 Receivables

Receivables are recognised at historical cost which equates the fair value of the asset on the date of the Statement of Financial Position. Receivables can arise from both exchange and non-exchange transactions.

Current receivables

A current receivable is a receivable that is due to be realised within 12 months after reporting date

Non-Current Receivables

A non-current receivable is a receivable that is due to be realised a period longer than 12 months after reporting date.

1.10 Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Payables are recognised at historical costs which equates the fair value of the liability on the date of the Statement of Financial Position. Payables can arise from both exchange and non-exchange transactions.

Current payable

A current payable is payable that is due to be realised within 12 months after the reporting date.

Non-Current Payable

A non-current payable is a payable that is due to be realized a period longer than twelve months after the reporting date.

1.11 Provisions

Provisions were raised and management determined a reliable estimate based on the information available.

A provision is a liability of uncertain timing or amount.

A provision shall be recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions were raised due to projects that are approved and the timing to settle the obligation is uncertain.

1.12 Cash and cash equivalent

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1.13 Rounding off figures

Unless otherwise stated, all amounts in the financial statements have been rounded to the nearest one thousand rand (R'000).

1.14 Related party transactions

The department that controls the Fund in making financial and operational decisions is regarded to be a related party. Specific information with regard to business with department is included in the disclosure notes.

1.15 Irregular expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA
- any national legislation providing for procurement in that national government.
- any irregular expenditure is charged against surplus or deficit in the period in which it is incurred.

1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. Any fruitless and wasteful expenditure is charged against surplus or deficit in the period in which it is incurred.

1.17 Related Parties

The ARF operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government that influenced the ARF or vice versa will be considered to be related parties.

Key Management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. The ARF regards all individuals from the level of Executive Management up to the Accounting Authority as Key Management per the definition.

Close family members of Key Management personnel are considered to be those family members who may be expected to influence, or be influenced by Key Management individuals in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS

	2015/16 R'000	2014/15 R'000
1. Appropriated funds		
Appropriation from Parliament	145 637	277 560
Total	145 637	277 560
2. Investment income		
Interest earned from SARB	143 765	112 547
Total	143 765	112 547
3. Local and foreign aid assistance		
Cooperation between the Republic of South Africa and other countries	110 000	11 200
Prevention and resolution of conflict	-	20 000
Socio-economic development and integration	11 186	-
Humanitarian assistance	195	158 700
Promotion of democracy and good governance	38 031	-
Promote human resource development	2 361	-
Total	161 773	189 900
3.1 Cooperation between the Republic of South Africa and other countries		
African-led international support mission to the Central Africa Republic	-	11 200
Cuban economic package	110 000	-
Total	110 000	11 200

3.2 Prevention and resolution of conflict	2015/16 R'000	2014/15 R'000
SA assessed contribution to SADC-led election observation mission	-	18 230
SA mediation and facilitation of the Kingdom Lesotho peace process	-	1 770
Total	-	20 000
3.3 Socio-economic development and integration		
Timbuktu Manuscript	7 201	-
Cuban Medical Brigade in Sierra Leone	3 985	-
Total	11 186	-
3.4 Humanitarian assistance		
Humanitarian assistance to South Sudan	-	15 000
Drought relief in Namibia	-	100 000
Humanitarian assistance to Palestine	-	11 200
Emergency relief to Ebola virus disease outbreak in West Africa	-	32 500
Transportation of humanitarian assistance to Madagascar	195	-
Total	195	158 700
3.5 Promotion of democracy and good governance		
Technical Support of The Third General Elections of Burundi	38 031	-
Total	38 031	-

3.6 Promote human resource development

	2015/16 R'000	Restated 2014/15 R'000
African Capacity Building Foundation	2 361	-
Total	2 361	-

4. Forex Losses

Forex Loss	(37 422)	(18 931)
Total	(37 422)	(18 931)

5. Cash and cash equivalents

Cash and balances with South African Reserve Bank	2 338 574	2 205 263
Total	2 338 574	2 205 263

6. Receivables from non-exchange transactions

	2015/16 R'000	Restated 2014/15 R'000
Current receivables	210 822	204 919
Receivables	210 822	204 919

Receivables Age Analysis as at year ended 31 March 2016

	< THAN 1 YR R'000	1-3 YEARS R'000	3+ YEARS R'000	R'000
Receivables	13 980	28 047	168 795	210 822
Total	13 980	28 047	168 795	210 822

Receivables Age Analysis as at year ended 31 March 2015

	< THAN 1 YR R'000	1-3 YEARS R'000	3+ YEARS R'000	R'000
Receivables	6 659	29 465	168 795	204 919
Total	6 659	29 465	168 795	204 919

Receivable are not impaired as they are made up of funds held by DIRCO on behalf of the ARF

7. Payables from non-exchange transactions

	2015/16 R'000	Restated 2014/15 R'000
Current Liabilities: Payables	278 133	286 071
Payables	278 133	286 071

Payables age analysis as at year ended 31 March 2016

	< THAN 1 YR R'000	1-3 YEARS R'000	3+ YEARS R'000	R'000
Payables	141 723	60 602	75 808	278 133
Total	141 723	60 602	75 808	278 133

Payables Age Analysis as at year ended 31 March 2015

	< THAN 1 YR R'000	1-3 YEARS R'000	3+ YEARS R'000	R'000
Payables	132 301	108 770	45 000	286 071
Total	132 301	108 770	45 000	286 071

8. Provisions

Reconciliation of Provisions 2015/16

	Opening Balance	Re-classification from payables	Additions	Utilised during the year	Total
Projects	512 227	87 358	38 031	(68 444)	569 172

Reconciliation of Provisions 2014/15

	Opening Balance	Re-classification from payables	Additions	Utilised during the year	Total
Projects	295 516	230 811	-	(14 100)	512 227

Provisions are made up of projects that are approved and the timing to settle the obligation is uncertain.

9. Other liabilities

	2015/16 R'000	2014/15 R'000
Current liabilities: Other liabilities	140 185	0
Other liabilities	140 185	0

Other liabilities are made up of money owed to National Treasury due to the incorrect approval of accumulated cash surplus for the current financial year.

10. Cash disbursements to related party: DIRCO for disbursement of funds to projects	2015/16 R'000	2014/15 R'000
Human resources development	-	(9 780)
Promotion of democracy and good governance	-	(29 681)
Capacity-building	(11 326)	(2 539)
Socio-economic development and integration	(10 426)	(7 714)
Humanitarian assistance	(81 110)	-
Cooperation between the Republic of South Africa and other countries	(35 000)	-
Prevention and resolution of conflict	(18 230)	-
Total	(156 092)	(49 714)

11. Net cash generated from operations

	2015/16 R'000	Restated 2014/15 R'000
Surplus for the period	90 207	181 276
Changes in working capital	43 104	159 116
Effect on payables	49 007	168 870
Effect on receivables	(5 903)	(9 754)
Net cash flow from operating activities	133 311	340 392

12. Irregular expenditure

	2015/16 R'000	2014/15 R'000
Opening balance	141	6 790
Add: Irregular expenditure - current year	204	1 219
Less: Amount condoned	(214)	(7 868)
Closing balance	131	141

12.1 Details of current year irregular expenditure

Incident/detail of irregular expenditure	Corrective measures	2015/16 R'000
This relates to the services acquired without following the Supply Chain Management (SCM) processes in the remote areas.	The ARF operational framework updated to include procedures for expenditure in remote areas.	204
Total irregular expenditure incurred		204

13. Prior year error

13.1 Current Assets: Receivables were incorrectly classified as Non-current Assets: Receivables in the prior period on the statement of financial position. The effect of the restatement is as follows:

Effect on opening accumulated surplus	R'000
Decrease/Increase in accumulated surplus	0

Effect on Statement of Financial position

	R'000 Current assets: Receivables	R'000 Non-Current Assets: Receivables
Balance as at 31 March 2015	6 659	198 260
Adjustment prior period error	198 260	(198 260)
Restated balance as at 31 March 2015	204 919	0

**13.2 Provisions were incorrectly classified as non-current payables in the prior period on the statement of financial position.
 The effect of the restatement is as follows:**

Effect on opening accumulated surplus **R'000**
 Decrease/Increase in accumulated surplus 0

Effect on Statement of Financial position

	R'000 Current liabilities: Provisions	R'000 Non-current Liabilities: Payables
Balance as at 31 March 2015	0	453 242
Adjustment prior period error	453 242	(453 242)
Restated balance as at 31 March 2015	453 242	0

13.3 Forex losses arises on financial instruments that are denominated in a foreign currency.

Effect on opening accumulated surplus **2014/15**
R'000
 Decrease/Increase in accumulated surplus (18 931)

Effect on Statement of Financial position

	R'000 Current liabilities: Provisions	R'000 Non-current Liabilities: Payables
Restated Balance as at 31 March 2015	0	18 931
Adjustment prior period error	18 931	(18 931)
Restated balance as at 31 March 2015	18 931	0

Effect on opening accumulated surplus

Decrease/Increase in accumulated surplus

2013/14**R'000**

(40 054)

Effect on Statement of Financial position

	R'000 Current Liabilities: Provisions	R'000 Non-Current Liabilities: Payables
Restated Balance as at 31 March 2015	0	40 054
Adjustment prior period error	40 054	(40 054)
Restated balance as at 31 March 2015	40 054	0

14. Taxation

No provision has been made for taxation as the public entity is exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

15. Financial risk management disclosure

The ARF's financial instruments consist primarily of receivables, cash and cash equivalents and other payables.

The ARF deposits all its cash with a reputable financial institution.

Categories of financial instruments:

2015/16

Financial assets

	At cost R'000	At Fair Value R'000	Total R'000
Receivables from non-exchange transactions	210 822	0	210 822
Cash and cash equivalents	2 338 574	0	2 338 574
	2 549 396	0	2 549 396

Financial liabilities

Payables from non-exchange transactions	278 133	0	278 133
Provisions	569 172	0	569 172
Other liabilities	140 185		140 185
	987 490	0	987 490

2014/15

Financial assets

	At cost R'000	At Fair Value R'000	Total R'000
Receivables from non-exchange transactions	204 919	-	204 919
Cash and cash equivalents	2 205 263	-	2 205 263
	2 410 182	-	2 410 182

Financial liabilities

Payables from non-exchange transactions	286 071	-	286 071
Provisions	512 227	-	512 227
	798 298	-	798 298

Financial risk management

a. Credit risk

Credit risk represents the potential loss to the ARF as a result of unexpected defaults or unexpected deterioration in the credit worthiness of counterparties. The ARF's credit risk is primarily attributable to its receivables. However, this risk is minimal as the ARF receivables consist of funds due from the designated department and are fully recoverable.

With regard to the credit risk arising from other financial assets which comprise cash and cash equivalents, the ARF's exposure arises from a potential default of the counterparty where credit rating is constantly monitored with a minimum exposure to the carrying amount of these instruments. The funds of the entity are kept with the South African Reserve Bank and the credit risk is thus minimal.

b. Market risk

Interest rate risk

This is mainly attributable to the ARF's investment account with the South African Reserve Bank. The ARF's sensitivity to interest rates is any deviation from the current money market interest rate of 7%. The risk of undue exposure for the Fund is negligible.

Interest rate risk exposure

	Effective interest rate	Floating rate amount R'000	Non-interest bearing amount R'000	Total R'000
Assets				
Cash at bank	7%	2 338 574	-	2 338 574
Total financial assets	-	2 338 574	-	2 338 574
Liabilities				
Total financial liabilities	-	-	-	-
Total financial liabilities and assets		2 338 574		2 338 574

c. Liquidity risk

Management monitors forecasts of the ARF's cash and cash equivalents on the basis of the expected cash flow. The entity has sufficient cash resources to fund commitments.

d. Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. The entity enters into agreements in foreign currency on a minimal basis and therefore foreign exchange payables are considered immaterial and there is therefore minimal risk involved.

e. Other risks

Due to the nature and extent of the ARF's financial instruments the entity is not unduly exposed to price risks or other market risks. The ARF does not have any foreign accounts receivable or derivative market instruments. The foreign accounts payable are denominated in the South African Rand.

16. Related parties exposures- DIRCO

	2015/16	2014/15
	R'000	R'000
Payable	-	(25 330)
Receivables	210 822	204 919

The Department of International Relations and Cooperation is the designated department to the entity.





