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# AFRICAN RENAISSANCE AND INTERNATIONAL COOPERATION FUND ANNUAL REPORT **2014 – 2015**

AFRICAN RENAISSANCE AND INTERNATIONAL  
COOPERATION FUND  
Annual Report for 2014/15 Financial Year

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**PART**

**A**

GENERAL INFORMATION





international relations  
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THE DEPARTMENT OF INTERNATIONAL RELATIONS AND COOPERATION



# 1

## PUBLIC ENTITY'S GENERAL INFORMATION

<b>REGISTERED NAME</b>	:	African Renaissance and International Cooperation Fund (ARF)
<b>PHYSICAL ADDRESS</b>	:	460 Soutpansberg Road Rietondale Pretoria 0084
<b>POSTAL ADDRESS</b>	:	Private Bag X152 Pretoria 0001
<b>TELEPHONE NUMBER/S</b>	:	+ 27 12 351 1000
<b>FAX NUMBER</b>	:	+ 27 12 329 1000
<b>E-MAIL ADDRESS</b>	:	<a href="mailto:info@dirco.gov.za">info@dirco.gov.za</a>
<b>WEBSITE ADDRESS</b>	:	<a href="http://www.dirco.gov.za">www.dirco.gov.za</a>
<b>EXTERNAL AUDITOR</b>	:	Auditor-General of South Africa
<b>BANKER</b>	:	South African Reserve Bank
<b>ADVISORY COMMITTEE</b>	:	ARF Advisory Committee
<b>SECRETARY</b>	:	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
<b>Definitions</b>	
Disbursement	Cash payment
Concurrence	Agreement between Minister of International Relations Cooperation and Minister of Finance
Expenditure	Project with concurrence



**Ambassador JM Matjila**  
Director-General of the Department of International Relations and  
Cooperation





It is my great honour and privilege to present the Annual Report 2014/15 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 and Vision 2030, the Medium Term Strategic Framework and the 14 Strategic Outcomes to which all government departments must subscribe and act upon. Of particular importance to the ARF is the Delivery Agreement for Outcome 11, which focuses on international relations and is entitled: "Creating a Better South Africa and Contributing to a Better and Safer Africa in a Better World".

I am also happy with the steady progress we are making in utilising the ARF to meet the policy and strategic objectives of our government. For example, through the Lesotho Initiative, we were able not only to provide humanitarian assistance to the Basotho people, but we also insisted that all the commodities for this project should be procured from South Africa and that 40% of the grains should be purchased from smallholder farmers in South Africa.

As a result of the above, more than 264 000 women and children were reached through the Lesotho programme between February 2013 and December 2014. Of the 264 000 beneficiaries, 51 627 were children under the Early Childhood Care and Development (preschool programme), 200 000 were primary schoolchildren and 13 000 were pregnant and nursing women.

The food distributed amounted to 14 057 metric tons, of which maize and sugar beans purchased from smallholder farmers totalled about 4 374 metric tons and were worth about R14,8 million. Procurement from commercial traders totalled 16 277 metric tons worth about R113,5 million. About 220 government officials received training as part of capacity-building. About 205 participants representing 1 040 individual members of farmers' organisations were trained in marketing, pricing and post-harvest handling. Post-harvest handling equipment worth R2 million was delivered to the Eastern Cape, KwaZulu-Natal and Limpopo provinces and eight food quality-control kits (blue boxes) worth R580 608 were procured and distributed to eight provinces.

We are continuing to address the findings of the Auditor-General of South Africa (AGSA) from previous audit cycles. In this regard, the ARF has signed an Operational Framework, adopting certain departmental policies and procedures relevant to the entity. We have also developed and signed Terms of Reference for the Advisory Committee and Secretariat. We are continuing to finalise the outstanding governance issues identified by the AGSA.


The ARF Secretariat continued to facilitate contracts, agreements and procurement processes for approved projects as required by the ARF Act, 2000 (Act 51 of 2000) and the Public Finance Management Act, 1999 (Act 1 of 1999), as amended. These undertakings have resulted in the ARF disbursing R49 714 million in the 2014/15 financial year as compared to R229 149 million in the 2013/14 financial year.

To increase the capacity of the Secretariat to assist with the disbursement of funds and monitoring and administration of projects, four new officials were appointed in March 2015. Notwithstanding these new appointments, the ARF, set up as a public entity, does not yet have all the features of other public entities due to its placement within the structures of the Department of International Relations and Cooperation (DIRCO).

Moving forward, the department is reviewing the legislative framework in order to consolidate international assistance provided by the South African Government. Consequently, a draft Partnership Fund for Development Bill is planned to be tabled before Parliament in the 2015/16 financial year. The objective of the Bill is to support South Africa's outgoing development cooperation policy by providing funding and technical support for developmental initiatives.

We are also committed to implementing the ARF Strategic Plan 2015 – 2018 and Annual Performance Plan 2015 –2016 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.

In conclusion, I would like to thank Minister Maite Nkoana-Mashabane and Minister Nhlanhla Nene 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 Assessment Committee for the direction and stewardship they provided with respect to matters related to the ARF.



**Ambassador JM Matjila**  
**Accounting Authority**  
**African Renaissance and International Cooperation Fund**  
**31 July 2015**

# 4

## 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.

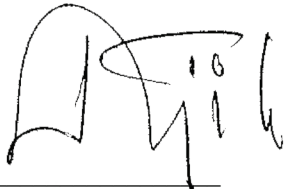
The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

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, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2015.

Yours faithfully



Accounting Authority  
Ambassador JM Matjila  
31 July 2015



# 5 STRATEGIC OVERVIEW

## 1.1 Vision

The vision of the ARF is a democratic, non-racial, non-sexist, conflict-free developmental African continent.

## 1.2 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.

## 1.3 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** is 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.

# 6

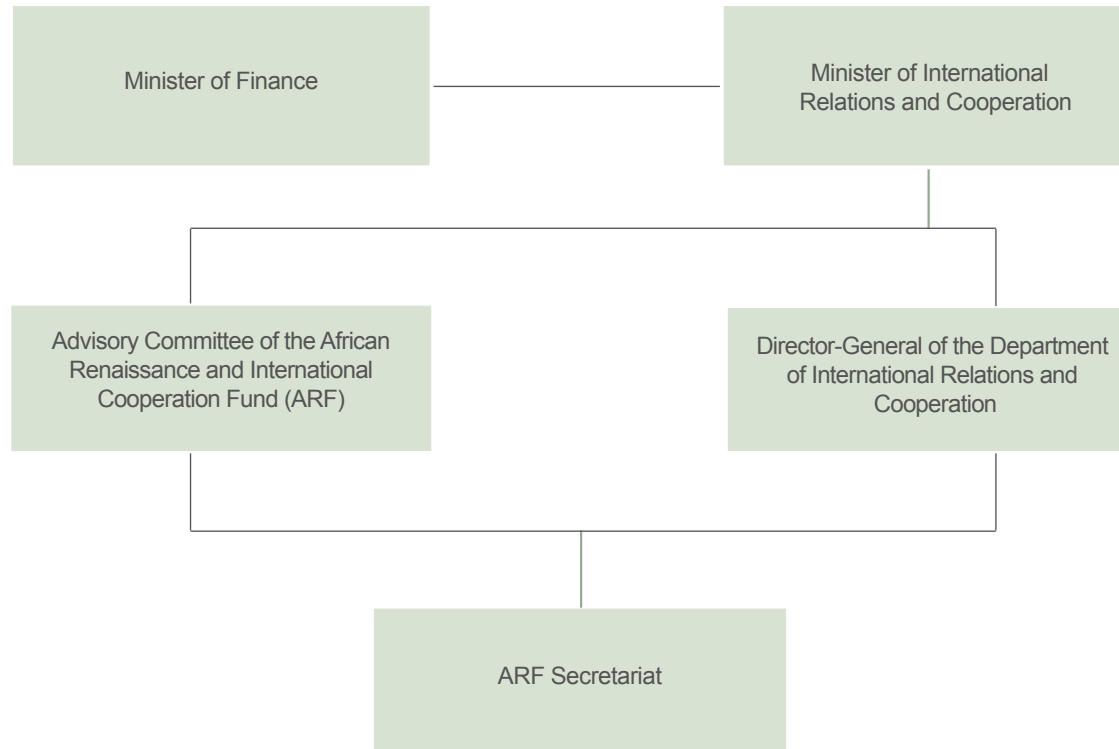
## LEGISLATIVE AND OTHER MANDATES

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.



# 7

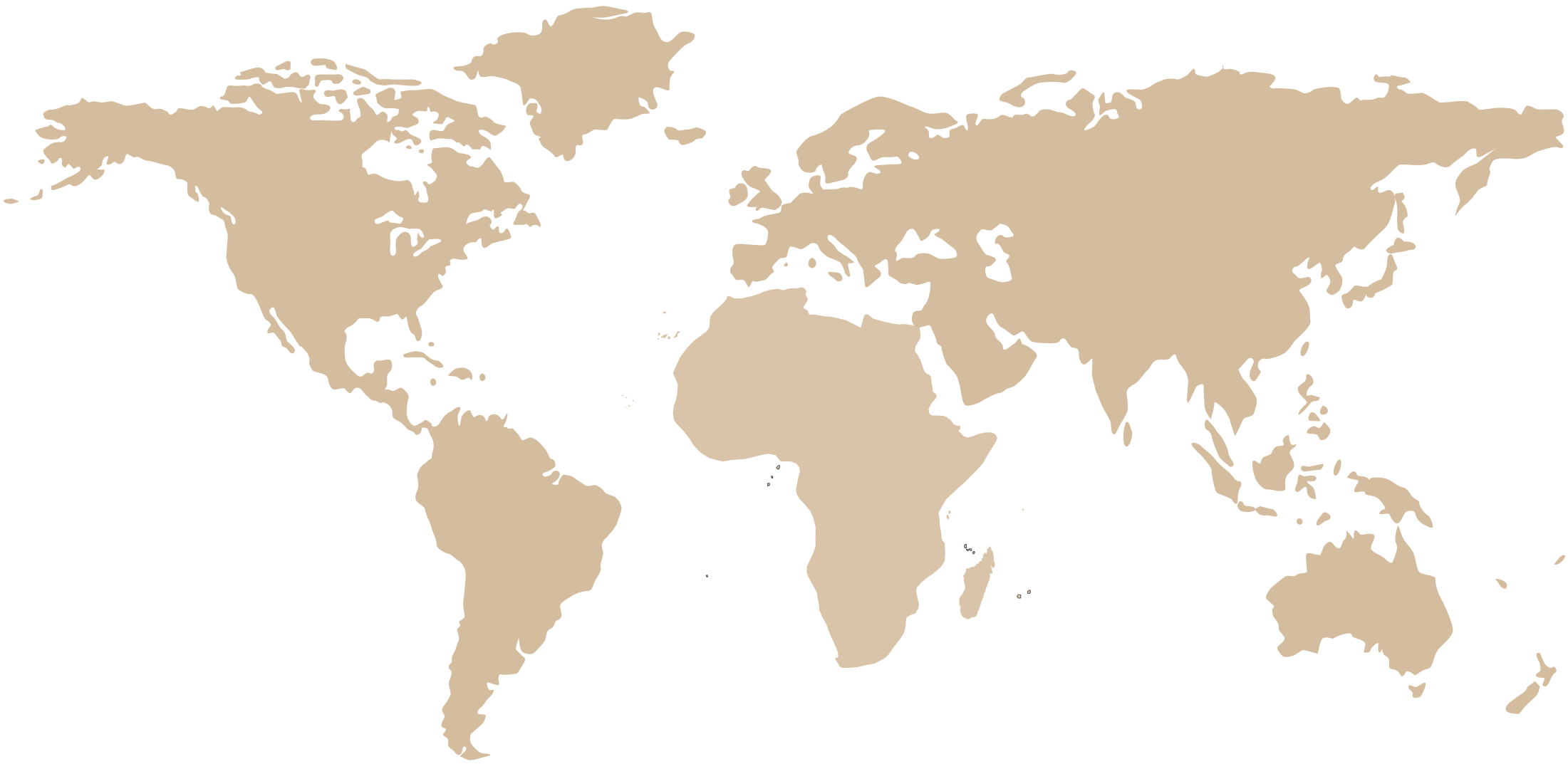
## ORGANISATIONAL STRUCTURE



**PART**

**B**

PERFORMANCE INFORMATION



## 1.1 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 perception 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, the operationalisation of the African Peace and Security Architecture, 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 has contributed to the drafting of the AU's Agenda 2063 through, among others, convening national consultative fora.

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 to 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:





- (a) the Director-General (DG) or the delegate of the DG
- (b) three officers of the Department of International Relations and Cooperation (DIRCO) appointed by the Minister
- (c) 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 control accounts (Payables and Receivables) in the accounting records of the department and these accounts are reconciled to 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.

### 1.4 Strategic outcome-oriented goals

Strategic goal	Goal statement	Progress
Contribute to an integrated, democratic, peaceful and prosperous continent through development assistance, capacity-building and humanitarian assistance.	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)	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

The ARF Secretariat has been capacitated with the appointment of four permanent officers in March 2015. 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 Board 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. This moved ARF into an arena that it had not previously occupied and the requisite policies, procedures and processes are now in place.

Anti-fraud, anti-corruption and risk management documents have also been developed.

### 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.

## 2.1 Strategic objectives, performance indicators planned targets and actual achievements

Programme/activity/objective:					
Strategic objectives	Actual achievement 2013/14	Planned target 2014/15	Actual achievement 2014/15	Deviation from planned target to actual achievement for 2014/15	Comment on deviations
To promote democracy and good governance	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment for the South African delegation's participation in the SADC Election Observer Mission (SEOM) to Swaziland on 13 September 2013</p> <p>Processed payment for the South African delegation's participation in the SADC SEOM to Zimbabwe on 9 July 2013</p> <p>Processed payment for the South African Election Observer Mission to observe the Mali elections on 17 July 2013</p> <p>Processed payment to fund South Africa electoral assistance to Madagascar on 27 October 2013</p> <p>Processed payment for the South African delegation's participation in the SEOM to Madagascar Presidential elections (first round) on 10 October 2013. The elections were held on 25 October 2013</p> <p>Processed payment for the South African delegation's participation in the SEOM to Madagascar Presidential (second round) and Legislative elections on 28 November 2013. The elections were held on 20 December 2013</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 R830 673.06 with respect to South African deployment of election observers to the SADC SEOM to Mozambique. 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 SADC 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>	None	None



	Processed payment of the remaining 50% of the €1 million (i.e. R7,481 million) to the United Nations Development Programme for electoral support to Guinea-Bissau on 19 February 2014 for the general elections held on 16 March 2014				
To contribute to human resource development	<p>100% of approved disbursements distributed during this reporting period.</p> <p>Processed payment to the Department of Public Service and Administration (DPSA) for the Democratic Republic of Congo (DRC) Public Census Project on 16 April 2013</p> <p>Processed payment for the implementation of the International Diplomatic Training Programme Project on 6 June 2013</p> <p>Processed payment to the Cuban Medical Brigade in Sierra Leone Project on 5 July 2013</p> <p>Processed payment to the DPSA DRC Public Census Project on 19 August 2013</p> <p>Processed several payments for the Rice and Vegetable Production Project in the Republic of Guinea in October 2013</p> <p>Processed several payments totalling R923 000 for the Rice and Vegetable Production Project in the Republic of Guinea for the payment of three months' salaries of the homologues (local technical experts) for the period January to March 2014</p>	100% of approved disbursement to support capacity-building processed timeously	<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>	None	None

<p>To support socio-economic development and integration</p>	<p>100% of approved disbursements distributed during this reporting period</p> <p>No disbursement requested during this financial year</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 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 quarter 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; and 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>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 for the Seychelles Budget Support Project following the tropical depression on 16 May 2013</p> <p>Processed payment on the Food Security and Nutrition Project in Niger on 2 July 2013</p> <p>Processed payment for humanitarian assistance to the Republic of Chad (South Africa's intervention in the Sahel Region Project) on 27 October 2013</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 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>None</p>	<p>None</p>
<p>To support cooperation between South Africa and other countries</p>	<p>100% of approved disbursement distributed during this reporting period</p> <p>Processed payment for the Financial Assistance Project to Malawi on 19 August 2013</p> <p>Processed payment of R137 092 000 as financial assistance to the Government of the Republic of Malawi for the purchase of fuel on 27 February 2014.</p>	<p>100% of approved disbursement for cooperation processed timeously</p>	<p>No disbursement requested during the reporting period</p>	<p>None</p>	<p>None</p>
<p>To contribute to PCRDR</p>	<p>100% of approved disbursement distributed during this reporting period</p> <p>Processed payment for the implementation of the PCRDR Training Programme run by the International Diplomatic Training Programme Project on 5 August 2013</p> <p>Processed payment for the implementation of the Mediation Workshop organised by the International Diplomatic Training Programme Project on 10 October 2013</p>	<p>100% of approved disbursement for PCRDR processed timeously</p>	<p>100% of approved disbursement distributed during this reporting period</p> <p>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</p>	<p>None</p>	<p>None</p>

## 2.2. Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance indicator	Actual achievement 2013/14	Planned target 2014/15	Actual achievement 2014/15	Deviation from planned target to actual achievement for 2014/15	Comment on deviations
<b>Percentage of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting</b>	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-three project proposals have been 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  Twenty-one project proposals have been reviewed and submitted to committee meetings	None	None
<b>Number of ARF structures and processes convened to identify and recommend projects</b>	Six Advisory Committee meetings held to consider project proposals for recommendation	Four Advisory Committee meetings to consider project proposals for recommendation	Five meetings held to consider project proposals for recommendation	One ad hoc Advisory Committee meeting held	There were urgent project proposals that had to be considered by the ARF Advisory Committee
<b>Percentage of approved disbursement processed</b>	100% of approved disbursements distributed during this reporting period  20 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  Thirteen approved ARF projects disbursement processed	None	None

## 2.3 Strategy to overcome areas of underperformance

The capacity of the ARF Secretariat has been addressed. The full-time members of the Secretariat were appointed on 1 March 2015. The outstanding policies, procedures and processes relating to Supply Chain Management and humanitarian assistance and emergency relief are being finalised. The Terms of Reference for the ARF Advisory Committee and the ARF Secretariat have been signed.



## 2.4 Changes to planned targets

No changes to planned targets

## 2.5 Linking performance with budgets

Programme/activity/objective	2014/15			2013/2014		
	Budget	Actual expenditure	(Over)/Underexpenditure	Budget	Actual expenditure	(Over)/Underexpenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Appropriation	277 560	189 000	88 560	485 442	41 300	444 142
Total	277 560	189 000	88 560	485 442	41 300	444 142

### Reasons for variance

Slow disbursement of funds relates to the scale on which projects are funded or recommended. The department has commenced with the transitional arrangements for the establishment of the South African Development Partnership Agency (SADPA) through the enactment of the Partnership for Development Fund. The surplus retained will be transferred to SADPA.

## 3 Revenue collection

Sources of revenue	2014/2015			2013/14		
	Estimate	Actual amount collected	(Over)/under Collection	Estimate	Actual amount collected	(Over)/Undercollection
	R'000	R'000	R'000	R'000	R'000	R'000
Interest income	112 547	112 547	-	93 564	93 564	-
Other revenue	-	-	-	-	-	-
Total	112 547	112 547		93 564	93 564	

### Revenue

The interest received of R112 million (2014: R93 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 Head of the African Renaissance and International Cooperation Fund (ARF) Advisory Committee attended and briefed the Parliamentary Portfolio Committee on International Relations and Cooperation on the following dates: 2 July and 16 October 2014 and 18 March 2015.

# 3

## EXECUTIVE AUTHORITY

In terms of the PFMA, 1999 and in compliance with the Treasury Regulations, for the period under review, the 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 1 <sup>st</sup> Quarterly Report for the period 1 April to 30 June 2014:	7 August 2014
ARF 2 <sup>nd</sup> Quarterly Report for the period 1 July to 30 Sep 2014:	28 October 2014
ARF 3 <sup>rd</sup> Quarterly Report for the period 1 October to 31 Dec 2014:	19 January 2015
ARF 4 <sup>th</sup> Quarterly Report for the period 1 January to 31 March 2015:	9 April 2015.



## 4

## THE ARF ADVISORY COMMITTEE

*Composition of the ARF Advisory Committee*

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

## 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 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

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

- the 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.

**5.3.2** 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.

**5.3.3** 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.

**5.3.4** 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

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

**5.4.2** 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.

**5.4.3** 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: R277 million (2014: R 485 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 R277 million (2014: R485 million) was appropriated to the Fund.
- The interest received of R112 million (2014: R93 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 R189 million as compared to R41 million in the 2013/14 financial year. The significant increase is attributed to a greater need for humanitarian assistance in the Southern African Development Community (SADC) region and an outbreak of Ebola in West Africa.

### 5.5.3 Irregular expenditure condoning

- During the current financial year, the Fund incurred irregular expenditure of R 1, 2 million (2014: R 25 million), which is attributable to non-compliance with the supply chain management process during the initiation of the projects and the expenditure was subsequently condoned by the relevant authorities with an exception of R 141 000 which was identified during the audit process.

### 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 and also grants refunded by the recipients. 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 New/proposed activities

- The department is perusing efforts to review the legislative framework in order to consolidate international assistance provided by the South African

Government. Consequently, a draft Partnership Fund for Development Bill is planned to be tabled before Parliament in the 2015/16 financial year. The objective of the Bill is to support South Africa's outgoing development cooperation policy by providing funding and technical support for developmental initiatives.

### 5.5.6 Corporate governance arrangements

- The Fund is managed through the control of the DG of DIRCO and the following governance mechanisms are in place:
- The Advisory Committee, through the Secretariat, has initiated the regularisation of the relationship between the Fund and the department by means of an Operational Framework. The Operational Framework will govern the relationship between DIRCO and the ARF.
- The role of the 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 evaluation of projects during implementation.

## 5.6 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
- Annexure 1 – Payables
- Annexure 2 – Receivables
- Annexure 3 – Amount payable to Related Party.



**Ambassador JM Matjila**  
Accounting Authority  
Date:

# 6

## RISK MANAGEMENT

- The ARF has a Risk 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, consisting of external independent persons and members of DIRCO's senior management structure, has been appointed. 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 Officer on the adequacy and effectiveness of systems of enterprise-wide risk management.
- The Audit Committee, consisting of independent external persons, has been appointed. The committee provides advice to the Accounting Officer on the effectiveness of systems of enterprise-wide risk management.
- There is visible progress in the risk management maturity in that the entity has incorporated risk management in the planning process in order 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	Encouraged 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	Encouraged the Advisory Committee to recommend ARF projects in local currency
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	To enhance operational capacity, the department is in the process of establishing the South African Development Partnership Agency as the body to manage, coordinate and facilitate all South African official outgoing development cooperation programmes and projects



Name	Qualifications	Internal or external	Date appointed	No of meetings attended
Dr NH Manzini	D Litt et Phil	External - Chairperson	1 February 2013*	One
Mr WE Huma**	B Proc LLB (Bachelor of Laws) LLM (Master of Laws) LLD (Doctor of Laws) Graduate Diploma in Corporate Governance	External	1 December 2013	0

\*Renewed from 1 February 2015

\*\*Seconded from the Audit Committee

## 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 functions of the ARF. It is directly accountable to the Accounting Authority and reported in all meetings of the Audit Committee.

Activities and objectives of Internal Audit during the period:

- 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 2015.

### 8.1 Audit Committee responsibility

- The Audit Committee reports that it has complied with its responsibilities arising from Section 76(4) (d) of the PFMA, 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.

## 8.2 Audit Committee members

Name	Qualifications	Internal or external	Date appointed	No of meetings attended
Ms ZP Manase	B Com B Compt Hons Higher Diploma in Tax CA (SA)	External (Chairperson)	1 December 2013	Five
Mr M Mokono	Diploma in Personnel and Training Management B Proc	External (Deputy Chairperson)	1 December 2013	Three
Mr C Motau	Bachelor of Commerce Certificate in Managing Information and Communications Technology Projects Higher Diploma in Computer Auditing Master's in Business Leadership Master's in Information Technology	External	1 December 2013	Six
Ms T Skweyiya	Master's in Political Science	External	1 December 2013	Two
Mr P Serote	B Compt Postgraduate Diploma in Accounting CA (SA)	External	1 December 2013	Four
Dr MEC Moleki	Ph D Thesis M Ed Thesis B Ed BA	External	1 December 2013	Five
Mr WE Huma	B Proc LLB (Bachelor of Laws) LLM (Master's of Laws) LLD (Doctor of Laws) Graduate Diploma in Corporate Governance	External	1 December 2013	Six





### 8.3 The Effectiveness of Internal Control

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.

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

During the year under review, limited internal audit work was performed by DIRCO's Internal Audit due to lack of capacity, which resulted in the development of the programme of action for the ARF, which includes the establishment of the system of internal control and a functioning Internal Audit unit.

#### **In-Year Management and Monthly/Quarterly Report**

The Fund has been reporting monthly and quarterly to National Treasury as is required by the PFMA, 1999.

### 8.4 Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the Accounting Authority the audited Annual Financial Statements to be included in the report

- reviewed the Auditor-General's management letters and management's responses
- reviewed changes in accounting policies and practices
- reviewed significant adjustments resulting from the audit.

### 8.5 Internal Auditor's Report

We have reviewed the Fund's implementation plan for audit issues raised in the prior year and we are not satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditor 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 auditor.



**Zodwa Manase**  
**Chairperson of the Audit Committee**  
**African Renaissance and International Cooperation Fund**  
**31 July 2015**

# 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 four 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.





# international relations & cooperation

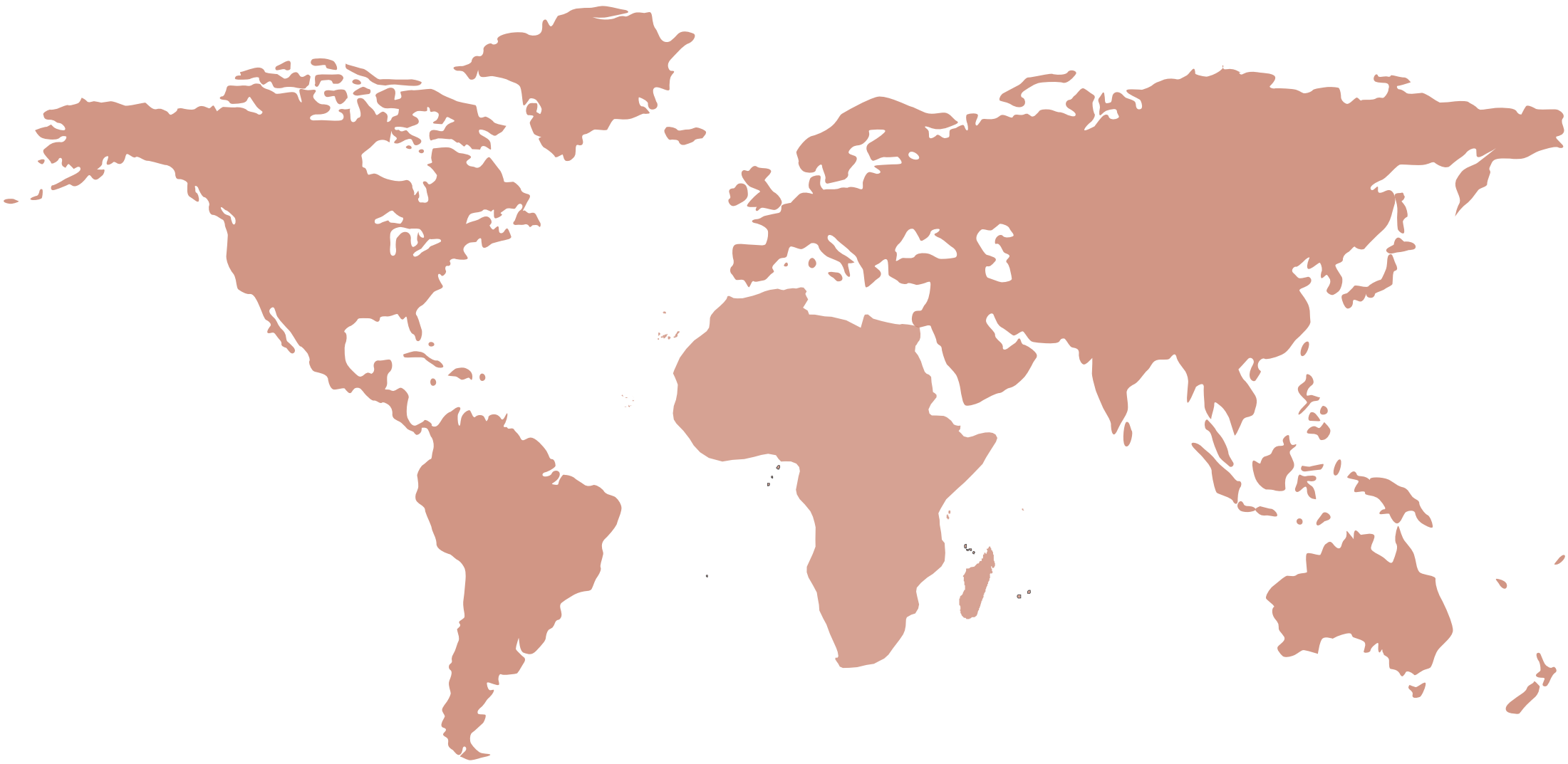
Department:  
International Relations and Cooperation  
**REPUBLIC OF SOUTH AFRICA**



**PART**

**D**

**HUMAN RESOURCE MANAGEMENT**



**Not applicable to the ARF since they are covered by the Department of International Relations and Cooperation.**



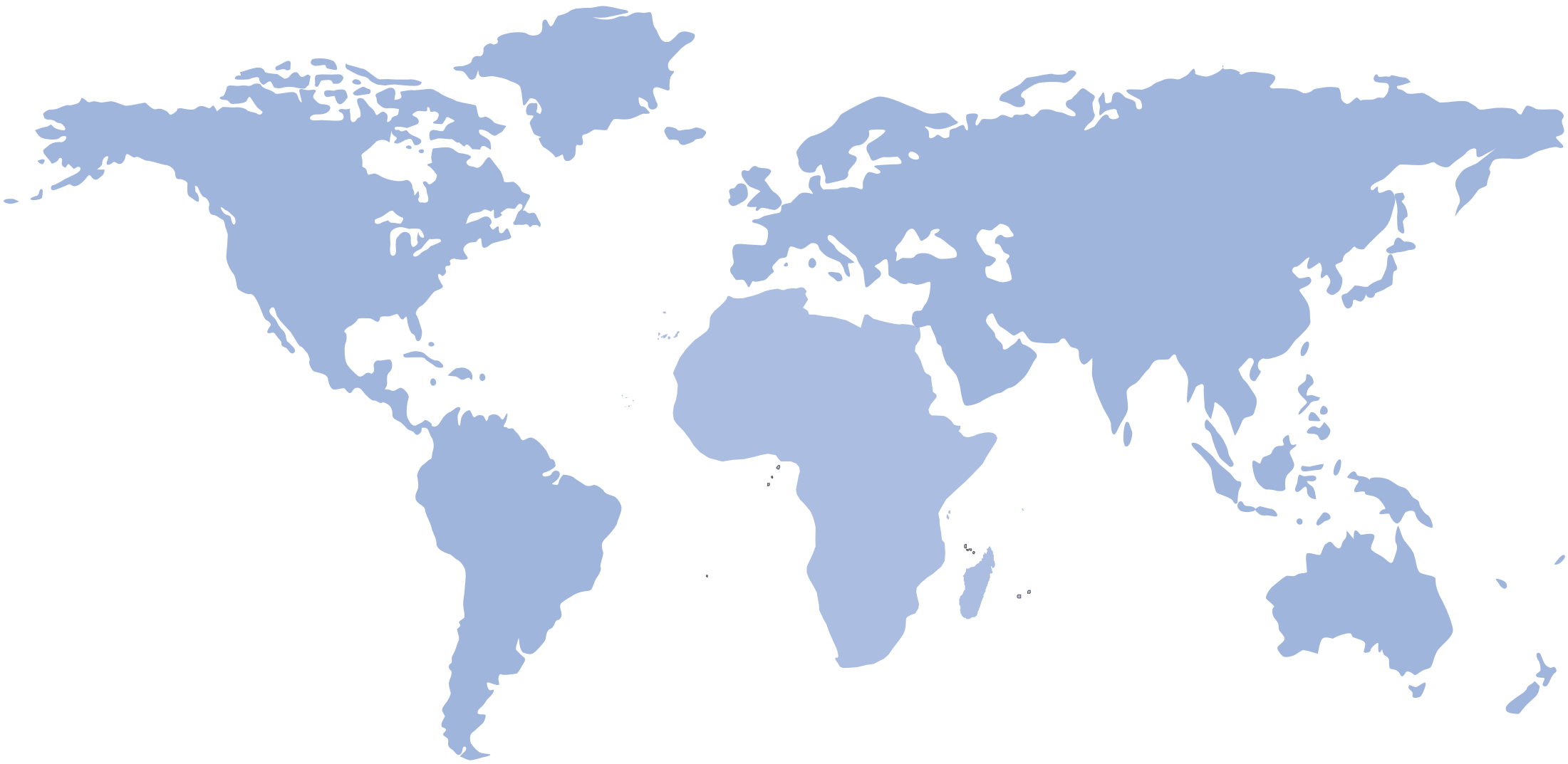


**PART**

**E**

**ANNUAL FINANCIAL STATEMENTS**





## 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 46 to 63, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the 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, 2000 (Act No. 51 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 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

### 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 10.1 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 2015 in the financial statements of the African Renaissance and International Cooperation Fund at, and for the year ended, 31 March 2014.



## 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, non-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 2015:
- Contribute to an integrated, democratic peaceful and prosperous continent through development assistance, capacity-building and humanitarian assistance 17 to 23.
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability
12. 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 objectives. 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* (FMPPI).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on 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**

15. I draw attention to the following matters:

### **Achievement of planned targets**

16. Refer to the annual performance report on 18 to 22 for information on the achievement of the planned targets for the year.

### **Adjustment of material misstatements**

17. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the strategic objective: Contribute to an integrated, democratic peaceful and prosperous continent through development assistance, capacity-building and humanitarian assistance. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

### Compliance with legislation

18. 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 findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Strategic planning and performance management**

19. Treasury Regulation 30.1.1 prescribes that the accounting authority for a public entity listed in schedule 3A must annually submit a proposed strategic plan for approval by the relevant executive authority. Such a plan must be submitted at least

six months before the start of the financial year of the designated department or another time period as agreed to between the executive authority and the public entity. There was no evidence of the submission of the proposed strategic plan 2014 - 17 to the executive authority, as required by treasury regulation 30.1.1.

#### **Annual financial statements**

20. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with prescribed financial reporting framework as required by sections 55(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors with regard to payables, expenditure, related parties, contingent liabilities and irregular expenditure were subsequently corrected.

#### **Procurement and contract management**

21. The accounting authority did not take adequate and effective steps to ensure compliance with National Treasury Practice Note No. 8 of 2007-08. Supply chain prescripts were not followed and deviations were not documented and properly motivated.

#### **Expenditure management**

22. The accounting authority did not take adequate and effective and appropriate steps to prevent and detect irregular expenditure as per requirements of section 51(1)(b)(ii) of the PFMA.

#### **Consequence management**

23. Effective and appropriate disciplinary steps were not taken against officials who incurred and/or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA.

24. Allegations against officials for failure to comply with the supply chain management system were not investigated, as required by treasury regulation 16A9.1(b).

#### **Ineffective systems of financial and risk management and control**

25. Section 51(1)(a)(i) of the PFMA prescribes that the accounting authority must ensure that public entity has and maintains effective, efficient and transparent systems of financial risk management and internal control.

26. The entity did not develop and document policies and procedures that could provide a framework on how its operational activities should be conducted for a substantial part of the year, as required by section 51(1)(a)(i) of the PFMA. The adoption of the Department of International Relations and Cooperation's (Dirco) policies and procedures only took place on 20 January 2015.

27. Section 51(1)(b)(i) of the PFMA prescribes that the accounting authority must take effective and appropriate steps to collect all revenue due to the public entity. Treasury regulation 31.1.2(a) and (e) prescribes that the accounting authority is responsible for establishing systems to ensure sound cash management, which includes collecting revenue when it is due and banking it promptly and pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the entity are collected and banked promptly. The accounting authority failed to collect promptly the appropriation due from the Dirco. The appropriation was drawn by Dirco in July 2014 and was only transferred to the ARF in March 2015. R168 795 000 of the Dirco receivables has remained outstanding for more than three years. There was minimal follow-up with Dirco regarding the settlement of the outstanding receivables. The lack of timeous follow-up regarding the appropriation as well as the outstanding receivables resulted in non-compliance with section 51(1)(b)(i) of the PFMA and treasury regulation 31.1.2(a) and (e).

28. Section 7(1) of the ARF Act prescribes that any money in the Fund which is not required for immediate use must be invested by the director-general, and may be withdrawn when required. As the appropriation amount due to the entity was not timeously followed up, the amount was not timeously invested.



## Internal control

29. 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 non-compliance with legislation included in this report.

## Leadership

30. The accounting authority has been slow in addressing the significant deficiencies over the establishment of a proper governance framework, including the timely adoption of policies and procedures and internal controls over the activities of the Fund, resulting in material non-compliance with laws and regulations due to an overall lack of accountability in addressing reported deficiencies.

*Auditor General*

Pretoria

31 July 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## STATEMENT OF FINANCIAL PERFORMANCE

	Note	2014/15 R '000	2013/14 R '000
Revenue			
<b>Revenue from non-exchange transactions</b>			
Appropriated funds	1	277 560	485 442
<b>Revenue from exchange transactions</b>			
Investment income	2	112 547	93 564
Other revenue		-	-
<b>Total Revenue</b>		<b>390 107</b>	<b>579 006</b>
Local and foreign aid assistance	3	(189 900)	(41 300)
<b>Total expenditure</b>		<b>(189 900)</b>	<b>(41 300)</b>
<b>Surplus for the period</b>		<b>200 207</b>	<b>537 706</b>



## STATEMENT OF FINANCIAL POSITION

	Note	2014/15 R '000	2013/14 R '000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	5	2 205 263	1 864 871
Receivables from non-exchange transactions	4	6 659	
<b>Total current assets</b>		<b>2 211 922</b>	<b>1 864 871</b>
<b>Non-Current Assets</b>			
Receivables from non-exchange transactions	4	198 260	202 653
<b>Total non-current assets</b>		<b>198 260</b>	<b>202 653</b>
<b>Total assets</b>		<b>2 410 182</b>	<b>2 067 524</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from non-exchange transaction	6	286 071	360 331
<b>Total current liabilities</b>		<b>286 071</b>	<b>360 331</b>
<b>Non-Current Liabilities</b>			
Payables from non-exchange transaction	6	453 242	236 531
<b>Total non-current liabilities</b>		<b>453 242</b>	<b>236 531</b>
<b>Total Liabilities</b>		<b>739 313</b>	<b>596 862</b>
<b>Net assets</b>			
Accumulate surplus		1 670 869	1 470 662
<b>Total net assets and liabilities</b>		<b>2 410 182</b>	<b>2 067 524</b>

## STATEMENT OF CHANGES IN NET ASSETS

	<b>Accumulated Surplus R'000</b>
<b>Balance as 31 March 2013</b>	<b>932 956</b>
Surplus for the period ending 31 March 2014	537 706
 <b>Balance as at 31 March 2014</b>	 1 470 662
	<hr/>
Add: Surplus for the year	200 207
<b>Balance as at 31 March 2015</b>	<b>1 670 869</b>
	<hr/>





## CASH FLOW STATEMENT

	Note	2014/15 R '000	2013/14 R '000
<b>Cash flow from operating activities</b>			
<b>Receipts</b>			
		<b>390 107</b>	<b>579 006</b>
Appropriated funds	1	277 560	485 442
Investment income	2	112 547	93 564
<b>Payments</b>			
		<b>(49 714)</b>	<b>(229 149)</b>
Cash disbursements on projects	8	(49 714)	(229 149)
<b>Net Cash flow from operating activities</b>	<b>7</b>	<b>340 393</b>	<b>349 857</b>
<b>Cash flows from investing activities</b>			
Loans granted to associates / other economic entities		-	-
<b>Cash flows from financing activities</b>			
		-	-
Net increase/(decrease) in cash and cash equivalents		340 392	349 857
Cash and cash equivalents at the beginning of the year		1 864 871	1 515 014
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>2 205 263</b>	<b>1 864 871</b>

## 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
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from non-exchange Transactions</b>					
Appropriated funds	277 560	-	277 560	(189 900)	87 660
	277 560	-	277 560	(189 900)	87 660

### **Basis of Preparation:**

The budget was prepared on the cash basis and presented hereto on a comparable basis since actuals 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 funds not allocated as at the end of financial year



## 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.

#### 1.2 GRAP standards not yet effective

Standard number	Standard name	Effective date (if applicable)
GRAP 32	Service Concession Arrangements: Grantor	No effective date
GRAP 105	Transfers of Functions Between Entities Under Common Control	No effective date
GRAP 106	Transfers of Functions Between Entities Not Under Common Control	No effective date
GRAP 107	Mergers	No effective date
GRAP 108	Statutory Receivables	No effective date
GRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 18	Segment Reporting	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 realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 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 recognized 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.

#### 1.4 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 No. 51 of 2000); expenses are recognized at the date of the Minister of Finance has issued a concurrence letter indicating approval of projects recommended by the Advisory Committee and the disbursement thereof is in the Rand equivalents of the approved amount as per the date of the concurrence letter.

### **1.6 Comparatives**

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

## **1.7 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 No. 51 of 2000)

### **Initial Recognition and Measurement**

Financial instruments are initially recognized 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**

#### **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 amortized cost less impairment losses. Gains and losses are recognized in the Statement of Financial Performance when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Receivables are subsequently measured at cost less accumulated impairment losses.



## 1.8 Receivables

Receivables are recognized 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.

## 1.9 Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Payables are recognized 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.

## 1.10 Cash and cash equivalent

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

## 1.11 Rounding off figures

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

## 1.12 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.

## 1.13 Irregular, fruitless and wasteful expenditure

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

- The PFMA; or
- Any national legislation providing for procurement in that national government.

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

## 1.14 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 Board of Directors 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

	2014/15 R'000	2013/14 R'000
<b>1. Appropriated funds</b>		
Appropriation from Parliament	277 560	485 442
<b>Total</b>	<b>277 560</b>	<b>485 442</b>
<b>2. Investment income</b>	<b>112 547</b>	<b>93 564</b>
<b>3. Local and foreign aid assistance</b>		
Cooperation between the Republic of South Africa and other countries	11 200	-
Prevention and resolution of conflict	20 000	-
Socio-economic development and integration	-	41 300
Humanitarian assistance	158 700	-
<b>Total</b>	<b>189 900</b>	<b>41 300</b>
<b>3.1 Cooperation between the Republic of South Africa and other countries</b>		
African-led international support mission to the Central Africa Republic	11 200	-
<b>3.2 Prevention and resolution of conflict</b>		
SA assessed contribution to SADC led election observation mission	18 230	-
SA mediation and facilitation of the Kingdom Lesotho peace process	1 770	-
<b>3.3 Socio-economic development and integration</b>	-	41300
<b>3.4 Humanitarian assistance</b>		
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	-
<b>Total</b>	<b>189 900</b>	<b>41 300</b>



**4. Receivables from non-exchange transactions**

	2014/15 R'000	2013/14 R'000
Department of International Relations and Cooperation : <i>per annexure 1</i>	204 919	202 653
<b>Total</b>	<b>204 919</b>	<b>202 653</b>

Receivables Age Analysis: per Annexure 1					
	< THAN 1 YR	1-3 YEARS	3+ YEARS	2014/2015	2013/2014
Receivables	6 659	29 465	168 795	204 919	202 653
<b>Total</b>	<b>6 659</b>	<b>29 465</b>	<b>168 795</b>	<b>204 919</b>	<b>202 653</b>

**5. Cash and cash equivalents**

Cash and balances with South African Reserve Bank	2 205 263	1 864 871
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**6. Payables from non-exchange transactions**

*Per annexure 2*

6.1 Current Liabilities.	286 071	360 331
6.2 Non-Current liabilities	453 242	236 531
	<b>739 313</b>	<b>596 862</b>

**7. Net cash generated from operations**

Surplus for the period	200 207	537 706
<b>Changes in working capital</b>	<b>140 185</b>	<b>(187 849)</b>
Effect on Payables	142 451	(110 638)
Effect on Receivables	(2 266)	(77 211)
Other	-	-
<b>Net cash flow from operating activities</b>	<b>340 392</b>	<b>349 857</b>

## 8. Cash disbursements on projects

	(49 714)	(229 149)
Human resources development	(9 780)	-
Promotion of democracy and good governance	(29 681)	-
Human resources development	(2 539)	-
Socio-economic development and integration	(7 714)	(229 149)

## 9. Irregular expenditure

	2014/15 R'000	2013/14 R'000
Opening balance	6 790	540 210
Add: Irregular Expenditure-current year	1 219	25 085
Less: Amount condoned	(7 868)	(558 505)
<b>Closing balance of expenditure awaiting condo-nation or to be recovered</b>	<b>141</b>	<b>6 790</b>

### Details of irregular expenditure – current year

Incident/detail of irregular expenditure	Disciplinary steps	R'000
Expenditure from non-compliance with National Treasury SCM prescripts expenditure for service rendered	Investigations were conducted and corrective measures were implemented.	1 219
Total irregular expenditure incurred		1 219

## 10. Prior year error

10.1 The corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 2015 in the financial statements of the African Renaissance and International Cooperation Fund at, and for the year ended 31 March 2014. The effect of the restatement is as follows:

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





### Effect on receivable and payables: Cuban Medical Brigade

	R'000 Non-Current Assets: Receivables from non-exchange transactions	R'000 Current Liabilities: Payables from non-exchange transactions
Balance as at 31 March 2013 previously reported: Cuban Medical Brigade	0	1 505
Adjustment prior period error:	10 394	10 394
Movements	0	(4 411)
Restated balance as at 31 March 2014	10 394	7 488

#### 11. Contingent liability

An amount of R110 million was received from the Department of Trade and Industry for the Cuban Economic Aid Package project. The amount has to be concurred by the Minister of DIRCO and Finance before it can be expensed.

#### 12. 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 No 58 of 1962).

#### 13. 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:

Financial assets	At Fair Value	At amortised cost	At cost	Total
Receivables from non-exchange transactions	204 919	-	-	204 919
Other receivables	-	-	-	-
Cash and cash equivalents	2 205 263	-	-	2 205 263
	<b>2 205 263</b>			<b>2 205 263</b>
Financial liabilities	At Fair Value	At amortised cost	At cost	Total
Payables from non-exchange transactions	739 313	-	-	739 313
	<b>739 313</b>			<b>739 313</b>

### Financial management risk

#### 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 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 5.75%. The risk of undue exposure for the Fund is negligible.



**Fair value interest rate risk**

	Effective interest rate	Floating rate amount	Non-interest bearing amount	Total
<b>Assets</b>				
Investment	-	-	-	-
Cash at bank	5.75%	2 205 263	-	2 205 263
Loans and receivables	-	-	-	-
<b>Total financial assets</b>	-	<b>2 205 263</b>	-	<b>2 205 263</b>
<b>Liabilities</b>				
Loans and payables	0%	-	-	-
<b>Total financial liability</b>	-	<b>2 205 263</b>	-	<b>2 205 263</b>
		<b>2 205 263</b>		<b>2 205 263</b>

**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 any commitments.

**d. Other risks**

Due to the nature 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, payable or derivative market instruments.

	2014/15 R'000	2013/14 R'000
<b>e. Related parties exposures- DIRCO</b>		
Payable per Annexure 3	(25 330)	(34 206)
Receivables per Annexure 1	204 919	202 653

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

**Annexure 1: Receivables**

<b>AGE ANALYSIS SUMMARY FOR ACCOUNTS RECEIVABLE (ARF)</b>					
<b>PROJECTS</b>	<b>&lt; THAN 1 YR</b>	<b>1 TO 3 YRS</b>	<b>3+</b>	<b>2014/2015</b>	<b>2013/2014</b>
Saharawi	-	-	10 000	10 000	10 000
Government of Guinea(Rice and Vegetable Production)	-	302	-	302	4 554
Democratic Republic of Congo	-	12 018	34 900	46 918	46 918
Humanitarian Assistance Aid to Congo	-	-	21	21	21
Sahel Region	-	12 187	-	12 187	12 187
Humanitarian Assistance to Niger	-	4 958	-	4 958	5 099
University of South Africa	-	-	16 425	16 425	16 425
Guinea Museum	-	-	5 000	5 000	5 000
Government of Malawi	-	-	92 055	92 055	92 055
Cuban Medical Brigade: Rwanda	-	-	10 394	10 394	10 394
South Africa's participation in the 2013/14 AU/SADC led Election Observer Mission	6 659	-	-	6 659	-
<b>GRAND TOTAL</b>	<b>6 659</b>	<b>29 465</b>	<b>168 795</b>	<b>204 919</b>	<b>202 653</b>



## Annexure 2: Payables

Payables (Projects)	2014/15 R'000	2013/14 R'000
<b>Current Liabilities</b>		
Government of Guinea-Rice Production, waste management and Technical assistance	64 905	69 157
South African participation in the 2013/14 AU/SADC led Election observer mission	10 090	13 570
Cuban Medical Brigade in Sierra Leone	2 118	7 488
African Ombudsman Research Centre (AORC)	7 000	-
Amount owed to Related Party Annexure 3	25 330	34 206
Humanitarian Assistance to Niger	4 958	5 099
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 and other African countries	32 500	-
Africa-led international Support Mission to the Central African Republic	11 200	-
SA mediation and facilitation of the Kingdom Lesotho peace process	1 770	-
Government of Malawi	-	92 055
South Africa's Intervention in Sahel Region	-	133 667
DPSA DRC Census	-	1 772
Madagascar Election support	-	474
International Diplomatic Training Programme (IDTP)		2 843
<b>Total Current Liabilities</b>	<b>286 071</b>	<b>360 331</b>

<b>Projects/Payables</b>	<b>2014/15 R'000</b>	<b>2013/14 R'000</b>
<b>Non-Current Liabilities</b>		
Humanitarian Assistance to Somalia	67	67
VIP Protection Training to the Democratic of Republic of Congo Protection Unit-SAPS	648	648
The Cuba Economic Aid Package	100 000	100 000
IGM Expansion project(Madagascar)	14 100	14 100
Emergency Assistance Aid Congo	21	21
Independent Electoral Commission - Democratic of Republic of Congo	262	262
Government of Comoros – Electoral assistance projects	5 084	5 084
VIP Protection Training to the DRC Protection unit-SAPS	827	827
Guinea- Museum Project in Kindia	5 000	5 000
Timbuktu Manuscript Project	2 928	2 928
African Capacity Building Foundation(ACBF)	2 422	2 422
University of South Africa (UNISA)	2 023	2 023
Democratic Republic of Congo Mission	34 900	34 900
SAPS to Purchase Riot Equipment – DRC	24 000	24 000
United Nations Mission in Liberia for the rebuilding of the Liberian National Police	7 141	7 141
African Ombudsman Research Centre (AORC)	-	14 100
Mozambique – Operation BAPISA	13 008	13 008
Saharawi	10 000	10 000
DPSA DRC Census	1 772	-
Government of Malawi	92 055	-
South Africa's Intervention in Sahel Region	133 667	-
Madagascar Election support	474	-
International Diplomatic Training Programme (IDTP)	2 843	-
<b>Total Non-Current Liabilities</b>	<b>453 242</b>	<b>236 531</b>
<b>GRAND TOTAL PAYABLES</b>	<b>739 313</b>	<b>596 862</b>



### Annexure 3: Owing to Related Party

<b>PROJECTS</b>	<b>2014/15 R'000</b>	<b>2013/14 R'000</b>
South Africa's participation in the 2013 AU/SADC led Election observer Mission	-	3 430
International Diplomatic Training Programme (IDTP)	-	2 539
Budget Support to Seychelles	-	7 714
Cuban Medical Brigade in Sierra Leone	-	4 411
Election support to Madagascar	-	16 112
African Ombudsman Research Centre (AORC)	7 100	-
SA assessed contribution to SADC led election observation mission	18 230	-
<b>TOTAL</b>	<b>25 330</b>	<b>34 206</b>