



AFRICAN RENAISSANCE AND INTERNATIONAL COOPERATION FUND

# ANNUAL REPORT 2016/17

Department of International Relations and Cooperation



# international relations & cooperation

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

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A wide-angle photograph of a rural landscape. In the foreground, there is a lush green rice field with tall, slender stalks. In the middle ground, a group of people and several water buffaloes are working in a smaller, flatter rice field. The background is filled with a dense line of tropical trees, including several prominent palm trees, under a bright, slightly overcast sky.

PART A:

GENERAL INFORMATION













## 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

## 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
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
PCRD	Post-Conflict Reconstruction and Development
PFMA	Public Finance Management Act
TR	Treasury Regulations
SADC	Southern African Development Community
SADPA	South African Development Partnership Agency
SCM	Supply Chain Management
SDGs	United Nations sustainable development goals

### Definitions

**Disbursement** : Cash payment

**Concurrence** : Agreement between the Minister of International Relations and Cooperation and Minister of Finance

**Expenditure** : Project with concurrence in the financial year









**Ms Maite Nkoana-Mashabane**  
**Minister of International Relations and Cooperation**

I have the honour of submitting the African Renaissance and International  
Cooperation Fund Annual Report of the  
Department of International Relations and Cooperation  
for the period 1 April 2016 to 31 March 2017.

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a long horizontal line that tapers to a point.

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**Mr KE Mahoai**

Director-General: Department of International Relations and Cooperation



# FOREWORD BY THE MINISTER



**Maite Nkoana-Mashabane**  
Minister of International Relations and Cooperation

## 3. FOREWORD BY THE MINISTER

I am pleased to present the Annual Report for 2016 – 2017 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. This report encompasses the achievements recorded during the 2016/17 financial year in pursuit of the objectives and targets as set out in the Revised Strategic Plan for 2015 – 2020. The ARF remained an important vehicle in the pursuit of South Africa's foreign policy objectives, particularly the regeneration of the African continent.

During the reporting period, South Africa continued to play an active role in supporting initiatives aimed at enhancing the African Agenda, particularly entrenchment of democracy, good governance and the promotion of human rights as

well as capacity-building for shared prosperity. It must be stated that that South Africa's foreign policy objectives and principles find their expression in the country's National Development Plan (NDP), which is linked to the African Union Agenda 2063 and the United Nation's sustainable development goals.

In support of this continental vision as well as South Africa's national interests, the Department of International Relations and Cooperation (DIRCO), through the ARF, continued to create a conducive and favourable climate for socio-economic development on the continent by supporting endeavours to bring about peace, security and stability. Such efforts entailed the deployment of human, financial and technical resources, among others.

Democratic principles have permeated throughout the continent. Furthermore, great strides have been made in the area of democracy and

good governance. In this regard, South Africa played a significant role in supporting these democratic processes through supporting Southern African Development Community election observation missions in Mauritius, Seychelles and Zambia, which were held in a peaceful environment and declared free and fair.

For South Africa, this was a significant achievement, as it is in line with one of the objectives of the ARF, which aims to strengthen accountability mechanisms coupled with the transparent management of public affairs, thus giving impetus to citizen participation in their own development efforts, thereby taking ownership of their future and destiny.

There is general consensus that the continent should invest in capital and skills development to boost socio-economic development. In this regard, assistance was provided to Guinea Conakry



through the Rice and Vegetable Production Project. The project has been successful in contributing to achieving the overall objective of improving food security in Guinea by increasing the production, quality and value of rice and vegetable products in the targeted areas where the project was operating. It is conservatively estimated by the Project Management Unit (PMU), that alongside the 4 433 farmers (both men and women) who were trained and supported by the project, and including wider farming families, a collective figure of 25 200 people are considered to have benefitted from the project in a direct manner. Indirect beneficiaries, in terms of other farmers, traders, wider extended family and wider communities, have also benefitted by association, and using a conservative factor of four, the extent of indirect beneficiaries could be estimated at more than 100 000 people, with the result that overall, both direct/indirect beneficiaries could be in the region of 125 000 plus individuals.

In support of skills development and institutional capacity-building, South Africa provided financial resources to the African Ombudsman Research Centre.

Through the Cuban Economic Package, facility B of R100 million for purchase South African goods,



the Cuban Government purchased tyres from Sumitomo and it was through this transaction that the company increased its South African Investment in phase 2 of its expansion by R910 million to enable it to manufacture truck and bus tyres for commercial use. This Dunlop branded product line is currently being imported into South Africa from Sumitomo Rubber plants in Japan and China. The new investment will effectively terminate this current importation arrangement and establish a local manufacturing base.

An Investment of this magnitude amid the current economic environment has been made possible through strong collaboration and partnership between the company and government.

Our diplomacy of Ubuntu necessitates that our involvement in the continent is premised on humanity and collective responsibility. In this regard, the ARF disbursed funds for humanitarian assistance to assist sister countries affected by natural disasters, namely: Madagascar and Namibia. This further aided the



affected countries to rebuild and address human suffering.

These activities have been implemented under a sluggish economic climate, as well as a very constricted domestic fiscal environment. Amid dwindling resources, South Africa's commitment has not waived. We continued to honour our international obligations, carrying out our international responsibilities with the limited resources at our disposal. To augment this support, we have leveraged multilateral, trilateral and

bilateral development cooperation initiatives to further enhance the support.

The ARF is a public entity that falls within the purview of DIRCO'S day-to-day responsibilities. We strive to ensure that the Fund complies with the laws and regulatory prescriptions which govern the management of public funds in South Africa. It is heartening to note that improved performance reporting and accountability have been firmly entrenched.

I wish to conclude by warmly thanking the ARF Advisory Committee under the stewardship of the Chairperson for the efficient and professional manner in which it has discharged its duties.

This committee ensured that programme and project funding operated within the confines of the ARF's strategic objectives and met the desired outcomes.

**Ms Maite Nkoana-Mashabane**  
**Minister of International Relations and Cooperation**  
**31 July 2017**







## 4. FOREWORD BY THE ACCOUNTING AUTHORITY

The African Renaissance and International Cooperation Fund (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 was 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".

We are committed to implementing the ARF Strategic Plan 2015 – 2020 and Annual Performance Plan 2017 – 2018 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. It is on this basis 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 Malusi Gigaba 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.

**Mr Kgabo Mahoai**  
**Accounting Authority African Renaissance and International Cooperation Fund**  
**31 July 2017**



## 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 (NT).

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 2017.

Yours faithfully

**Mr KE Mahoai**  
**Accounting Authority**  
**31 July 2017**



## 6. STRATEGIC OVERVIEW

### 6.1 Vision

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

### 6.2 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.

### 6.3 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 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.

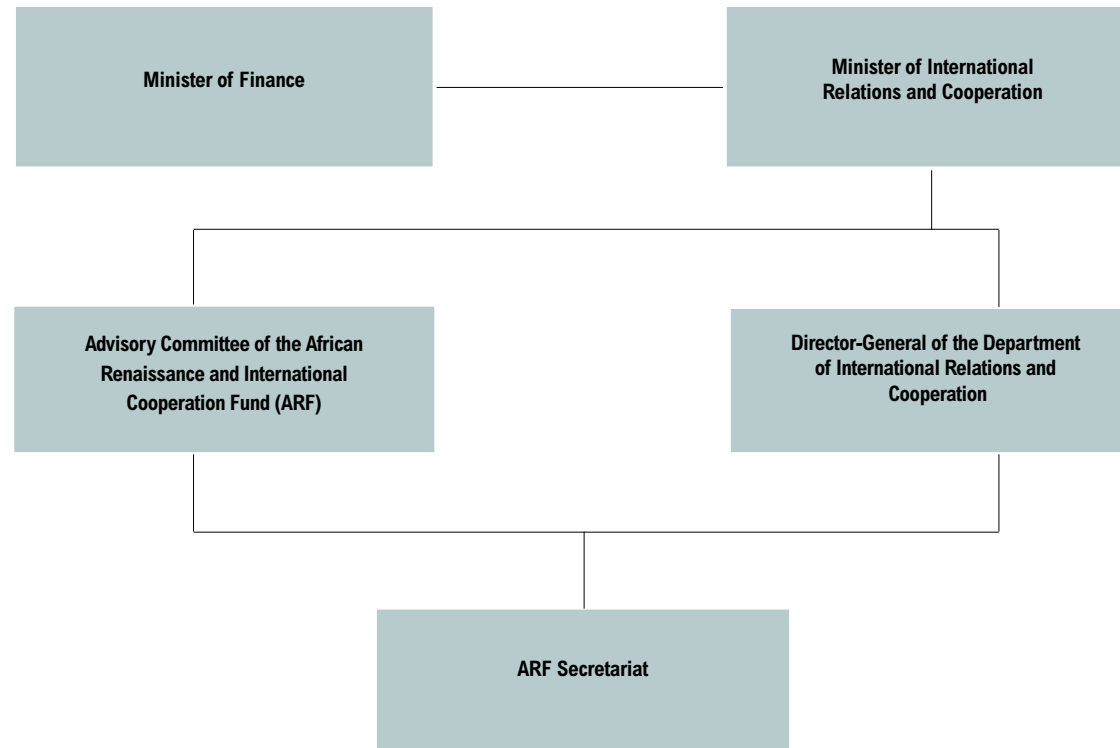
## 7. LEGISLATIVE AND OTHER MANDATES

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





A man wearing a green long-sleeved shirt is bent over, working in a field of young green plants. He is looking down at the ground, and his hands are visible near the plants. The background shows more of the field with rows of similar plants.

# PART B:

## PERFORMANCE INFORMATION







## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA)/ auditor currently performs the necessary audit procedures for the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against the predetermined objectives is included in the report to management with material findings being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the audit's report.

Refer to page 40 of the report of the AGSA, published as Part E: Financial Information.

## 2. SITUATIONAL ANALYSIS

### 2.1 Service delivery environment

The African Renaissance and International Cooperation Fund (ARF) remained an important vehicle in the pursuit of South Africa's foreign policy objectives. The ARF is a public entity that falls within the purview of the Department of International Relations and Cooperation's (DIRCO) day-to-day responsibilities. The Fund operates in the international arena, with most of its projects implemented outside of South Africa. The ARF does not provide a service directly to the public.

### 2.2 Organisational environment

The Advisory Committee has been established to manage the 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 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 106, 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.

## 2.3 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.

## 2.4 Strategic outcome-oriented goals

Strategic goal	Goal statement	Progress
Contribute to an integrated, democratic, peaceful and prosperous continent through development 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

# 3. PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE

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

### Strategic objectives

- To promote democracy and good governance
- To contribute to human resource development
- To support socio-economic development and integration
- To provide humanitarian assistance and disaster relief
- To support cooperation between South Africa and other countries
- To contribute to Post-Conflict Reconstruction Development (PCRD).

Programme/activity/objectives					
Strategic objectives	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2016/17	Comment on deviations
To promote democracy and good governance	100% of approved disbursements distributed during this reporting period  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	100% of approved disbursement to support democracy and good governance processed	100% of approved disbursements distributed during this reporting period  Processed payments totaling R389 843.41 with respect to South African deployment of election observer missions for elections in Zambia, Seychelles and Mauritius	None	None
To contribute to human resource development	100% of approved disbursements distributed during this reporting period  Processed payments totalling R4 783 127.93 for Africa Capacity-Building Foundation Project	100% of approved disbursement to support capacity-building processed	100% of approved disbursements distributed during this reporting period  Processed payment of R7 000 000.00 for African Ombudsman Research Centre	None	None



Programme/activity/objectives					
Strategic objectives	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2016/17	Comment on deviations
To support socio-economic development and integration	<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>	100% of approved disbursement to support socio-economic development and integration processed	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R5 086 955.68 for Rice and Vegetable Production Project in Guinea (Conakry)</p>	None	None
To provide humanitarian assistance and disaster relief	<p>100% of approved disbursements 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>	100% of approved disbursement for humanitarian assistance processed	<p>100% of approved disbursement distributed during this reporting period</p> <p>Processed payment of R439 341. 19 for Namibia Drought Relief Project</p> <p>Processed payment of R199 258. 00 for transportation of humanitarian assistance to Madagascar</p>	None	None
To support cooperation between South Africa and other countries	<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>	100% of approved disbursement for cooperation processed	<p>100% of approved disbursement distributed during this reporting period</p> <p>Processed payment of R78 047 130.43 for Cuba Economic Package</p>	None	None
To contribute to PCRD	<p>100% of approved disbursement distributed during this reporting period</p> <p>No disbursement requested during the reporting period</p>	100% of approved disbursement for PCRD processed	No disbursement requested during the reporting period	None	None

### 3.2 Key performance indicators, planned targets and actual achievements

Programme/activity/objectives					
Performance indicator	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2016/17	Comment on deviations
Percentage of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Advisory Committee meetings	100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meetings have been achieved  Thirteen project proposals reviewed and submitted to committee meetings	100% of requests received responded to 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 Advisory Committee meetings have been achieved  Six project proposals reviewed and submitted to committee meetings	None	None
Number of ARF structures and processes convened to identify and recommend projects	A total of four committee meetings were held during the period under review	Four advisory committee meetings to consider project proposals for recommendation	A total of four committee meetings were held to consider project proposals for recommendation	None	None
Percentage of approved disbursement processed	100% of approved disbursements distributed during this reporting period  Fifteen approved ARF projects disbursement processed	100% of approved disbursement processed as per objectives of the project plan	100% of approved disbursements distributed during this reporting period  Fifteen approved ARF projects disbursement processed	None	None
Percentage of active projects monitored for compliance with the concurrence received and approved project plan	New indicator	100% of active projects monitored for compliance with the concurrence received and approved project plan	100% of active projects monitored for compliance with the concurrence received and approved project plan	None	None
Percentage of Project Oversight Committee reports for active projects	New indicator	100% of Project Oversight Committee meetings reports for active projects	77,5% of Project Oversight Committee meetings reports for active projects	22,5%	The Cuban Economic Package oversight will be conducted in 2017/18
Percentage of closed projects with close-out reports	New indicator	100% of closed projects with close-out reports	100% of closed projects with close-out reports  The Rice and Vegetable Production Projects in Guinea Conakry closed	None	None



### 3.3 Strategy to overcome areas of underperformance

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

### 3.4 Changes to planned targets

No changes to planned targets

### 3.5 Linking performance with budgets

Programme/activity/objective	2016/17			2015/16		
	Budget	Actual expenditure	(Over)/ under expenditure	Budget	Actual expenditure	(Over)/ under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Appropriation	31	57 593	(57 562)	145 637	161 773	(16 136)
Total	31	57 593	(57 562)	145 637	161 773	(16 136)

Reasons for variance

The entity has an accumulated surplus that offsets the overexpenditure in the current financial year.

### 3.6 Revenue collection

Sources of revenue	2016/17			2015/16		
	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	76 949	176 989	(100 039)	143 765	143 765	-
Other revenue	-	303 198	(303 198)	-	-	-
<b>Total</b>	<b>76 949</b>	<b>480 187</b>	<b>403 237</b>	<b>143 765</b>	<b>143 765</b>	

#### Revenue

The interest received of R176 million (2016: R143 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 2016/17 Annual Report and the 2016/17 quarterly reports of the African Renaissance and International Cooperation Fund (ARF).

## 3. EXECUTIVE AUTHORITY

In terms of the PFMA, 1999 and in compliance with National Treasury Regulations, for the period under review, the ARF submitted to the Executive Authority the Strategic Plan 2015 – 2020, the Annual Performance Plan 2016/17, four quarterly reports for 2016/17 and the Annual Report and financial statements.

As prescribed by Treasury Regulations 29.3.1, 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 2016/17 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 2016
- ARF Second Quarterly Report for the period 1 July to 30 September 2016
- ARF Third Quarterly Report for the period 1 October to 31 December 2016
- ARF Fourth Quarterly Report for the period 1 January to 31 March 2017.

## 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	One	Ms N Dikweni
Four	Three	Ambassador EM Saley
Four	Four	Mr R Toli
Four	Four	Ms B Bhengu (Alternate member)
Four	Zero	Ms S Naran (Alternate member)
Four	Four	Mr D Malcomson (Alternate member)

## 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 No. 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 Fund 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 African Renaissance and International Cooperation Fund is a Schedule 3A public entity in terms of PFMA, 1999.

### 5.2 OBJECTIVES OF THE FUND

The objectives of the Fund are to promote cooperation between the Republic of South Africa and other countries by providing grants and/or rendering other financial assistance in respect of development projects in such countries. Therefore, the Fund enables the South African Government to identify and fund.

**5.1.1** Cooperation between the Republic of South Africa and other countries, in particular African countries;

**5.1.2** Promotion of democracy and good governance;

**5.1.3** Prevention and resolution of conflict;

**251.4** Socio-economic development and integration;

**5.1.5** Humanitarian assistance; and

**5.1.6** Human resource development.

### 5.3 THE UTILISATION OF FUND

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

- the Director-General or the delegate of the Director-General;
- three officers of the department appointed by the Minister; and
- Two officers of the department of Finance appointed by the Minister of Finance.

**5.3.2.** The Advisory Committee must make recommendations to the Minister and the Minister of Finance on the disbursement of funds through grants 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.

Grants or other financial assistance must be provided 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 the Department of International Relations and Cooperation (which is referred here to as the Department) and the Fund is under the control of the Director General in terms of the Public Service (Act no. 103 of 1994).

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

- Facilitation of 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 finalization of Service Level Agreements/Memorandum of Understanding;
- Facilitating the process for the disbursement of funds; and
- Monitoring the implementation of projects by means of reports, scheduled project site visits, ad-hoc site visits, as well as maintaining a project database.

**5.4.3** The department acts as an implementing agent in the disbursement of funds to projects using a Control account. The Fund utilizes the established policies and procedures of the department in the disbursement of funds.

### 5.5 GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

#### 5.5.1 Revenue

- In terms of the Act, income, amongst other sources, consists of money appropriated by Parliament for the Fund. During the year

under review, an amount of R31 000 (2016: R145 million) was appropriated to the Fund.

- The interest received of R176 million (2016: R143 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 period under review the Fund recorded an expenditure of R57 million (2015/16: R199 million).

#### 5.5.3 Irregular expenditure

- During the current financial year, the Fund did not incur irregular expenditure R0 (2015/16: R204 000).

#### 5.5.4 Receivables

- Receivables represent monies withdrawn from the Fund for local and foreign aid but which were not fully disbursed by the department on behalf of the Fund and also grants refunded by the recipients.

#### 5.5.5 Payables

- Payables represent the monies due by the Fund in terms of the signed concurrent letter.

### 5.6 Provisions

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

### 5.7 Corporate governance arrangements

The Fund is managed through the control of Director General of the Department and the following governance mechanisms are in place:

- The relationship between the Fund and the department is governed by the ARF Operational Framework.
- 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.
- The Fund has an Audit Committee and a Risk Management Committee.

### 5.8 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 KE Mahoai**  
**Accounting Authority**  
**31 July 2017**



## 6. RISK MANAGEMENT

- The entity has a Risk Management Policy and a 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

### Risk Management Committee

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

\*Renewed from 1 March 2017 to 28 February 2018

\*\*Seconded from the Audit Committee

\*\*\*Renewed from 1 December 2015 to 30 November 2017

## 7. INTERNAL CONTROL UNIT

The Chief Directorate: Internal Audit of 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.

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

- (a) assessing and evaluating the Fund's performance information
- (b) 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. INTERNAL AUDIT AND AUDIT COMMITTEES

We are pleased to present our report for the financial year ended 31 March 2017.

### 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 27.1.
- 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.



## 8.2 Audit Committee members

Name	Qualifications	Internal or external	If internal, position in the department	Date appointed	No of meetings attended (2016/17) (ARF)
Ms ZP Manase	B Com B Compt Hons Higher Diploma in Tax CA (SA)	External  (Chairperson)	Not applicable, External	1 September 2013	<b>Seven (7)</b>
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	<b>Seven (7)</b>
Dr MEC Moleki	PhD Thesis Med Thesis B Ed BA	External	Not applicable, External	1 September 2013	<b>TOTAL = 6</b>
Mr WE Huma	B Proc LLB (Bachelor of Laws) LLM (Master of Laws) Graduate Diploma in Corporate Governance	External  (also a Risk Committee Deputy Chairperson)	Not applicable, External	1 September 2013	<b>TOTAL = 6</b>
Ms HN Masedi	B Rationis B Compt Hons Higher Diploma in Computer Auditing M Com: Computer Auditing	External	Not applicable, External	1 January 2016	<b>TOTAL = 7</b>
Ms KG Mbonambi	B Com Accounting B Com Hons Certificate in Enterprise Risk Management	External	Not applicable, External	1 January 2016	<b>TOTAL = 7</b>

### 8.3 Internal Audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audits.

We have met with the Internal Audit during the year to ensure that the function is executed effectively and objectively (from management).

We are satisfied with the content and quality of quarterly reports prepared and issued by the internal auditors of the entity during the year under review.

### 8.4 The effectiveness of internal control

The system of internal control employed by the entity to financial and risk management is effective, efficient and transparent.

In line with the PFMA and the recommendations from the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the internal auditors, the Audit Report on the annual financial statements and the management letter of the Auditor-General South Africa, it was noted that there were no indicated material deficiencies in the system of internal controls or deviations there from.

Accordingly, we can report that the system of internal control over the financial reporting period under review was efficient and effective.



### 8.5 The quality of in-year management and quarterly reports submitted in terms of the PFMA

We reviewed the in-year quarterly reports submitted together with internal audit comments thereon.

We noted improvement in the content and quality of reports prepared and submitted by management.

### 8.6 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 the accounting policies and practices

- reviewed significant adjustments resulting from the audit.

### 8.7 External Auditor's report

We have reviewed the Fund's implementation plan for audit issues raised in the prior year and we are 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.

A handwritten signature in black ink, appearing to be 'Zodwa Manase', written over a horizontal line.

**Zodwa Manase**  
**Chairperson of the Audit Committee**  
**31 July 2017**

## 9. COMPLIANCE WITH LAWS AND REGULATIONS

ARF applies the DIRCO 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 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 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. It should be noted, however, that there was no case reported during the period under review

## 10. 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 five 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.



A photograph of a group of people, likely in a rural setting, standing in a field. In the foreground, a man in a striped shirt and a light-colored cap is seen from the side. Behind him, several women are standing, some wearing headwraps and colorful clothing. The background shows a line of trees under a bright sky. A semi-transparent white banner with text is overlaid across the middle of the image.

PART D:

HUMAN RESOURCE MANAGEMENT







## **HUMAN RESOURCE MANAGEMENT**

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







# PART E:

## FINANCIAL INFORMATION







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

## Report on the audit of the separate financial statements

### Opinion

1. I have audited the financial statements of the African Renaissance and International Cooperation Fund set out on page 44 to 46, which comprise the statement of financial position as at 31 March 2017, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. 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 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) 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).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the accounting authority

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the African Renaissance and International Cooperation Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

10. 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 material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2017:

Objectives	Pages in annual performance report
Objective 1: To promote democracy and good governance	21
Objective 2: To contribute to human resource development	21
Objective 3: To support socio-economic development and integration	22
Objective 4: To provide humanitarian assistance and disaster relief	22
Objective 5: To support cooperation between South Africa and other countries, in particular African countries	22
Objective 6: To contribute to Post Conflict Reconstruction Development (PCRD)	22

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and 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 the usefulness and reliability of the reported performance information for the following objectives:
- Objective 1: To promote democracy and good governance
  - Objective 2: To contribute to human resource development
  - Objective 3: To support socio-economic development and integration
  - Objective 4: To provide humanitarian assistance and disaster relief
  - Objective 5: To support cooperation between South Africa and other countries, in particular African countries
  - Objective 6: To contribute to Post Conflict Reconstruction Development (PCRD)

#### Other matter

15. I draw attention to the matter below:

#### Achievement of planned targets

16. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets for the financial stability and sustainability objective. This information should be considered in the context of the opinions expressed on the usefulness and reliability of the reported performance information in paragraph 14 of this report.

Report on audit of compliance with legislation

#### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. The material finding in respect of the compliance criteria for the applicable subject matter is as follows:

Ineffective systems of financial and internal control

19. Money from old projects not required for immediate use was not invested, as required by section 7(1) of the ARF Act.

Other information

20. The African Renaissance and International Cooperation Fund's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

- The accounting authority did not exercise adequate oversight responsibility over senior management to ensure compliance with the relevant requirements of the ARF Act.
- In line with the South African Institute of Internal Auditors and Treasury Regulations, the accounting officer did not ensure that an external assessment of the internal audit function was performed.

*Auditor-general*

Pretoria

31 July 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit 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.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority, who constitutes the accounting authority.

- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the African Renaissance and International Cooperation Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.







## 2. ANNUAL FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL PERFORMANCE

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R '000</b>	<b>R '000</b>
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Appropriated funds	1	31	145 637
Other revenue	2	303 198	
<b>Revenue from exchange transactions</b>			
Investment income	3	176 989	143 765
			-
<b>Total Revenue</b>		<b>480 218</b>	<b>289 402</b>
<b>Expenditure</b>			
Local and foreign aid assistance	4	(57 593)	(161 773)
<b>Total expenditure</b>		<b>(57 593)</b>	<b>(161 773)</b>
Forex (loss)/Gain	5	26 863	(37 422)
<b>Surplus for the period</b>		<b>449 488</b>	<b>90 207</b>

# STATEMENT OF FINANCIAL POSITION

	Note	2016/17	2015/16
		R '000	R '000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	6	2 457 676	2 338 574
Receivables from non-exchange transactions	7	204 555	210 822
<b>Total assets</b>		<b>2 662 231</b>	<b>2 549 396</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from non-exchange transaction	8	221 413	278 133
Provisions	9	289 239	569 172
Other liabilities	10	1 651 579	140 185
<b>Total liabilities</b>		<b>2 162 231</b>	<b>987 490</b>
<b>Net assets</b>			
Accumulate surplus		500 000	1 561 906
<b>Total net assets and liabilities</b>		<b>2 662 231</b>	<b>2 549 396</b>



# STATEMENT OF CHANGES IN NET ASSETS

	notes	Accumulated Surplus R'000
<b>Restated Balance as 31 March 2015</b>		<b>1 611 884</b>
Surplus for the period ending 31 March 2015		90 207
Amount not approved by National Treasury		(140 185)
<b>Restated balance as at 31 March 2016</b>		<b>1 561 906</b>
Amount approved by National Treasury		140 185
Amount to be surrendered National Revenue Fund		(1 651 579)
Add: Surplus for the year		<b>449 488</b>
<b>Balance as at 31 March 2017</b>		<b>500 000</b>

# CASH FLOW STATEMENT

	Note	2016/17 R '000	2015/16 R '000
<b>Cash flow from operating activities</b>			
<b>Receipts</b>		<b>203 336</b>	<b>289 402</b>
Appropriated funds	1	31	145 637
Refund from project	2	26 316	143 765
Investment Income	3	176 989	
<b>Payments</b>		<b>(84 233)</b>	<b>(156 092)</b>
Cash disbursements to related party: DIRCO for disbursement of funds to projects	11	(84 233)	(156 092)
<b>Net Cash flow from operating activities</b>	12	<b>119 103</b>	<b>133 310</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		119 103	133 311
Cash and cash equivalents at the beginning of the year		2 338 574	2 205 263
<b>Cash and cash equivalents at the end of the year</b>	6	<b>2 457 677</b>	<b>2 338 574</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	31	-	31	(57 593)	(57 562)
	<b>31</b>	<b>-</b>	<b>31</b>	<b>(57 593)</b>	<b>(57 562)</b>

**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 that exceeded 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 standards 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
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	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 the South African Rand equivalent of the approved amount as per the date of the concurrence letter.

### 1.6 Forex gains/losses

Forex gains/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

#### 1.9. 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 amortisation process.

#### 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 realised a period longer than 12 months after the reporting date.

#### 1.11 Provisions

A provision is a liability of uncertain timing or amount. Provisions were raised due to projects that are approved and the timing to settle the obligation is uncertain.

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.

#### 1.12 Cash and cash equivalent

Cash and cash equivalents include cash on hand, deposits held at call with banks, 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 the department is included in the disclosure notes.

#### 1.15 Irregular expenditure

Irregular expenditure means expenditure incurred in contravention of, or in non-adherence to, a requirement of any applicable legislation, including:

- the PFMA or
- 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.

The Fund is under the control of the Director-General in terms of the Public Service Act, 1994 (Act 103 of 1994) and there is an operational framework that governs the relationship between DIRCO, its Key Management and ARF.

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

	2016/17 R'000	2015/16 R'000
<b>1. Appropriated funds</b>		
Appropriation from Parliament	31	145 637
<b>Total</b>	<b>31</b>	<b>145 637</b>
<b>2. Other Income</b>		
Other income comprises of unused balances on projects from prior years	276 883	-
Refund from a completed project	26 315	-
<b>Total</b>	<b>303 198</b>	<b>-</b>
<b>3. Investment income</b>		
Interest earned from SARB	176 989	143 765
<b>Total</b>	<b>176 989</b>	<b>143 765</b>
<b>4. Local and foreign aid assistance</b>		
Cooperation between the Republic of South Africa and other countries	7 593	110 000
Socio-economic development and integration	-	11 186
Humanitarian assistance	50 000	195
Promotion of democracy and good governance	-	38 031
Promote human resource development	-	2 361
<b>Total</b>	<b>57 593</b>	<b>161 773</b>
<b>4.1. Cooperation between the Republic of South Africa and other countries</b>		
Cuban Economic Package	-	110 000
Tripartite Mechanism for Dialogue and Cooperation between Angola, DRC and SA	7 593	-
<b>Total</b>	<b>7 593</b>	<b>110 000</b>

-

## NOTES TO THE FINANCIAL STATEMENTS

	R'000	R'000
<b>4.2. Socio-economic development and integration</b>		
Timbuktu Manuscript	-	7 201
Cuban Medical Brigade in Sierra Leone	-	3 985
<b>Total</b>	-	11 186
<b>4.3 Humanitarian assistance</b>		
Transportation of Humanitarian Assistance to Madagascar	-	195
Emergency Humanitarian Assistance for Saharawi Refugees	10 000	-
Emergency Food Assistance to Swaziland	40 000	-
<b>Total</b>	50 000	195
<b>4.4. Promotion of democracy and good governance</b>		
Technical Support of the Third General Elections of Burundi	-	38 031
<b>Total</b>	-	38 031
<b>4.5. Promote human resource development</b>		
African Capacity Building Foundation	-	2 361
<b>Total</b>	-	2 361
<b>5. Forex (Loss)/Gain</b>		
Forex loss	(4)	(37 422)
Forex gain	26 867	-
<b>Total (Loss)/Gain</b>	26 863	(37 422)
<b>6. Cash and cash equivalents</b>		
Cash and balances with South African Reserve Bank	2 457 676	2 338 574
<b>Total</b>	2 457 676	2 338 574



## NOTES TO THE FINANCIAL STATEMENTS

### 7. Receivables from non-exchange transactions

2016/17  
R'000

2015/16  
R'000

Current Receivables			204 555	210 822
<b>Receivables</b>			<b>204 555</b>	<b>210 822</b>

#### Receivables Age Analysis as at year ended 31 March 2017

	< THAN 1 YR R'000	1-3 YEARS R'000	3+ YEARS R'000	Total R'000
Receivables	2 441	-	202 114	204 555
<b>Total</b>	<b>2 441</b>	<b>-</b>	<b>202 114</b>	<b>204 555</b>

#### Receivables Age Analysis as at year ended 31 March 2016

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Payables from non-exchange transactions

Current Liabilities: Payables	221 413	278 133
<b>Payables</b>	<b>221 413</b>	<b>278 133</b>

#### Payables Age Analysis as at 31 March 2017

	< THAN 1 YR R'000	1-3 YEARS R'000	3+ YEARS R'000	Total R'000
Payables	56 487	83 346	81 580	221 413
<b>Total</b>	<b>56 487</b>	<b>83 346</b>	<b>81 580</b>	<b>221 413</b>

#### Payables Age Analysis as at 31 March 2016

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

### 9. Provisions

	Opening Balance	Re-classification from payables	Additions	Movements during the year	Total R'000
Projects	569 172	22 711	-	(302 644)	289 238

#### Reconciliation of Provisions 2015/16

	Opening Balance	Re-classification from payables	Additions	Movements during the year	Total R'000
Projects	512 227	87 358	38 031	(68 444)	569 172

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

### 10. Other Liabilities

	2016/17 R'000	2015/16 R'000
Current Liabilities: Other liabilities	1 651 579	140 185
<b>Total Other liabilities</b>	<b>1 651 579</b>	<b>140 185</b>

Other liabilities are made up of the money to be surrendered to the National Revenue Fund.



## NOTES TO THE FINANCIAL STATEMENTS

### 11. Cash disbursements to related party: DIRCO for disbursement of funds to projects

	2016/17 R'000	2015/16 R'000
Human resources development	-	-
Promotion of democracy and good governance	-	-
Capacity-building	(7 000)	(11 326)
Socio-economic development and integration	(6 867)	(10 426)
Humanitarian assistance	(199)	(81 110)
Cooperation between the Republic of South Africa and other countries	(70 167)	(35 000)
Prevention and resolution of conflict	-	(18 230)
<b>Total</b>	<b>(84 233)</b>	<b>(156 092)</b>

### 12. Net cash generated from operations

Surplus for the period	449 488	90 207
<b>Adjustment</b>		
Forex gain (loss)	(26 863)	37 422
<b>Surplus after movements</b>	<b>422 625</b>	<b>127 629</b>
<b>Changes in working capital</b>	<b>(303 523)</b>	<b>5 682</b>
Effect on Payables	(309 790)	11 585
Effect on Receivables	6 267	(5 903)
Net cash flow from operating activities	119 103	133 311
<b>Total</b>	<b>(84 233)</b>	<b>(156 092)</b>

### 13. Irregular expenditure

Opening balance	131	141
Add: Irregular Expenditure-current year	-	204
Less: Amount condoned	(131)	(214)
<b>Closing balance</b>	<b>-</b>	<b>131</b>

### 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).

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

#### Credit risk

Credit risk consists mainly of cash and cash equivalents and trade receivables.

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.

Financial assets	2016/17 R'000	2015/16 R'000
Receivables from non-exchange transactions	204 555	210 822
Cash and cash equivalents	2 457 676	2 338 574
<b>Total</b>	<b>2 662 231</b>	<b>2 548 396</b>

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. ARF source of funding is received from Parliament. 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.

Financial liabilities	2016/17 R'000	2015/16 R'000
Payables from non-exchange transactions	221 413	278 133
Other liabilities	1 651 579	140 185
<b>Total</b>	<b>1 872 992</b>	<b>418 318</b>

#### Interest rate risk

Based on the activities of the ARF, the only area affected by interest rate is the cash held at the Reserve Bank.

Cash and cash equivalents	2016/17 R'000	2015/16 R'000
Cash and balances with South African Reserve Bank	2 457 676	2 338 574



## NOTES TO THE FINANCIAL STATEMENTS

*(Continuation Financial risk management disclosure)*

### **Currency 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 there is therefore minimal risk involved.

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 party transactions**

The Department of International Relations and Cooperation and its Key Management are a related party to the ARF.

	2016/17 R'000	2015/16 R'000
Receivables	204 555	210 822