

AFRICAN RENAISSANCE AND
INTERNATIONAL COOPERATION FUND

Annual Report 2017/18

Department of International Relations
and Cooperation (DIRCO)



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Department:
International Relations and Cooperation
REPUBLIC OF SOUTH AFRICA

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*A better **Africa***

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PART A

GENERAL INFORMATION



international relations & cooperation

Department:
International Relations and Cooperation
REPUBLIC OF SOUTH AFRICA



1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered name:	African Renaissance and International Cooperation Fund (ARF)
Physical address:	460 Soutpansberg Road Rietondale Pretoria 0084
Postal address:	Private Bag X152 Pretoria 0001
Telephone number/s:	+ 27 12 351 1000
Fax number:	+ 27 12 329 1000
E-mail address:	info@dirco.gov.za
Website address:	www.dirco.gov.za
External auditor:	Auditor-General of South Africa
Banker:	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
NEPAD	New Partnership for Africa's Development
PCRD	Post-Conflict Reconstruction and Development
PFMA	Public Finance Management Act of South africa, 1999 (Act no.1 of 19)
TR	Treasury Regulation
SCM	Supply Chain Management


Definitions

Disbursement	Payment of money from a fund
Concurrence	Agreement between the Minister of International Relations and Cooperation and the Minister of Finance
Expenditure	Project with concurrence in the financial year



Ms Lindiwe Sisulu
Minister of International Relations and Cooperation

I have the honour of submitting
the African Renaissance and International Cooperation Fund Annual Report
for the period 1 April 2017 - 31 March 2018



Mr Kgabo Mahoai
Director-General: Department of International Relations and Cooperation

COUNCIL OF MINISTERS' MEETING

Nouer des partenariats avec le Secteur Privé afin de développer l'Industrie et les Chaînes de Valeur Régionales | Partnering with the Private Sector
Developing Industry and Regional Value Chains | Parceria com o Sector Privado no Desenvolvimento da Indústria e das Cadeias de Valor Regionais





Minister Lindiwe Sisulu



BOON
#AfcFTA2018 | 20 March

African Continental Free Trade Area
Union of African States
African Continental Free Trade Area

BENEDICT OTHMAN
PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA

AFRICAN CONTINENTAL
FREE TRADE AREA
BUSINESS FORUM
#AfcFTA2018
20 March 2018
Egmont, Rwanda

H.E. CYRIL RAMAPHOSA
PRESIDENT OF THE REPUBLIC OF
SOUTH AFRICA

AFRICAN CONTINENTAL
FREE TRADE AREA
BUSINESS FORUM
#AfcFTA2018
20 March 2018



Deputy Minister Luwellyn Landers



Deputy Minister Reginah Mhaule



3. ACCOUNTING AUTHORITY'S OVERVIEW



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

focusses on international relations and is entitled: “Creating a Better South Africa and Contributing to a Better and Safer Africa in a Better World”.

We are committed to implementing the ARF Strategic Plan 2015 – 2020 and Annual Performance Plan 2018 – 2019 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 ensuring 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 Lindiwe Sisulu 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 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



4. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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

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

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

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

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

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

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

In our opinion, the Annual Report fairly reflects the operations, performance information, the financial affairs of the public entity for the financial year ended 31 March 2018.

It was on this basis that we maintained an unqualified audit opinion.

Yours faithfully



Mr Kgabo Mahoai
Accounting Authority
31 July 2018



5. STRATEGIC OVERVIEW

5.1 Vision

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

5.2 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.

5.3 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.

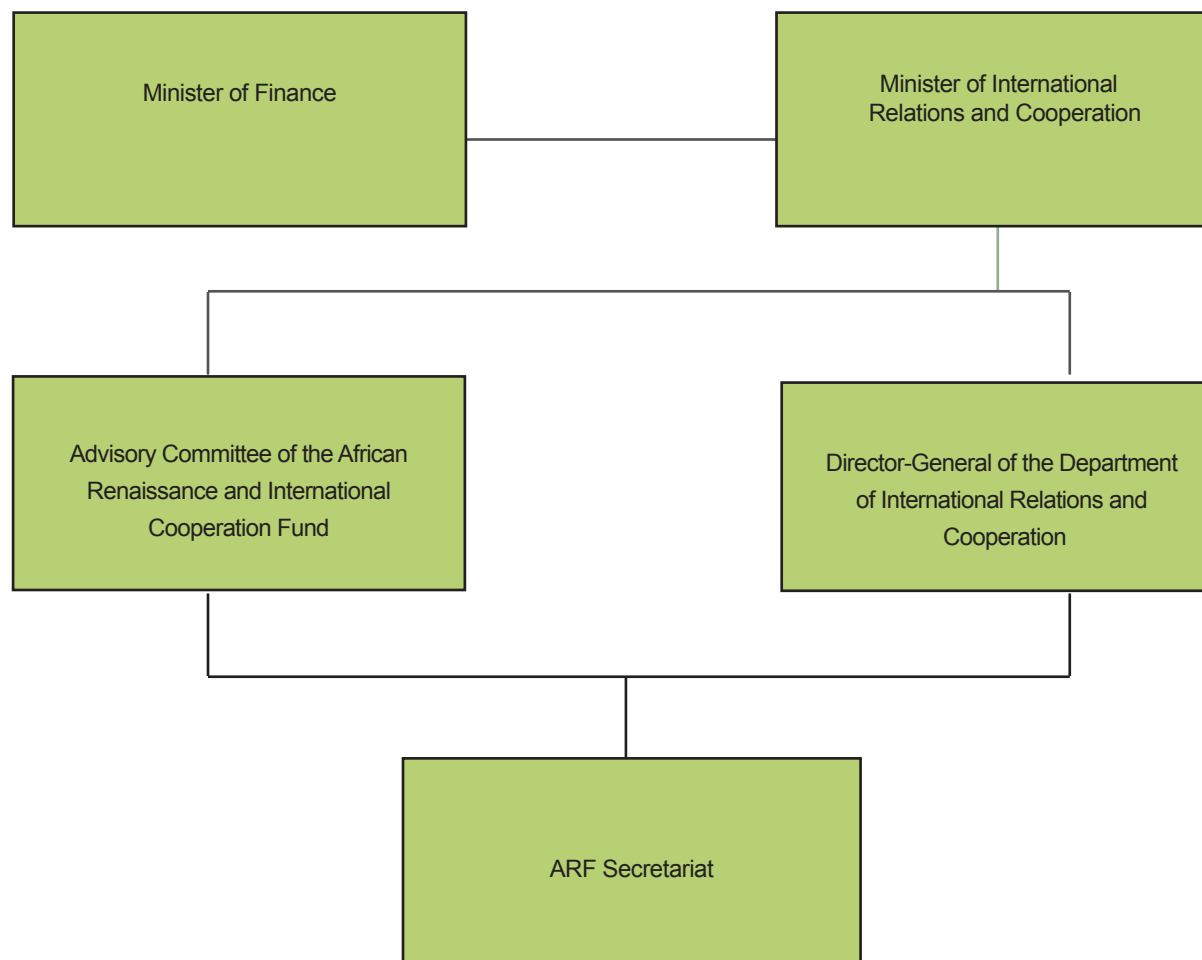
- **Integrated planning and coordination** are critical in ensuring that South Africa's efforts are in line with the development needs of the identified country.
- **Harmonisation of assistance needs to be coordinated.** The ARF will position itself as a catalyst to drive the implementation of post-conflict reconstruction and development programmes and 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

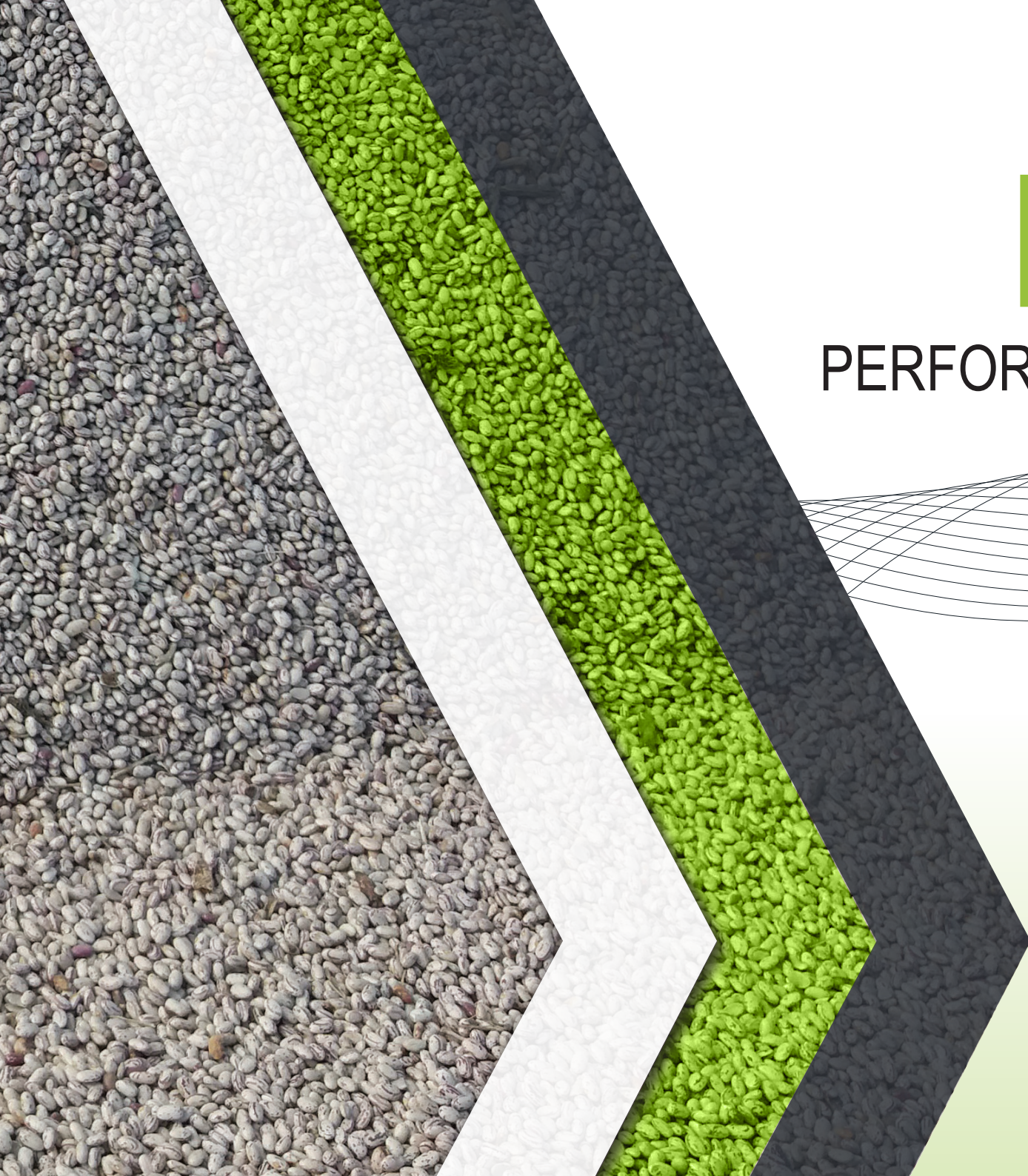
The African Renaissance and International Cooperation Fund Act, 2000 (Act 51 of 2000): The Act establishes an African Renaissance and International Cooperation Fund to enhance cooperation between the Republic and other countries, in particular African countries, through the promotion of democracy and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



7. ORGANISATIONAL STRUCTURE

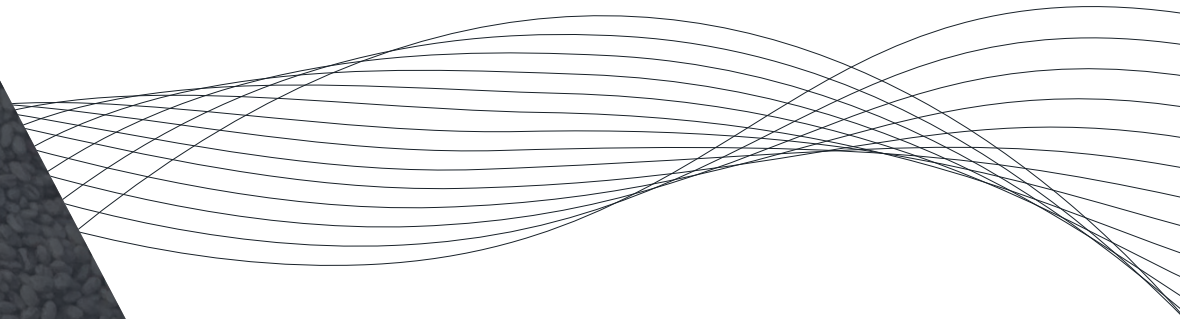






PART B

PERFORMANCE INFORMATION



1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) 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 identified material misstatements in the annual performance report submitted for auditing were subsequently corrected by management.

Refer to page 64 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 is one of the vehicles which the Department of International Relations and Cooperation is using to peruse foreign policy. South Africa's foreign policy promotes the need to cooperate with all peace-loving people across the globe in pursuit of shared prosperity and a just, equitable and rules-based international order. Hence, the objectives of the ARF are to enhance cooperation between the Republic and other countries, in particular African countries, through the promotion of democracy, good governance, the prevention and resolution of conflict, socio-economic development and integration, humanitarian assistance and human resource development.

The ARF Advisory Committee convenes once a quarter to, among others, assess and recommend applications for approval by Ministers. During the 2017/18 financial year, the ARF received a total of 13 requests for funding. Of the 13 requests, eight were recommended by the ARF Advisory Committee to the value of R219 202 580.60 for the approval by the Minister of International Relations and Cooperation and the Minister of Finance on the disbursement of funds through loans or other financial assistance. Five requests are still under consideration.

The ARF will continue to provide assistance to countries in line with its objectives in an efficient manner and within the ambit of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). The ARF disbursed a total amount of R152 241 468, 15 in the period under reporting.

2.2 Organisational environment

The Advisory Committee makes recommendations to the Minister of International Relations and Cooperation and the Minister of Finance on the utilisation of funds through loans or other financial assistance. The Advisory Committee consists of the following members:

- (a) the Director-General (DG) or a 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 PFMA, 1999. The DG has established a Secretariat consisting of officers to assist with the disbursement of the funds, 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 ARF. 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 is set up as a public entity, however, it does not yet have all the features like other public entities due to its placement within DIRCO structures.

2.3 Key policy developments and legislative changes

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



2.2 Organisational environment

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. SUMMARY OF ACTIVE PROJECTS

3.1 Namibian Drought Relief

A Memorandum of Understanding (MoU) between the Government of the Republic of South Africa and the Government of the Republic of Namibia on the provision of financial assistance in respect of drought relief to the Republic of Namibia was signed on 15 June 2015. Subsequent to that, the three government entities, the Department of International Relations and Cooperation (DIRCO), the Department of Water and Sanitation (DWS) and Rand Water (RW) signed a Tripartite Agreement on 6 April 2017.

The objectives of the agreement are to:

- facilitate the implementation of the project
- regulate and monitor the disbursements from the ARF in respect of the project as specified in Project Plan
- provide sound financial management.

The drought relief project will bring to life 104 dry boreholes. It was also decided that the 104 already drilled and capped boreholes were to be equipped with solar and/or mechanical power and pumps. On 10 November 2015, the DWS appointed RW as the implementing agent of the project. On 22 July 2016, RW appointed the following service-providers to execute the project:

- Entsika Consulting Services: 11 boreholes in the Omaheke region



- Sebushi Somo Constructions and Projects: 21 boreholes in Kunene, 14 in Kavango East and 17 in Kavango West.

The service-providers were also instructed to transfer skills on equipment maintenance to the regional offices to ensure the guaranteed lifespan of the newly installed equipment.

Progress on the implementation of the project per region

Omaheke region

The scope of work in the Omaheke region entailed equipping the 11 already drilled boreholes with diesel-powered electrical pumps, 10 000l tanks, tank stands, water troughs and communal taps. This has been completed.



Name plate: Branding with borehole details



Storage tank, engine and stand Installation



Commual tap



Drinking trough and on concrete apron

Kavango East and West regions

A total 17 sites have been completed to date and are fully operational. Fourteen boreholes are at various stages of completion. The Kavango regions are scheduled to be completed by the end of August 2018 as per latest planning update from the service-provider.



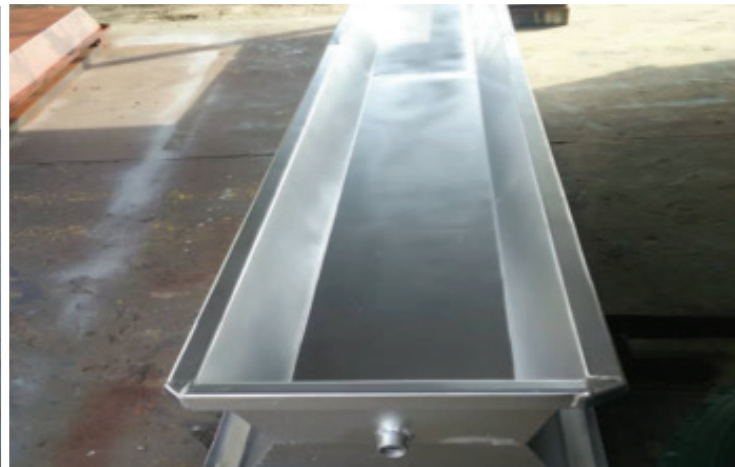
Completed borehole installation



Completed borehole installation



Material on site (solar panels)



Material on site (trough)

Kunene region

The scope of work for the Kunene region entails equipping 21 boreholes which are already drilled, with 15 using solar technology and six diesel-engine powered mono pumps, 10 000ℓ tanks, tank stands, water troughs and communal taps as per the revised list. To date, eight have been completed with civil and foundation works.



Borehole concrete and engine stand



Completed concrete cattle trough



Tank stand footing



Tank stand protected by elephant wall

3.2 Cuba Economic Package

The project came as a response by the South African Government to assist the Government of Cuba with its agricultural development process as well as the reconstruction of infrastructure following the damage by hurricanes in 2008. An agreement was signed between the two countries in 2012 on the execution of the project as well as the utilisation of funds.

The project is intended to stimulate bilateral trade between South Africa and Cuba, including establishing business-to-business relations between the two countries as well as incorporating the involvement of commercial banks in supporting transactions through inspiring confidence by exposing Cuba's credit worthiness in repaying.

The project helped to restore food security in Cuba as well as to assist industries that were affected negatively by the devastating hurricanes that hit the country in 2008.

On the South African side, the project has boosted South African exports to Cuba, ensured job creation as well as jobs being retained as the result of reinvestment in the South African economy by the benefiting entities.

The successful implementation of the project thus far has enhanced economic relations between the countries, mainly in the fields of economic collaboration and bilateral trade and further strengthened South Africa's strategic bilateral relations with Cuba. The Economic Package project has established sound relations and channels for future exports of South African products to Cuba.



Mining trucks delivered to Cuba

3.3 Elections

Elections are continuously held in the Southern African Development Community (SADC) countries, aimed at achieving democracy and good governance in the region and on the continent at large.

In the reporting period, the ARF supported South African Election Observer Missions (SEOMs) in Lesotho and Angola. The elections were held in a peaceful environment and declared free and fair. Funding was requested to enable South Africa to contribute to election observers towards the SEOMs to the Kingdom of Lesotho and Angola.





3.3.1 Lesotho elections

The Kingdom of Lesotho held National Assembly elections in June 2017. Honourable Dr Augustine Phillipe Mahinga (MP), Minister for Foreign Affairs and East Cooperation of the United Republic of Tanzania, launched the SEOM to the elections on 25 of May 2017 on behalf of the Chairperson of the Organ of Politics, Defence and Security Cooperation. Subsequently, deployment was effected on 26 May 2017 with a total of 41 observers deployed to both the SEOM Headquarters and within the 10 districts of Lesotho.

During the pre-election period, the SEOM consulted several stakeholders, including His Majesty King Letsie II; Prime Minister Phakalitha Mosisili; Thom Thabane, Minister

of Foreign Affairs; Independent Electoral Commission; chiefs; representatives of contesting political parties; the Lesotho Mounted Police Force; the Dean of the Diplomatic Corps; other electoral Observation Commissions Forum; the Electoral Institute for Sustainable Democracy in Africa (EISA); representatives of the European Union; academics and political analysts; and representatives of the African Union (AU) and the Commonwealth.

Guided by the SADC Principles and Guidelines Governing Democratic Elections, the SEOM in its preliminary statement concluded that the 2017 National Assembly elections in the Kingdom of Lesotho were peaceful, transparent, free and fair and credible, and reflecting the will of the people of Lesotho. This was also supported by other observer missions that were deployed such as the AU, EISA, Commonwealth, etc.

3.3.2 Angola elections

The Government of the Republic of Angola, through the SADC Secretariat, invited member states to participate in the SEOM to the Republic of Angola's general elections. South Africa nominated six observers as per the request to non-SADC Organ Troika members and nine from each Troika member. The SADC Organ Troika comprised the Republic of Tanzania, Current Chair; the Republic of Angola, Incoming Chair and Mozambique, Outgoing Chair ; the SADC Organ Troika provided leadership during the SEOMs. The Republic of Angola assumed the Chair of Organ Troika on 20 August 2017. However, given that Angola was conducting general elections, which SADC was observing, the Republic of Tanzania continued to Chair the Organ Troika for the duration of the SEOM.

The general assessment of observers from the respective provinces reported a relatively peaceful political climate where political parties and individuals freely expressed their views and party preference. All parties reported that they had been provided with electoral campaign resources and allocated equal airtime both on radio and television. The observers highlighted conditions that were favourable for voters to cast their ballot with polling stations easily accessible and clearly marked, opened and closed on time and counting procedures were followed to the satisfaction of all party representatives and observers.

The general elections in Angola were declared as held in a fair, free and peaceful environment by the SEOM during its presentation of the Preliminary Statement on 25 August 2017. Other international observation missions expressed similar sentiments though they didn't follow the SEOM expression. Their expression emphasised an environment that was peaceful and conducive.



Honourable Dr Augustine P Mahiga (MP) Minister of Foreign Affairs and East African Cooperation of the United Republic of Tanzania, released the Mission's Preliminary Statement at a press event held at the Talatona Hotel, Luanda, Angola, regarding the 23 August 2017 general elections.

3.4 Liberian Presidential and Legislative elections

The Liberian Government requested support from the Government of South Africa on technical assistance to the National Election Commission (NEC) of Liberia with respect to the Presidential and Legislative elections conducted on 10 October 2017.

The overall objective of the project was to enable the Independent Electoral Commission (IEC), through funds provided by the ARF, to provide electoral assistance to the NEC of Liberia to enable it to deliver free, fair and credible elections. A successful election is a precondition for a stable electoral environment that could in turn facilitate economic growth in the country.

The procurement of goods and services was done in South Africa to boost the local economy. Subsequent to that, the goods and services were delivered to Monrovia for onwards distribution to 19 nodes in Liberia. The total disbursed amount for the project was R14 324 047.59.

The technical assistance was significant as it enhanced the capacity of the Liberian NEC to conduct the results collation processes according to reasonable standards of electoral management and assist with the distribution of election logistics. The support provided credibility to the overall electoral process, resulting in the acceptance of election results and ensuring the legitimacy of the subsequent government. This was a prerequisite for political stability, which also contributed to the stability of the West African region and the continent.

The NEC was provided with technical equipment, which was installed in the identified various centres, as a gesture of solidarity from the South African Government. The IEC also



Training of NEC officials to assemble a machine

provided technical training to the officials from the NEC through transferring of skills and expertise to the institution.

The overall objective of the project was realised, since there was a credible electoral process and a smooth political

transition in Liberia. This contributed to political stability and various forms of development in that country and the region as a whole. In the final instance, the project contributed to the institutional integrity and instillation of confidence in the NEC of Liberia.

3.5 Emergency food assistance to the Government of the Kingdom of Swaziland

The Government of Swaziland officially declared a state of emergency in February 2016 and published the National Emergency Response Mitigation and Adaptation Plan. The Prime Minister requested technical and financial assistance from the international community to support the emergency response plan.

As part of this call for support, the Government of Swaziland, through the Deputy Prime Minister's Office, requested the South African Government to support, through the World Food Programme (WFP), a development project for young orphans and vulnerable children. South Africa, through the ARF, has made a donation of R40 million towards the Swazi project.

Subsequence to that, the South African Government committed to support the provision of emergency food assistance to orphaned and vulnerable children at neighbourhood care points (NCPs) in the Kingdom of Swaziland. The project was aligned to fostering strong relations in the region, by implementing an innovative approach with a dual-developmental objective of meeting the nutritional needs of the children at the NCPs while serving to empower smallholder farmers in South Africa.

As it was agreed, a 40% minimum target of commodities were procured from smallholder farmer commodities. The WFP is working with farmers from three provinces in South Africa: North West, Limpopo and the Free State. Food items such as maize meal, pulses and vegetable oil were procured and distributed between July 2017 and March 2018.

Approximately 1,305 MT of maize meal were procured in 2017 and 515 MT in 2018, and some 412 MT and 137 MT of pulses



UN Women farmers WFP Training

in 2018. In 2017, 103 MT of vegetable oil were procured. The first distribution of emergency food assistance in Swaziland was undertaken in the beginning of August 2017. One dispatch covered a two-month distribution cycle.

Food assistance has been provided to 1 663 NCPs across Swaziland, reaching 55 500 children with daily meals since August 2017, exceeding the initial target of 52 000 orphans and vulnerable children.

Region	Number of NCPs per region	Female	Male	Number of beneficiaries
Lubombo	422	6 790	6 178	12 968
Shiselweni	515	8 864	7 342	16 206
Hhohho	352	6 029	5 505	11 534
Manzini	374	8 116	6 676	14 792
Total	1 663	29 799	25 701	55 500
		53.7%	46.3 %	

The WFP is working closely with the Department of Agriculture, Forestry and Fisheries to identify more smallholder farmers from whom to procure directly. The Swaziland country office has dispatched a total 1 246 MT (maize meal, sugar beans and vegetable oil) from the start of the South African donation.

To ensure an efficient and secure supply chain by the WFP as an implementing agent, while still providing opportunities for South African smallholder farmers has, been a key objective of both the Lesotho and Eswatini projects. Therefore, in order to make this a viable approach, significant capacity building on quality and quantity control has been done with smallholders, as well as the provision of training and post-harvest handling equipment delivered to government partners. The project is contributing to broader government objectives in this area and will result in more measurable impact. The WFP has developed a transformation and small business development plan to maximise the inclusion of emerging mills in an effort to develop new suppliers and contribute to the development of small business along the supply chain.

Following a review of initial capacity-building efforts (under the Lesotho project) with the view to maximise the impact of available funds, the Eswatini project focussed on



closing the skills gaps of female smallholder farmers and addressed financial and digital literacy skills. Ultimately, capacity-building is geared towards strengthening the

capacity of women to effectively and sustainably participate in the supply chain as reliable, quality producing suppliers.

3.6 Rice and Vegetable Production Project in Guinea (Conakry)

The project is meant to improve food security in Guinea by increasing the production, quality and value of rice and vegetable products. Food security has become an acute problem for the country based on a number of factors and challenges such as: climate change, regional conflict, migration, disease (including Ebola), loss of genetic diversity (in crops), land management, water management, subsistence agriculture, agricultural extension, farmer capacity, logistics/market access and reducing nutrition levels over time. As a demand-driven process, the project was, and continues to be, relevant, consistent and supportive of the strategic priorities of the Republic of Guinea, in line with the vision and objectives of the ARF within the strategic priorities of the Republic of South Africa.

The Rice and Vegetable Production in Guinea Conakry Project has been one of the most successful ARF initiatives. The project is contributing to achieve 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 is operating. The Project Management Unit (PMU) estimated that 4 433 farmers (men and women) have been trained and supported by the project.

The overall objective of “improving food security by increasing production, quality and value for rice and vegetable products” in Guinea Conakry has broadly been met in so far as the primary focus of increasing food security has been addressed for those communities and farmers/farmer groups in the targeted areas participating in the project. It is conservatively estimated by the PMU that, including wider farming families, some 25 200 people have benefitted from



the project in a direct manner. Indirect beneficiaries, in terms of other farmers, traders, wider extended family and wider communities would result in multiple levels of benefit, with a conservative factor being used. The extent of indirect beneficiaries could be estimated at 100 000+ people, with the result that overall, both direct/indirect beneficiaries could be in the region of 125 000+ individuals.



3.7 International Diplomatic Training Programme (IDTP) (Burundi Diplomatic Training)

Burundi, like many countries on the African continent, continues to face challenges in addressing historical social and economic imbalances that have been created by protracted conflict, marginalisation and a lack of adequate resources. Therefore, South Africa, through diplomatic channels, realised that there was a need to assist the country by building its capacity, institutional knowledge and expertise, which can be imparted to future generations. In a globalised world, countries are forced to interact in more ways than ever before either in bilateral or multilateral fora to negotiate political, economic and social issues, hence, South Africa regarded it as important to provide capacity-building to Burundi through diplomatic training.

The intervention by the South African government to Burundians is more than training and contribution of South Africa to peace, stability, security and good governance in Burundi. The aforementioned are pre-requisites for development and social cohesion. It is a good foundation for a country's economic development. The impact of this project will benefit the country as whole through the potential economic development steered by these diplomats.



Burundian diplomats at Constitutional Hill



Graduation ceremony of Burundian diplomats

The overall objective of the project was to train Burundian diplomats to a level compatible with those attained by South African diplomats and to inculcate a similar viewpoint and background frame of reference regarding world affairs. The IDTP assisted in providing skills that will enable Burundian diplomats to engage equitably and effectively in the global diplomatic arena by providing much-needed training. The IDTP focusses on diplomatic training for government officials of developing countries.

A total of 26 Burundian delegates, made up of 12 (46%) females and 14 (56%) males, attended the diplomatic training in South Africa at the Department of International Relations and Cooperation. For the training to be successful, it was a collective effort by the Branch: Diplomacy Training, Research and Development, which provided the actual training; Branch: Africa, which facilitated the application of funds for the training; as well as the ARF, which funded



Burundian diplomats in training

the project. The funds for the project covered air travel, airport shuttles, ground transport, accommodation, food and beverages and the graduation ceremony.

3.8 United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

South African contributed towards the Transitional Shelter Cash Assistance (TSCA) UNRWA Project. On 22 May 2018, the Mission in Ramallah received a letter of acknowledgement for South Africa's contribution to UNRWA. An amount of US\$1,000,000.00 was confirmed to have been paid into the UNRWA project by the Government of South Africa towards humanitarian assistance to women and children in Gaza, Palestine.

The project was a response to the devastation caused during the 50 days of hostilities in Gaza in the year 2014, which was unprecedented, with widespread fatalities and injuries, as well as extensive damage to homes, schools, clinics and other key civilian infrastructure. The violence in the area escalated the situation further and exacerbated an already severe humanitarian situation for the 1, 7 million people in Gaza, of whom approximately 70% are Palestine refugees.

The blockage, now in its eighth year, has crippled the once dynamic, export-led economy in Gaza, causing soaring unemployment, food insecurity and poverty, forcing over 80% of people into dependence on humanitarian assistance.



Period of distribution and number of beneficiates	Total	%
Number of months	3	100%
Number of families	1 330	100%
Number of individuals	6 332	100%
Number of female-headed households	119	9%
Number of females	3 041	48%
Number of males	3 291	52%
Number of children	3 900	33%



4. PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVES

4.1 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 and Development (PCRD).



Programme/activity/objective:					
Strategic objectives	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement for 2017/18	Comment on deviations
To promote democracy and good governance	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totaling R389 843.41 with respect to South African deployment of election observer missions for elections in Zambia, Seychelles and Mauritius</p>	100% of approved disbursement to support democracy and good governance processed	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R252 141.03 for the South Africans who participated in the election observer missions in Lesotho and Angola</p> <p>Processed payments totalling R14 324 047.59 for the Presidential and Legislative elections in Liberia as per the objectives of the project</p>	None	None
To contribute to human resource development	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment of R7 000 000.00 for the African Ombudsman Research Centre</p>	100% of approved disbursement to support capacity-building processed	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R866 839. 99 for the International Diplomatic Training Programme (IDTP) Burundi Diplomatic Training</p>	None	None

Programme/activity/objective:					
Strategic objectives	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement for 2017/18	Comment on deviations
To support socio economic development and integration	100% of approved disbursements distributed during this reporting period Processed payments totalling R5 086 955.68 for the Rice and Vegetable Production Project in Guinea (Conakry)	100% of approved disbursement to support socio-economic development and integration processed	100% of approved disbursements distributed during this reporting period Processed payments totalling R1 762 023. 83 for the Rice and Vegetable Production Project in Guinea (Conakry)	None	None
To provide humanitarian assistance and disaster relief	100% of approved disbursements distributed during this reporting period Processed payment of R439 341.19 for Namibia Drought Relief Project Processed payment of R199 258.00 for transportation of humanitarian assistance to Madagascar	100% of approved disbursement for humanitarian assistance processed	100% of approved disbursement distributed during this reporting period Processed payments totaling R9 647 914.67 for the Namibia Drought Relief Project as per the objectives of the project plan Processed payment of R11 200 000.00 for the UNRWA Project as per the objectives of the project Processed payment of R16 033 466.77 for the Emergency Food Assistance Project to the Government of the Kingdom of Swaziland as per the objectives of the project	None	None
To support cooperation between South Africa and other countries	100% of approved disbursement distributed during this reporting period Processed payment of R78 047 130.43 for Cuba Economic Package	100% of approved disbursement for cooperation processed	100% of approved disbursement distributed during this reporting period Processed payments totalling R98 155 034.14 for the Cuba Economic Package	None	None

Programme/activity/objective:					
Strategic objectives	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement for 2017/18	Comment on deviations
To contribute to PCRD	100% of approved disbursement distributed during this reporting period No disbursement requested during the reporting period	100% of approved disbursement for PCRD processed	No disbursement processed during the reporting period	None	None

4.2 Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance indicator	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement for 2017/18	Comment on deviations
Percentage of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Advisory Committee Meeting	100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting have been achieved Six project proposals reviewed and submitted to committee meetings	100% of requests received responded to as per objectives of the ARF	100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Advisory Committee Meeting Thirteen project proposals received and responded to as per objectives of the ARF	None	None

Programme/activity/objective:					
Performance indicator	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement for 2017/18	Comment on deviations
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	Four Advisory Committee meetings to consider project proposals for recommendation	None	None
Percentage of approved disbursement processed	100% of approved disbursement 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 disbursement processed as per objectives of the project plan Thirty-three approved ARF projects disbursement processed	None	None
Percentage of active projects monitored for compliance with the concurrence received	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	100% of active projects monitored for compliance with the concurrence received <ul style="list-style-type: none"> • South African Participation in the SADC election observer missions (Lesotho and Angola) • UNRWA (Palestine) Project • Namibia Drought Relief Project • Rice and Vegetable Production Project in Guinea (Conakry) Project • Swaziland Emergency Food Assistance • Cuba Economic Package Project • The Presidential and Legislative Elections in Liberia Project • IDTP Project (Burundi Diplomatic Training) 	None	None

Programme/activity/objective:					
Performance indicator	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18	Deviation from planned target to actual achievement for 2017/18	Comment on deviations
Percentage of project oversight reports for active projects	77,5% project oversight committee meetings reports for active projects	100% of project oversight reports for active projects	87,5% of project oversight reports for active projects <ul style="list-style-type: none"> • Election observer missions (Lesotho and Angola) • Namibia Drought Relief Project • Rice and Vegetable Production Project in Guinea (Conakry) Project • Swaziland Emergency Food Assistance • Cuba Economic Package Project • The Presidential and Legislative Elections in Liberia Project • IDTP Project (Burundi Diplomatic Training) 	UNRWA (Palestine) Project progress	UNRWA (Palestine) Project progress report was not submitted as the project has not commence due to political instability in the country
Percentage of closed projects with close out reports	The Rice and Vegetable Production Project in Guinea Conakry closed	100% of closed projects with close-out reports	100% of closed projects with close-out report <ul style="list-style-type: none"> • IDTP Project (Burundi Diplomatic Training) • Presidential and Legislative Elections in Liberia Project 	None	None

4.3 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.

4.4 Changes to planned targets

No changes to planned targets.

4.5 Linking performance with budgets

	2017/18			2016/17		
Programme activity objective	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	22 243	42 084	(19 841)	31	57 593	(57 562)
Total	22 243	42 084	(19 841)	31	57 593	(57 562)

Reasons for variance

Expenditure incurred in the current financial year exceeded the allocated budget because funds are available from the accumulated surplus to cover the overspending.

5. REVENUE COLLECTION

Source of revenue	2017/18			2016/17		
	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
Inerest income	21 000	148 711	(127 711)	76 949	176 989	(100 040)
Other Revenue	-	-	-	-	303 198	(303 198)
Total	21 000	148 711	(127 711)	76 949	480 187	(403 238)

Revenue

The interest received of R147 million (2017: R176 million) from investments relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank and interest accrued of R1,2 million on the loan granted.



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 is briefed regularly on 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 has submitted to the Executive Authority the Strategic Plan 2015 – 2020, the Annual Performance Plan 2017/18, four quarterly reports for 2017/18 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 2017/18 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 2017: 14 June 2017
- ARF Second Quarterly Report for the period 1 July to 30 September 2017: 31 August 2017
- ARF Third Quarterly Report for the period 1 October to 31 December 2017: 30 November 2017
- ARF Fourth Quarterly Report for the period 1 January to 31 March 2018: 15 March 2018.

4. REPORT OF THE ACCOUNTING AUTHORITY

4.1 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 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 ARF is a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999).

4.2. Objectives of the fund

The objectives of the fund are to contribute to an integrated democratic, peaceful and prosperous continent. Therefore, the ARF enables the South African Government to identify and fund projects in the following areas:

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

4.3. The utilisation of funds

- 4.3.1. The Minister must, in consultation with the Minister of Finance, establish an Advisory Committee consisting of the following members:
 - the Director-General (DG) or the delegate of the DG
 - three officers of the department appointed by the Minister
 - two officers of the National Treasury appointed by the Minister of Finance.
- 4.3.2. 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.
- 4.3.3. 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.

4.4. Related parties

4.4.1. 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 DG in terms of the Public Service Act (Act 103 of 1994).

4.4.2. 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 finalisation of service level agreements/memoranda of understanding
- facilitating the process for the disbursement of funds
- monitoring the implementation of projects by means of reports, scheduled project site visits, ad-hoc site visits, as well as maintaining a project database.

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

4.5 General review of the state of financial affairs

4.5.1 Revenue

- 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 R22 million (2017: R31 000) was appropriated to the fund.
- The interest received of R147 million (2017: R176 million) from investments, relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank.
- The interest accrued of R1, 2 million on the loan granted.

4.5.2 Expenditure

- During the period under review, the fund recorded an expenditure of R42 million (2016/17: R57 million).

4.5.3 Irregular expenditure

During the current financial year, the ARF incurred irregular expenditure of R598 000 due to non-compliance with Supply Chain Management processes.

4.6. Receivables

- Receivables represent monies withdrawn from the ARF 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.
- Receivables further represent the balance on the loan granted and interest accrued.

4.7. Commitments

- Commitments are projects with concurrence and awaiting the signed agreements

4.8. Provisions

- Provisions are made up of projects with signed concurrence and signed agreements and the timing to disburse the funds is uncertain.

4.9. Corporate governance arrangements

The fund is managed through the control of the DG 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.



Mr KE Mahoi
Accounting Authority
31 July 2017

5. 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	Three	Ambassador EM Saley
Four	Four	Mr R Toli
Four	Four	Ambassador M Joyini
Four	Two	Ms Y Maya
Four	Three	Ms B Bhengu (Alternate member)
Four	Three	Ms T Nkuna-Shiluvana
Four	One	Ms S Naran (Alternate member)
Four	One	Mr D Malcomson (Alternate member)
Four	Zero	Ms N Dikweni

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 the Department of International Relations and Cooperation's (DIRCO) 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
Failure to honour full commitments caused by foreign exchange fluctuation, leading to loss in credibility and trust from partner intuitions and countries	Encourage the pledging of assistance in Rand
Incurring irregular expenditure due to lack of operational policies and procedures for the ARF, as well as lack of human capacity, leading to non-compliance with applicable laws and regulations	Adopt DIRCO operational policies, guidelines and procedures Amend DIRCO policies and procedures where required for the ARF Appoint a full-time Secretariat to manage the operations of the ARF
Funds disbursed not utilised for intended purposes caused by lack of dedicated monitoring and evaluation personnel for the ARF, leading to fruitless and wasteful expenditure	Bilateral desks and missions provide monitoring and evaluation services Capacitate the ARF Secretariat by providing sufficient personnel to enhance operational capacity
Lack of project management software	Procure Project Management software to manage ARF projects

7. RISK MANAGEMENT COMMITTEE MEMBERS

Names of members	Date appointed	Qualifications	Internal/ external member	Contact details	Status	Number of meetings attended for 2017/18
Dr HN Manzini*	01/03/2015 – 28/02/2017 Reappointed :01/03/2017 to 28/02/2018*	Doctorate Certificate in Senior Executive Programme	External	083 264 0522	Resigned on 30/08/2017	Three
Adv WE Huma**	01/12/2015 – 31/11/2017***	B Proc, LLB, LLM Diploma in Corporate Governance	External	082 455 3330	Term ended	Two
Mr MT Mokono**	01/12/ 2017 – 30 /11/2020	B Proc and Diploma in Personnel Training	External	079 084 1374	Resigned on 06/03/2018	Two
New Chairperson appointed for the 2018/19 financial year						

*Renewed from 1 March 2017 to 28 February 2018

**Seconded from the Audit Committee

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

8. INTERNAL AUDIT AND AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2018.

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	Date appointed	Date resigned	No. of meetings attended
Ms KG Mbonambi (Chairperson)	B Com Accounting B. Com (Hons) Certificate in Enterprise Risk Management	External	1 January 2016 (three year term) – as normal member Re-appointed 13 November 2017 as the Chairperson	N/A	Five meetings
Ms HN Masedi	B Rationis B Compt (Hons) Higher Diploma in Computer Auditing M Com Computer Auditing	External	1 January 2016 (Three-year term)	N/A	Five meetings
Mr ZL Fihlani	B Com Accounting B Compt (Hons) Higher Diploma in Tax Law Higher Diploma in International Law M Com (Tax) CA (SA)	External	13 November 2017 (Three-year term)	N/A	Nil
Mr MC Sehlapelo	PGD Information Management PDG Defense Studies Masters in Information Studies CIS (ACIS)	External	13 November 2017 (Three-year term)	N/A	One meeting
Ms PM Mvulane	B Com Accounting B Com (Hons) Specialist Diploma Auditing CA (SA)	External	13 November 2017 (Three-year term)	N/A	One meeting

Name	Qualifications	Internal or external	Date appointed	Date resigned	No. of meetings attended
Ms ZP Manase	B Compt Hons (CA)	External	1 September 2013	30 October 2017	Four meetings
Mr WE Huma	LLB Degree LLM (Masters of Laws)	External	1 September 2013	30 October 2017	Two meetings
Dr MEC Moleki	PhD Thesis	External	1 September 2013	30 October 2017	Four meetings
Mr M Mokono	B Proc	External	1 September 2013	30 October 2017	Four meetings

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 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 IV 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 of 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 entity'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.



Khulekelwe Mbonambi
Chairperson of the Audit Committee
31 July 2018

9. COMPLIANCE WITH LAWS AND REGULATIONS

The ARF has been established and operates within the Act, Act, 2000 (Act 51 of 2000). The Act establishes an ARF to provide assistance to needy countries in line with its objectives in an efficient manner and within the ambit of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) and Treasury Regulations.

10. FRAUD AND CORRUPTION

The 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).

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 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, there was no case reported during the period under review.

ARF Secretariat

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".

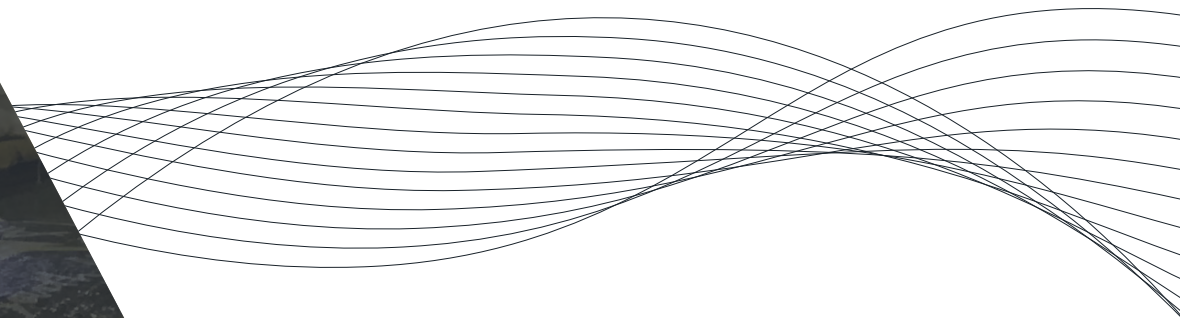
In line with the above, the DG has appointed four officers to assist with office administration, disbursement of funds, and monitoring and administration of projects relating to the ARF. Furthermore, the fund is managed by DIRCO and payments are made on behalf of the fund by the department once concurrence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





PART D

HUMAN RESOURCE 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 EXTRERNAL AUDITOR

Report of the Auditor-general to Parliament on the African Renaissance and International Cooperation Fund

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the African Renaissance and International Cooperation Fund set out on pages 73 to 92, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of the 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 (ARF) as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP), 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 this auditor's 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) and 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.

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in notes 18 and 20 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of a change in accounting policy as well as an error in the financial statements of the entity at, and for the year ended, 31 March 2018

Responsibilities of the accounting authority for the financial statements

8. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP, 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.
9. In preparing the financial statements, the Accounting Authority is responsible for assessing the ARF'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

10. 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 the 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. 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.

13. 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.

14. 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 2018:

Objectives	Pages in the annual performance report
Objective 1 – to promote democracy and good governance	41
Objective 2 – to contribute to human resource development	41
Objective 3 – to support socio-economic development and integration	42
Objective 4 – to provide humanitarian assistance and disaster relief	42
Objective 5 – to support cooperation between South Africa and other countries, in particular African countries	42
Objective 6 – to contribute to Post Conflict Reconstruction Development (PCRD)	43

15. 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.
16. I did not raise 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 matters

17. I draw attention to the matter below.

Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of all objectives listed above. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

19. 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.
20. The material finding on compliance with specific matters in key legislations are as follows:

Asset management

21. Section 7(1) of the ARF Act prescribes that any money in the fund that is not required for immediate use must be invested by the Director-General, and may be withdrawn when required. The money from old projects that was not required for immediate use was only paid by the related party in two late payments, which resulted in the fund not earning investment income for the whole year.

Other information

22. The 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 and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
23. 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.
24. 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.
25. The other information I obtained prior to the date of this auditor's report is the governance committees' reports and the report of the Accounting Authority. The foreword by the Minister is expected to be made available to me after 31 July 2018.
26. If, based on the work I have performed on the other information that I 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.
27. After I receive and read the foreword by the Minister and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

28. 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 on it. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on the compliance with legislation included in this report.

Financial and performance management

29. Non-compliance of section 7(1) of the ARF Act could not be prevented as the money from old projects that was not required for immediate use was not paid by the related party at the beginning of the year, which resulted in the fund not earning investment income for the whole year.

Other reports

30. I draw attention to the following engagement conducted by the Public Protector that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
31. The Public Protector investigated allegations of maladministration relating to the improper appointment of a service provider during the 2012/13 financial year. Even though these allegations were substantiated, the necessary corrective actions were already taken by the key role players. The outcome of the investigation was finalised on 13 November 2017.

Auditor-general

Pretoria

31 July 2018



**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 this 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

- 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 ARF’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 this auditor's report.

However, future events or conditions may cause a entity to cease continuing 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, where applicable, related safeguards.



2. ANNUAL FINANCIAL STAMENTS

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2017/18 R '000	2016/17 R '000 (Restated)
Revenue			
Revenue from non-exchange transactions			
Appropriated funds	1	22 243	31
Other revenue	2		303 198
Revenue from exchange transactions			
Investment income	3	148 711	176 989
Total revenue		170 954	480 218
Expenditure			
Local and foreign aid assistance	4	(42 084)	(57 593)
Total expenditure		(42 084)	(57 593)
Forex (loss)/Gain	5	15 114	26 863
Surplus / (loss) for the period		143 984	449 488

STATEMENT OF FINANCIAL POSITION

	Note	2017/18 R '000	2016/17 R '000 (Restated)
ASSETS			
Current assets			
Cash and cash equivalent	6	1 059 164	2 457 676
Receivables from non-exchange transactions	7	17 922	204 555
Receivables from exchange transactions	8	15 907	
Total assets		1 092 993	2 662 231
LIABILITIES			
Current liabilities			
Provisions	9	295 893	357 536
Other liabilities	10		1 651 579
Total liabilities		295 893	2 009 115
Net assets			
Accumulate surplus		797 100	653 116
Total net assets and liabilities		1 092 993	2 662 231

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Accumulated Surplus R'000	Total Net Assets R'000
Balance as at 31 March 2015		1 611 884	1 611 884
Surplus for the period ending 31 March 2015		90 207	90 207
Amount not approved by National Treasury		(140 185)	(140 185)
Prior period error	20	70 000	70 000
Restated balance as at 31 March 2016		1 631 906	1 631 906
Amount approved by National Treasury		140 185	140 185
Amount to be surrendered National Revenue Fund		(1 651 579)	(1 651 579)
Change in accounting policy: Reclassification of projects	18	83 116	83 116
Surplus for the year		449 488	449 488
Restated balance as at 31 March 2017		653 116	653 116
Surplus for the year		143 984	143 984
Balance as at 31 March 2018		797 100	797 100

*Includes unrealised gains of R15 114 850 attributable to foreign currency denominated concurrence letter of approval

CASH FLOW STATEMENT

	Note	2017/18 R '000	2016/17 R '000 (Resated)
Cash flow from operating activities			
Receipts		404 535	203 336
Appropriated funds	1	22 243	31
Refund from project	2	-	26 316
Investment Income	3	147 465	176 989
Recievable income : CUBA		32 825	
Recievable Income : DIRCO		202 002	
Payments		(1 803 048)	(84 233)
Cash disbursements to a related party: DIRCO for the disbursement of funds to projects	11	(1 803 048)	(84 233)
Net cash flows from operating activities	12	(1 398 513)	119 103
Cash flows from investing activities		-	-
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(1 398 512)	119 103
Cash and cash equivalents at the beginning of the year		2 457 677	2 338 574
Cash and cash equivalents at the end of the year	6	1059 164	2 457 677

Statement of comparison of budget and actual amounts

	Approved budget	Adjustments	Final budget	Actual amounts on a comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance					
Revenue					
Revenue from non-exchange transactions					
Appropriated funds	22 243	-	22 243	(42 084)	(19 841)
	22 243	-	22 243	(42 084)	(19 841)

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 Standards of GRAP below 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:

Standard	Effective date	Expected impact
GRAP 20 Related Party Disclosures	No effective date	The standard will have impact on the disclosure of related party disclosure
GRAP 32 Service Concession Arrangements : Grantor	No effective date	ARF currently does not have service concession arrangements, therefore the standard will not have impact
GRAP 34 Separate Financial Statements	No effective date	ARF does not have controlled entities where investments are held, therefore the standard will not have impact.
GRAP 35 Consolidated Financial Statements	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 36 Investments in Associates and Joint Ventures	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 37 Joint Arrangements	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1.2. GRAP standards not yet effective(continued)

Standard	Effective date	Expected impact
GRAP 38 Disclosure of Interest in Other Entities	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 108 Statutory Receivables	No effective date	ARF currently does not have receivables arising from legislative requirements; it is unlikely that the standard will have material impact on the entity's AFS
GRAP 109 Accounting by Principals and Agents	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 110 Living and Non-Living Resources	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date	ARF currently does not have service concession arrangements therefore the standard will not have impact.
IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
IGRAP 19 Liabilities to Pay Levies	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

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

Interest income

Investment income comprises interest income on funds invested and interest received/accrued on loan granted. 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

Expenditure comprises approved projects where there is a signed concurrence letter and agreements between the parties are concluded. Expenditure is recognised when concurrence letter and agreements are signed

The disbursement thereof is the South African Rand equivalent of the approved amount as per the concurrence letter.

1.6 Commitments

Commitments are not recognised in the statement of financial position as liabilities but are included

in the notes to the annual financial statements. The entity discloses the amount of approved projects which are awaiting agreements.

1.7 Provisions

A provision is a liability of uncertain timing or amount. Provisions were raised in the financial statements for approved projects where agreements between the parties are concluded and the timing of the payment is uncertain. A provision shall be recognised when an entity has a present obligation (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.

1.8 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.

1.9 Comparatives

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

1.10 Financial instruments

The ARF'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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

Subsequent measurement

1.11. 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.

A provision for impairment of trade receivables is established when there is an objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables.

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 ARF in making financial and operational decisions is regarded to be a related

party. We disclose outstanding balances between the two parties. Specific information with regard to business with the department is included in the disclosure notes.

1.15. 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.

1.16. 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 African Renaissance and International Cooperation Fund Act 51 of 2000 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.

1.17. Changes in accounting policy

A change in accounting policy entails a change in accounting treatment and recognition of transactions. The entity recognises the effect of changes retrospectively by including the effects in surplus for the prior period.

1.18. Prior period error

Prior period errors are omissions from and misstatements in the entity's financial statements for one or more prior periods, arising from a failure to use or misuse of reliable information that was available when the financial statement for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

1.19. Other liabilities

Other liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Other liabilities will be recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1.20. Irregular 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.

Any irregular expenditure is charged against surplus or deficit in the period in which it was incurred.

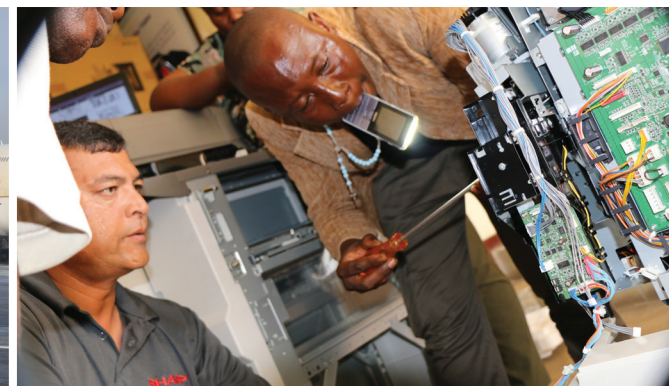
1.21. Contingent liabilities

Contingent liabilities are included in the notes to the annual financial statements. The estimation of the amounts disclosed is based on the expected or possible outflow of economic benefits, should there be a present obligation.

1.22. Materiality

The materiality framework enables the ARF to identify any losses or irregular, fruitless or wasteful expenditure and evaluate them against the materiality framework as and when they occur during the financial period.

Actual expenditure for the previous year (2016/17 financial year) has been used as a base for calculating materiality for the ARF. We have set the materiality amount at being 0.5% of revenue, expenditure and assets.



NOTES TO THE FINANCIAL STATEMENTS

	2017/18 R'000	2016/17 R'000 (Restated)
1. Appropriated funds		

Appropriation from Parliament	22 243	31
Total	22 243	31

2. Other revenues

Other income comprises of unused balances on projects from prior years	-	276 883
Refund from a completed project	-	26 315
Total	-	303 198

3. Interest Income

Interest earned from SARB	147 465	176 989
Interest received/accrued on loan granted to Cuba	1 246	-
Total	148 711	176 989

4. Local and foreign aid assistance

4.1 Local and foreign aid assistance		
Tripartite Mechanism for Dialogue and Cooperation between Angola, DRC and SA	6 499	7 593
Total	6 499	7 593



4.2 Humanitarian assistance

Emergency humanitarian assistance for Saharawi refugees	-	10 000
Emergency food assistance to Swaziland	-	40 000
Humanitarian assistance Palestine	11 200	-
Humanitarian assistance Saharawi	10 000	-
Total	21 200	50 000

4.3 Promotion of democracy and good governance

The Presidential and Legislative elections Liberia	14 385	-
Total	42 084	57 593

NOTES TO THE FINANCIAL STATEMENTS

5. Forex (loss)/gain

	2017/18 R'000	2016/17 R'000 (Restated)
Forex loss	-	(4)
Forex gain	15 114	26 867
Total	15 114	26 863

* Includes unrealised gains of R15 114 850 attributable to foreign currency denominated concurrence letter of approval

6. Cash and cash equivalents

Cash and balances with South African Reserve Bank	1 059 164	2 457 676
Total	1 059 164	2 457 676

7. Receivables from non-exchange transactions (DIRCO)

Current receivables: Projects	1 779	204 555
Current receivables: Loan repayment	16 143	-
Total	17 922	204 555

8. Recievables from exchange transactions

Loan granted to Cuba: Outstanding balance	15 907	-
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NOTES TO THE FINANCIAL STATEMENTS

9. Provisions

Reconciliation of Provisions 2017/18

	Opening balance R'000	Re-classification from commitments R'000	Additions R'000	Movements during the year R'000	Total R'000
Projects	357 536	27 699	14 385	(103 727)	295 893

Reconciliation of Provisions 2016/17 (Restated)

	Opening balance	Re-classification from payables	Additions	Movements during the year	Total R'000
Projects	289 239	134 926	-	(66 629)	357 536

Provisions consist of projects with signed concurrence letters and agreements. During 2017/18, there was a change in accounting policy that resulted in the reclassification of projects which were previously classified payables to provisions.

10. Other liabilities

	2017/18 R'000	2016/17 R'000 (Restated)
Other liabilities	-	1 651 579

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

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

	2017/18 R'000	2016/17 R'000 (Restated)
Human resources development	-	-
Promotion of democracy and good governance	(14 405)	-
Capacity-building	-	(7 000)
Socio-economic development and integration	(867)	(6 867)
Humanitarian assistance	(28 397)	(199)
Cooperation between the Republic of South Africa and other countries	(107 800)	(70167)
Prevention and resolution of conflict	-	-
National Revenue Fund	(1 651 579)	-
Total	(1 803 048)	(84 223)

NOTES TO THE FINANCIAL STATEMENTS

12. Net cash generated from operations

	2017/18 R'000	2016/17 R'000 (Restated)
Surplus for the period	143 984	449 488
Adjustment		
Forex (gain) / loss	(15 114)	(26 863)
(Loss) Surplus after movements	128 870	422 625
Changes in working capital	(1 527 383)	(303 523)
Effect on payables	(1 698 109)	(309 790)
Effect on receivables	(170 726)	6 267
Net cash flow from operating activities	(1 398 513)	119 103

13. Irregular expenditure

Opening balance	-	131
Add: Irregular Expenditure-current year	598	-
Less: Amount condoned	-	(131)
Closing balance	598	-

The above irregular expenditure is as a result of non-compliance with SCM processes and regulations.

14. Contingent liabilities

A request was made to National Treasury as per section 53(3) of PFMA to retain surplus incurred in the current financial year ending 31 March 2018 with an amount of R623 149 000. Should approval not be granted, the ARF will be required to declare a distribution to National Treasury through DIRCO. The ARF considers the cash balance sufficient to pay over the surplus.

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	2017/18 R'000	2016/17 R'000
Receivables from non-exchange transactions	17 922	204 555
Receivables from exchange transactions	15 907	-
Cash and cash equivalents	1 059 164	2 457 676
Total	1 092 993	2 662 231

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	2017/18 R'000	2016/17 R'000
Other liabilities	-	1 651 579
Total	-	1 651 579

NOTES TO THE FINANCIAL STATEMENTS

15. Financial risk management disclosure (continued)

Interest rate risk

Based on the activities of the ARF, the only area affected by interest rate is the cash held at the South African Reserve Bank and the loan granted to Cuba.

Details	2017/18 R'000	2016/17 R'000
Cash and balances with the South African Reserve Bank	1 059 164	2 457 676
Receivables from exchange transactions	15 907	-

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 the related parties to the ARF.

Description	2017/18 R'000	2016/17 R'000
Receivables : DIRCO	17 922	204 555

*R616 000 was transferred to ARF on 31 March 2018 by DIRCO and the funds cleared in ARF's bank account on 4 April 2018 flows.

17. Taxation

The ARF is in the process of applying for exemption from South African Revenue Service. No provision has been made for taxation as public entities are exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

NOTES TO THE FINANCIAL STATEMENTS

18. Change in accounting policy

NOTES TO THE FINANCIAL STATEMENTS

18. Change in accounting policy

During the year, the entity changed its accounting policy for the recognition of expenditure from when the concurrence letter is signed in the statement performance.

The entity now discloses a commitment when the concurrence letter is signed and expenditure in the statement of financial performance when both the concurrence letter and an agreement are signed.

The entity believes that the new policy is preferable as it more closely aligns the accounting for these transactions with its activities. The new accounting policy will result in the financial statements providing a more reliable and relevant information on the effects of the transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Statement of financial position	2017/18	2016/17
	R'000	R'000
Increase/(decrease) in liabilities	(173 951)	(83 116)
Increase/(decrease) in accumulated surplus	173 951	83 116

Statement of financial performance	2017/18	2016/17
	R'000	R'000
Increase/(decrease) in local and foreign aid assistance	(118 522)	(7 593)

19. Commitments

Concurrence letter received but yet to be contracted for	2017/18	2016/17
	R'000	R'000
Projects	173 951	83 116

The commitments comprise projects approved, which are awaiting agreements. The disclosure of the breakdown of total commitments is not done due to sensitivity of the information.

NOTES TO THE FINANCIAL STATEMENTS

20. Prior period errors

In the financial year 2015/16, an error was made with the recognition of the loan portion to be granted that was expensed when the concurrence letter was signed. Expenditure was debited and payables were credited with the loan balance. Comparative amounts for 2017/18 have been restated and the effect of the restatement in the financial statements is as follows:

Statement of financial position	2017	2016
	R'000	R'000
Increase/(decrease) in liabilities	(70 000)	(70 000)
Increase/(decrease) in accumulated surplus	70 000	70 000

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