Annual Report for the 2017/18 Financial Year

African Renaissance and International Cooperation Fund (ARF)

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PART A
GENERAL INFORMATION
1. PUBLIC ENTITY’S GENERAL INFORMATION

Registered name: African Renaissance and International Cooperation Fund (ARF)

Physical address: 460 Soutpansberg Road
Rietondale
Pretoria
0084

Postal address: Private Bag X152
Pretoria
0001

Telephone numbers: + 27 12 301 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  Amount of money spent
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
Annual Report for the 2017/18 Financial Year African Renaissance and International Cooperation Fund (ARF)

Minister Lindiwe Sisulu
The African Renaissance and International Cooperation Fund (ARF) continued to be an invaluable instrument in the pursuit of the National Development Plan and Vision 2030, the Medium Term Strategic Framework and the 14 Strategic Outcomes to which all government departments must subscribe and act upon. Of particular importance to the ARF was the Delivery Agreement for Outcome 11, which focuses on international relations and is entitled: “Creating a Better South Africa and Contributing to a Better and Safer Africa in a Better World”.

We are committed to implementing the ARF Strategic Plan 2015 – 2020 and Annual Performance Plan 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 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

3. ACCOUNTING AUTHORITY’S OVERVIEW
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

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.

6. LEGISLATIVE AND OTHER MANDATES
7. ORGANISATIONAL STRUCTURE

- Minister of Finance
- Minister of International Relations and Cooperation
- Advisory Committee of the African Renaissance and International Cooperation Fund
- Director-General of the Department of International Relations and Cooperation
- ARF Secretariat
PART B
PERFORMANCE INFORMATION
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 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 pursue 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 rule-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. All the transactions and information arising from the work of the ARF are audited by the Auditor-General of South Africa in 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

<table>
<thead>
<tr>
<th>Strategic goal</th>
<th>Goal statement</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute to an integrated, democratic, peaceful and prosperous continent through development assistance</td>
<td>Contribute to continental development by means of development 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 (PRCD)</td>
<td>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 PRCD</td>
</tr>
</tbody>
</table>

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 the 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:

• Entikhi 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.

Kavango East and West regions

A total of 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.
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.

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 improving 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.

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 in 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 in 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 SEOM. 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 preferences. 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, representing the Organ of Politics, Defence and Security Cooperation on 20 August 2017.
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 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.

Subsequent to that, the South African Government committed to support the provision of emergency food assistance to orphans 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 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 in 2017. 103 MT of vegetable oil was procured in 2017 and 2018. 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.
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.

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 as 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 attained by these 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 (54%) males, attended the diplomatic training in South Africa at the Department of International Relations and Cooperation. For the training to be a success, 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 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 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 Palestinian 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 to depend on humanitarian assistance.

<table>
<thead>
<tr>
<th>Period of distribution and number of beneficiaries</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of months</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Number of families</strong></td>
<td>1,330</td>
</tr>
<tr>
<td><strong>Number of individuals</strong></td>
<td>6,332</td>
</tr>
<tr>
<td><strong>Number of female-headed households</strong></td>
<td>119</td>
</tr>
<tr>
<td><strong>Number of females</strong></td>
<td>3,041</td>
</tr>
<tr>
<td><strong>Number of males</strong></td>
<td>3,291</td>
</tr>
<tr>
<td><strong>Number of children</strong></td>
<td>3,900</td>
</tr>
</tbody>
</table>

The project covered the procurement of air travel, airport shuttles, ground transport, accommodation, food and beverages and the graduation ceremony.
### 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)

<table>
<thead>
<tr>
<th>Programme/activity/objective:</th>
<th>Strategic objectives</th>
<th>Actual achievement 2016/17</th>
<th>Planned target 2017/18</th>
<th>Actual achievement 2017/18</th>
<th>Deviation from planned target to actual achievement for 2017/18</th>
<th>Comment on deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>To promote democracy and good governance</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>Processed payments totaling R399 543.41 with respect to South African deployment of election observer missions for elections in Zambia, Seychelles and Mauritius</td>
<td>Processed payments totaling R399 543.41 with respect to South African deployment of election observer missions for elections in Zambia, Seychelles and Mauritius</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100% of approved disbursement to support democracy and good governance processed</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>Processed payments totaling R252 141.03 for the South Africans who participated in the election observer missions in Lesotho and Angola</td>
<td>Processed payments totaling R4 324 047.59 for the Presidential and Legislative elections in Liberia as per the objectives of the project</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>To contribute to human resource development</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>Processed payment of R7 000 000.00 for the African Ombudsman Research Centre</td>
<td>Processed payment of R7 000 000.00 for the African Ombudsman Research Centre</td>
<td>Processed payment of R7 000 000.00 for the African Ombudsman Research Centre</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>100% of approved disbursement to support capacity-building processed</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>Processed payments totaling R866 839.99 for the International Diplomatic Training Programme (IDTP) Burundi Diplomatic Training Programme</td>
<td>Processed payments totaling R866 839.99 for the International Diplomatic Training Programme (IDTP) Burundi Diplomatic Training Programme</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
### Programme/activity/objective:

**Programme/activity/objective:**

<table>
<thead>
<tr>
<th>Strategic objectives</th>
<th>Actual achievement 2016/17</th>
<th>Planned target 2017/18</th>
<th>Actual achievement 2017/18</th>
<th>Deviation from planned target to actual achievement for 2017/18</th>
<th>Comment on deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>To support socio-economic development and integration</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Processed payments totaling R5 086 955.68 for the Rice and Vegetable Production Project in Guinea (Conacry)</td>
<td>Processed payments totaling R1 762 023.83 for the Rice and Vegetable Production Project in Guinea (Conacry)</td>
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</tr>
<tr>
<td>To provide humanitarian assistance and disaster relief</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>100% of approved disbursements distributed during this reporting period</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Processed payment of R439 341.19 for Namibia Drought Relief Project</td>
<td>Processed payment of R9 647 914.67 for the Namibia Drought Relief Project as per the objectives of the project plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processed payment of R11 200 000.00 for the UNRWA Project as per the objectives of the project</td>
<td>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</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To support cooperation between South Africa and other countries</td>
<td>100% of approved disbursement for cooperation</td>
<td>100% of approved disbursement distributed during this reporting period</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Processed payment of R50 047 130.45 for Cuba Economic Package</td>
<td>Processed payments totaling R58 045 034.14 for the Cuba Economic Package</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**Programme/activity/objective:**

<table>
<thead>
<tr>
<th>Strategic objectives</th>
<th>Actual achievement 2016/17</th>
<th>Planned target 2017/18</th>
<th>Actual achievement 2017/18</th>
<th>Deviation from planned target to actual achievement for 2017/18</th>
<th>Comment on deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>To contribute to PCRD</td>
<td>100% of approved disbursement distributed during this reporting period</td>
<td>100% of approved disbursement for PCRD processed</td>
<td>No disbursement processed during the reporting period</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

**Performance indicator:**

<p>| 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 Advisory Committee Meeting | 100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Advisory Committee Meeting | None | None |
| Six project proposals reviewed and submitted to committee meetings | Seventeen project proposals received and responded to as per objectives of the ARF | | | |</p>
<table>
<thead>
<tr>
<th>Programme/Activity</th>
<th>Performance Indicator</th>
<th>Actual achievement 2016/17</th>
<th>Planned target 2017/18</th>
<th>Actual achievement 2017/18</th>
<th>Deviation from planned target to actual achievement for 2017/18</th>
<th>Comment on deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ARF structures and processes convened to identify and recommend projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A total of four committee meetings were held during the period under review</td>
<td>4th Advisory Committee meeting to consider project proposals for recommendation</td>
<td>4th Advisory Committee meeting to consider project proposals for recommendation</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of approved disbursement processed</td>
<td>100% of approved disbursement distributed during this reporting period</td>
<td>100% of approved disbursement processed as per objectives of the project plan</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of active projects monitored for compliance with the concurrence received</td>
<td>100% of active projects monitored for compliance with the concurrence received</td>
<td>100% of active projects monitored for compliance with the concurrence received</td>
<td>None</td>
<td>None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Programme/activity: 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. Five Advisory Committee meetings to consider project proposals for recommendation.

**Programme/activity: Percentage of approved disbursement processed**

100% of approved disbursement distributed during this reporting period.

**Programme/activity: Percentage of active projects monitored for compliance with the concurrence received**

100% of active projects monitored for compliance with the concurrence received. The Rice and Vegetable Production Project in Guinea (Conakry) closed.

---

<table>
<thead>
<tr>
<th>Programme/activity</th>
<th>Performance Indicator</th>
<th>Actual achievement 2016/17</th>
<th>Planned target 2017/18</th>
<th>Actual achievement 2017/18</th>
<th>Deviation from planned target to actual achievement for 2017/18</th>
<th>Comment on deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of project oversight reports for active projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>77.5% of project oversight committee meetings reports for active projects</td>
<td>100% of project oversight reports for active projects</td>
<td>87.5% of project oversight reports for active projects</td>
<td>UNRWA (Palestine) Project progress report was not submitted due to political instability in the country</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Programme/activity</th>
<th>Performance Indicator</th>
<th>Actual achievement 2016/17</th>
<th>Planned target 2017/18</th>
<th>Actual achievement 2017/18</th>
<th>Deviation from planned target to actual achievement for 2017/18</th>
<th>Comment on deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of closed projects with close out reports</td>
<td>The Rice and Vegetable Production Project in Guinea (Conakry) closed</td>
<td>100% of closed projects with close-out reports</td>
<td>100% of closed projects with close-out report</td>
<td>UNRWA (Palestine) Project (Burundi Diplomatic Training)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---
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

### Programme activity objective

<table>
<thead>
<tr>
<th>2017/18</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>Actual expenditure</td>
</tr>
<tr>
<td>Appropriation</td>
<td>22 243</td>
</tr>
<tr>
<td>Total</td>
<td>22 243</td>
</tr>
</tbody>
</table>

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.

### Revenue Collection

<table>
<thead>
<tr>
<th>Source of revenue</th>
<th>2017/18 Estimate</th>
<th>Actual amount collected</th>
<th>Over/(Under) collection</th>
<th>2016/17 Estimate</th>
<th>Actual amount collected</th>
<th>Over/(Under) collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>21 000</td>
<td>148 711</td>
<td>(127 711)</td>
<td>75 949</td>
<td>176 989</td>
<td>(100 040)</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>353 198</td>
<td>(333 198)</td>
</tr>
<tr>
<td>Total</td>
<td>21 000</td>
<td>148 711</td>
<td>(127 711)</td>
<td>75 949</td>
<td>486 187</td>
<td>(403 238)</td>
</tr>
</tbody>
</table>

#### Revenue

The interest received in 2017/18 of R147 million (2016/17: R175 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.
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 31 September 2017: 31 August 2017
- ARF Third Quarterly Report for the period 1 October to 31 December 2017: 30 November 2017

4. ACCOUNTING OF THE REPORTING AUTHORITY

4.1 Introduction

The African Renaissance and International Cooperation Fund (hereinafter 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 (Act 51 of 2000) and subject to direction of 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 of Finance;
- two officers of the National Treasury appointed by the Minister of Finance.

4.3 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 approved by the Minister in consultation with the Minister of Finance. Grants or other financial assistance must be provided or rendered in accordance with any agreement entered into between the relevant parties, excluding assistance on the promotion of the 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 in equally responsible:

- 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 disbursement of funds;
- monitoring the implementation of projects by means of reports, scheduled project site visits, site visits, site visits, as well as maintaining a project database.

4.5 General review of the state of financial affairs

4.5.1 Revenue

- During the period under review, the fund recorded an expenditure of R42 million (2016/17: R57 million).
- The interest accrued of R1, 2 million on the loan granted.
- The interest received of R147 million (2017: R176 million)
- The interest received of R147 million (2017: R176 million)
- In terms of the Act, income, among other sources, consists of money appropriated by Parliament for the ARF.
- During the current financial year, the ARF incurred irregular expenditure of R598 000 due to non-compliance with Supply Chain Management processes.
- During the year under review, an amount of R22 million (2016/17: R31 000) was appropriated to the fund.
- During the period under review, an amount of R42 million (2016/17: R57 million).

4.5.2 Expenditure

- In terms of the Act, the department and the fund are under the control of the DG in terms of the Public Service Act (Act 103 of 1994).
- The interest accrued of R1, 2 million on the loan granted.
- The interest received of R147 million (2017: R176 million)
- In terms of the Act, income, among other sources, consists of money appropriated by Parliament for the ARF.
- During the current financial year, the ARF incurred irregular expenditure of R598 000 due to non-compliance with Supply Chain Management processes.
- During the year under review, an amount of R22 million (2016/17: R31 000) was appropriated to the fund.
- During the period under review, an amount of R42 million (2016/17: R57 million).

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 concurrent and outstanding commitments and agreements
- Commitments are projects with concurrent and outstanding commitments and agreements
- Commitments are projects with concurrent and outstanding commitments and agreements
- Commitments are projects with concurrent and outstanding commitments and agreements

4.8 Provisions

- Provisions are made up of projects with agreed concurrence and agreements and the timing to disburse the funds is uncertain.
- Provisions are made up of projects with agreed concurrence and agreements and the timing to disburse the funds is uncertain.
- Provisions are made up of projects with agreed concurrence and agreements and the timing to disburse the funds is uncertain.
- Provisions are made up of projects with agreed concurrence and 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 Secretary is to ensure that all applicable laws and regulations are adhered to when projects are approved and funds are disbursed.
- The Secretariat is also responsible for monitoring and evaluating projects during implementation.
- The functions of the Audit Committee and the Risk Management Committee.

IN MOB Method and Accounting Authority 31 July 2017

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5. ARF ADVISORY COMMITTEE

Composition of the ARF Advisory Committee

<table>
<thead>
<tr>
<th>No of meetings held</th>
<th>No of meetings attended</th>
<th>Name of members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four</td>
<td>Four</td>
<td>Mr C Ramashau (Chairperson)</td>
</tr>
<tr>
<td>Four</td>
<td>Three</td>
<td>Ambassador EM Saley (Member)</td>
</tr>
<tr>
<td>Four</td>
<td>Four</td>
<td>Mr R Toli (Member)</td>
</tr>
<tr>
<td>Four</td>
<td>Four</td>
<td>Ambassador M Joupi (Member)</td>
</tr>
<tr>
<td>Two</td>
<td>Two</td>
<td>Ms V Maya (Member)</td>
</tr>
<tr>
<td>Three</td>
<td>Three</td>
<td>Ms B Bhengu (Alternative member)</td>
</tr>
<tr>
<td>Three</td>
<td>Three</td>
<td>Ms T Nkuna-Shiluvana (Alternative member)</td>
</tr>
<tr>
<td>One</td>
<td>One</td>
<td>Ms S Naran (Alternative member)</td>
</tr>
<tr>
<td>One</td>
<td>One</td>
<td>Mr D Malcomson (Alternative member)</td>
</tr>
<tr>
<td>Zero</td>
<td></td>
<td>Ms N Dikweni (Member)</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Identified risks</th>
<th>Mitigation strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to honour full commitments caused by foreign exchange fluctuation, leading to loss in credibility and trust from partner institutions and countries</td>
<td>Encourage the pledging of assistance in Rand</td>
</tr>
<tr>
<td>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</td>
<td>Adopt DIRCO operational policies, guidelines and procedures for the ARF</td>
</tr>
<tr>
<td>Lack of dedicated monitoring and evaluation personnel for the ARF, leading to fruitless and wasteful expenditure</td>
<td>Appoint a full-time Secretariat to manage the operations of the ARF</td>
</tr>
<tr>
<td>Funds disbursed not utilised for intended purposes caused by lack of dedicated monitoring and evaluation personnel for the ARF</td>
<td>Bilateral desks and missions provide monitoring and evaluation services; Caposulate the ARF Secretariat by providing sufficient personnel to enhance operational capacity</td>
</tr>
<tr>
<td>Lack of project management software</td>
<td>Procure Project Management software to manage ARF projects</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifications</th>
<th>Internal or external</th>
<th>Date appointed</th>
<th>Date resigned</th>
<th>No. of meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARF</td>
<td>B Com Accounting</td>
<td>External</td>
<td>1 January 2016</td>
<td>31 March 2018</td>
<td>N/A</td>
</tr>
<tr>
<td>ARF</td>
<td>B Com (Hons) Certificate in Enterprise Risk Management</td>
<td>External</td>
<td>1 January 2016</td>
<td>31 March 2018</td>
<td>N/A</td>
</tr>
<tr>
<td>ARF</td>
<td>B Com (Hons) Higher Diploma in Computer Auditing</td>
<td>External</td>
<td>13 November 2017</td>
<td>31 March 2018</td>
<td>N/A</td>
</tr>
<tr>
<td>ARF</td>
<td>B Com (Hons) Higher Diploma in Tax Law Higher Diploma in International Law M Com (Tax) CA (SA)</td>
<td>External</td>
<td>13 November 2017</td>
<td>31 March 2018</td>
<td>N/A</td>
</tr>
<tr>
<td>ARF</td>
<td>B Com Accounting B Com (Hons) Specialised Diploma Auditing CA (SA)</td>
<td>External</td>
<td>13 November 2017</td>
<td>31 March 2018</td>
<td>N/A</td>
</tr>
</tbody>
</table>
We have met with Internal Audit during the year to ensure that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audits. We are satisfied that the internal audit function is operating transparent.

8.3 Internal Audit

The system of internal control employed by the entity to ensure that financial and risk management is effective, efficient 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 Auditor 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 therefrom. Accordingly, we can report that the system of internal control over the financial reporting period under review was effective and effective.

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.

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 the auditor.

8.6 Evaluation of financial statements

The Audit Committee has:

• 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.

8.8 Compliance with laws and regulations

The ARF has 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.

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.

9. COMPLIANCE WITH LAWS AND REGULATIONS

The Annual Report for the 2017/18 Financial Year African Renaissance and International Cooperation Fund (ARF) ARF Secretariat

According to Section 8(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 since concurrence has been received from the Minister of Finance.

Khulekile Mbonambi
Chairperson of the Audit Committee
31 July 2018

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifications</th>
<th>Internal or external</th>
<th>Date appointed</th>
<th>Date resigned</th>
<th>No. of meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms ZP Manase</td>
<td>B Compt Home (CA)</td>
<td>External</td>
<td>1 September 2013</td>
<td>30 October 2017</td>
<td>Four meetings</td>
</tr>
<tr>
<td>Mr WE Huma</td>
<td>LLB Degree</td>
<td>External</td>
<td>1 September 2013</td>
<td>30 October 2017</td>
<td>Two meetings</td>
</tr>
<tr>
<td>Dr MEC Moleki</td>
<td>PhD Thesis</td>
<td>External</td>
<td>1 September 2013</td>
<td>30 October 2017</td>
<td>Four meetings</td>
</tr>
<tr>
<td>Mr M Molokoi</td>
<td>B Proc</td>
<td>External</td>
<td>1 September 2013</td>
<td>30 October 2017</td>
<td>Four meetings</td>
</tr>
</tbody>
</table>

ARF Secretariat

Annual Report for the 2017/18 Financial Year African Renaissance and International Cooperation Fund (ARF)
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.
REPORT OF THE EXTERNAL AUDITOR


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.

Audit-grounds’ 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:

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

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:

- 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)
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 reissue 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.

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.

Pretoria
31 July 2018
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 an entity to cease continuing as a going concern
- conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation 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
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements
- 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 matter that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.
## 2. ANNUAL FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>Note</th>
<th>2017/18 (R’000)</th>
<th>2016/17 (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from non-exchange transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated funds</td>
<td>1</td>
<td>22,243</td>
</tr>
<tr>
<td>Other revenue</td>
<td>2</td>
<td>303,196</td>
</tr>
<tr>
<td><strong>Revenue from exchange transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>3</td>
<td>148,711</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>170,954</td>
<td>486,218</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local and foreign aid assistance</td>
<td>4</td>
<td>(42,084)</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td></td>
<td>(42,084)</td>
</tr>
<tr>
<td>Forex (loss)/Gain</td>
<td>5</td>
<td>15,114</td>
</tr>
<tr>
<td><strong>Surplus / (loss) for the period</strong></td>
<td>143,864</td>
<td>449,406</td>
</tr>
</tbody>
</table>
### STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>Note</th>
<th>2017/18</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalent</td>
<td>6</td>
<td>1 059 164</td>
</tr>
<tr>
<td>Receivables from non-exchange transactions</td>
<td>7</td>
<td>17 922</td>
</tr>
<tr>
<td>Receivables from exchange transactions</td>
<td>8</td>
<td>15 907</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>1 092 993</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>9</td>
<td>265 863</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>10</td>
<td>1 551 579</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>295 893</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td></td>
<td>797 100</td>
</tr>
<tr>
<td><strong>Total net assets and liabilities</strong></td>
<td></td>
<td>1 092 993</td>
</tr>
</tbody>
</table>

### STATEMENT OF CHANGES IN NET ASSETS

<table>
<thead>
<tr>
<th>Notes</th>
<th>Accumulated Surplus R'000</th>
<th>Total Net Assets R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 31 March 2015</td>
<td>1 611 884</td>
<td>1 611 884</td>
</tr>
<tr>
<td>Surplus for the period ending 31 March 2015</td>
<td>90 207</td>
<td>90 207</td>
</tr>
<tr>
<td>Amount not approved by National Treasury</td>
<td>(140 185)</td>
<td>(140 185)</td>
</tr>
<tr>
<td>Prior period error</td>
<td>28</td>
<td>70 032</td>
</tr>
<tr>
<td>Restated balance as at 31 March 2016</td>
<td>1 631 906</td>
<td>1 631 906</td>
</tr>
<tr>
<td>Amount approved by National Treasury</td>
<td>140 185</td>
<td>140 185</td>
</tr>
<tr>
<td>Amount to be surrendered National Revenue Fund</td>
<td>(1 651 579)</td>
<td>(1 651 579)</td>
</tr>
<tr>
<td>Change in accounting policy: Reclassification of projects</td>
<td>18</td>
<td>83 116</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>449 456</td>
<td>449 456</td>
</tr>
<tr>
<td>Restated balance as at 31 March 2017</td>
<td>653 116</td>
<td>653 116</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>143 984</td>
<td>143 984</td>
</tr>
<tr>
<td>Balance as at 31 March 2018</td>
<td>797 100</td>
<td>797 100</td>
</tr>
</tbody>
</table>

*Includes unrealised gains of R15 114 690 attributable to foreign currency denominated concurrence letter of approval*
CASH FLOW STATEMENT

2017/18 2016/17
Note R'000 R'000 (Restated)

Cash flow from operating activities
Receipts
Appropriated funds 1 22 243 31
Refund from project 2 26 316
Investment Income 3 147 455 176 898
Receivable income : CUBA 32 825
Receivable income : DRCO 202 000

Payments
Cash disbursement to a related party: DRCO 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 FLOW STATEMENT

<table>
<thead>
<tr>
<th>Note</th>
<th>Approved budget</th>
<th>Adjustments</th>
<th>Final budget</th>
<th>Actual amounts on a comparable basis</th>
<th>Difference between final budget and actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>1</td>
<td>22 243</td>
<td></td>
<td>22 243</td>
<td>(42 084)</td>
<td>(4 841)</td>
</tr>
<tr>
<td>2</td>
<td>26 316</td>
<td></td>
<td>26 316</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>147 455</td>
<td></td>
<td>176 898</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>32 825</td>
<td></td>
<td>32 825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>202 000</td>
<td></td>
<td>202 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>1 803 048</td>
<td></td>
<td>(84 233)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Statement of Financial Performance

Revenue

Revenue from non-exchange transactions

Appropriated funds 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 Accepted 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, nor have they been given an effective date by the Minister of Finance.

The annual financial statements have been prepared in accordance with GRAP 3:

Standard Effective date Expected impact
GRAP 20 Related Party Disclosures No effective date No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 32 Service Concession Arrangements : Grantor No effective date No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 34 Separate Financial Statements No effective date No impact expected since it is unlikely to be applicable to ARF in view of its operations
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 37 Joint Arrangements No effective date No impact expected since it is unlikely to be applicable to ARF in view of its operations

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.

1.3 Going concern

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

1.4 Revenue

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

Revenue from non-exchange transactions

The ARF recognises revenue from appropriation funds when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is measured at the fair value of the consideration received or receivable.
Revenue from non-exchange transactions arise when the ARF either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Revenue from non-exchange transactions, including revenue from government grants, is generally recognised to the extent that the related receivables are realisable.

1.7 Provisions

Provisions are established where the ARF has a present obligation and a reliable estimate can be made of the amount required to settle the obligation.

1.8 Financial instruments

Financial instruments are initially measured at fair value plus the associated transaction costs.

1.10 Financial instruments

Subsequent measurement

A financial asset is measured at amortised cost less impairment losses.

1.11 Receivables

Financial Performance when the loans and receivables are measured at amortised cost less impairment losses.

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

1.14. Related party transactions

1.15. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenses that were 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 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.

1.6 Commitments

Expenditure comprises approved projects where there is an objective evidence that the entity will not be able to cash settle or offset these at which they were translated on initial recognition.

Exchange differences arising on the settlement of monetary items or on translating monetary items stated 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.
1.20. 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 the 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.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

#### 2017/18

<table>
<thead>
<tr>
<th>Description</th>
<th>R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriated funds</td>
<td>22 243</td>
</tr>
</tbody>
</table>

#### 2016/17 (Restated)

<table>
<thead>
<tr>
<th>Description</th>
<th>R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation from Parliament</td>
<td>22 243</td>
</tr>
</tbody>
</table>

#### 2. Other revenues

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

#### 3. Interest income

- Interest earned from SARB: 147 465
- Interest received/accrued on loan granted to Cuba: 1 246

#### 4. Local and foreign aid assistance

4.1. Local and foreign aid assistance

- Tripartite Mechanism for Dialogue and Cooperation between Angola, DRC and SA: 6 496

#### NOTES TO THE FINANCIAL STATEMENTS

1. Appropriated funds

<table>
<thead>
<tr>
<th>Description</th>
<th>2017/18</th>
<th>2016/17 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation from Parliament</td>
<td>22 243</td>
<td>22 243</td>
</tr>
</tbody>
</table>

2. Other revenues

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

3. Interest income

- Interest earned from SARB: 147 465
- Interest received/accrued on loan granted to Cuba: 1 246

4. Local and foreign aid assistance

4.1. Local and foreign aid assistance

- Tripartite Mechanism for Dialogue and Cooperation between Angola, DRC and SA: 6 496
### 4.2 Humanitarian assistance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency humanitarian assistance for Saharawi refugees</td>
<td>10,000</td>
</tr>
<tr>
<td>Emergency food assistance to Swaziland</td>
<td>40,000</td>
</tr>
<tr>
<td>Humanitarian assistance Palestine</td>
<td>11,200</td>
</tr>
<tr>
<td>Humanitarian assistance Saharawi</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58,000</strong></td>
</tr>
</tbody>
</table>

### 4.3 Promotion of democracy and good governance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Presidential and Legislative elections Liberia</td>
<td>14,385</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42,084</strong></td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS
###NOTES TO THE FINANCIAL STATEMENTS

####5. Forex (loss)/gain

<table>
<thead>
<tr>
<th></th>
<th>2017/18 R’000</th>
<th>2016/17 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forex loss</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>Forex gain</td>
<td>15 114</td>
<td>26 863</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15 114</strong></td>
<td><strong>26 863</strong></td>
</tr>
</tbody>
</table>

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

####6. Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2017/18 R’000</th>
<th>2016/17 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with South African Reserve Bank</td>
<td>1 059 164</td>
<td>2 457 676</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 059 164</strong></td>
<td><strong>2 457 676</strong></td>
</tr>
</tbody>
</table>

####7. Receivables from non-exchange transactions (DIRCO)

<table>
<thead>
<tr>
<th></th>
<th>2017/18 R’000</th>
<th>2016/17 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current receivables: Projects</td>
<td>1 779 204</td>
<td>555</td>
</tr>
<tr>
<td>Current receivables: Loan repayment</td>
<td>16 143</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17 922</strong></td>
<td><strong>571 555</strong></td>
</tr>
</tbody>
</table>

####8. Receivables from exchange transactions

<table>
<thead>
<tr>
<th></th>
<th>2017/18 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan granted to Cuba: Outstanding balance</td>
<td>15 967</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>Opening balance R’000</th>
<th>Re-classification from commitments R’000</th>
<th>Additions R’000</th>
<th>Movements during the year R’000</th>
<th>Total R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projects</strong></td>
<td>357 536</td>
<td>27 699</td>
<td>14 385</td>
<td>163 177</td>
<td>295 893</td>
</tr>
</tbody>
</table>

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 as payables.

####10. Other liabilities

<table>
<thead>
<tr>
<th></th>
<th>2017/18 R’000</th>
<th>2016/17 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other liabilities</td>
<td>1 651 579</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2017/18 R’000</th>
<th>2016/17 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources development</td>
<td>(28 397)</td>
<td>(6 867)</td>
</tr>
<tr>
<td>Promotion of democracy and good governance</td>
<td>(14 405)</td>
<td></td>
</tr>
<tr>
<td>Cooperation between the Republic of South Africa and other countries</td>
<td>(70167)</td>
<td></td>
</tr>
<tr>
<td>Disaster prevention and resolution of conflict</td>
<td>(867)</td>
<td>(198)</td>
</tr>
<tr>
<td>National Revenue Fund</td>
<td>(1 651 579)</td>
<td>(94 223)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(1 803 048)</strong></td>
<td><strong>(84 223)</strong></td>
</tr>
</tbody>
</table>

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 as payables.
NOTES TO THE FINANCIAL STATEMENTS

12. Net cash generated from operations

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td>Surplus for the period</td>
<td>131</td>
<td>598</td>
</tr>
<tr>
<td>Adjustment</td>
<td>(131)</td>
<td>(131)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>598</td>
<td>467</td>
</tr>
</tbody>
</table>

13. Irregular expenditure

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.
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.

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.

*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.

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).

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.

19. Commitments

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**

18. Change in accounting policy

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19. Commitments

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:

<table>
<thead>
<tr>
<th>Statement of financial position</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>Increase/(decrease) in liabilities</td>
<td>(70 000)</td>
<td>(70 000)</td>
</tr>
<tr>
<td>Increase/(decrease) in accumulated surplus</td>
<td>70 000</td>
<td>70 000</td>
</tr>
</tbody>
</table>