



international relations & cooperation

Department:
International Relations and Cooperation
REPUBLIC OF SOUTH AFRICA

AFRICAN RENAISSANCE AND INTERNATIONAL
COOPERATION FUND

ANNUAL REPORT 2013 – 2014



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PART A

GENERAL INFORMATION

Submission of the Annual Report to the Executive Authority

To the Minister of International Relations and Cooperation, Ms Maite Nkoana-Mashabane;
I have the honour of presenting the 2013 – 2014. African Renaissance and International
Cooperation Fund Annual Report of the Department of International Relations and
Cooperation.



Ambassador Jerry Matthews Matjila
Director-General:
Department of International Relations and Cooperation

I. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	African Renaissance and International Cooperation Fund (ARF)
PHYSICAL ADDRESS:	460 Soutpansberg Road Rietondale Pretoria 0084
POSTAL ADDRESS:	Private Bag X152 Pretoria 0001
TELEPHONE NUMBER/S:	+ 27 12 351 1000
FAX NUMBER:	+ 27 12 329 1000
E-MAIL ADDRESS:	info@dirco.gov.za
WEBSITE ADDRESS:	www.dirco.gov.za
EXTERNAL AUDITORS:	Auditor-General South Africa
BANKERS:	South African Reserve Bank
BOARD SECRETARY:	ARF Secretariat

2. LIST OF ABBREVIATIONS/ACRONYMS

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

3. FOREWORD BY THE ACCOUNTING OFFICER



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

It is my great honour and privilege to present the Annual Report 2013/14 of the African Renaissance and International Cooperation Fund (ARF) to the South African Parliament, which has always been an important partner in the conduct of South Africa's foreign policy in addition to its constitutionally mandated oversight role over this public entity.

For the first time since its inception in 2001, the ARF has developed its own separate vision, mission and values as well as its own strategic and annual performance plans, which are separate from the ones of the Department of International Relations and Cooperation (DIRCO).

During the period under review, the ARF has undergone a self-assessment and review as a consequence of the Auditor-General's findings regarding irregular expenditure, which has impacted on the normal scale and volume of disbursements made by the ARF. This has involved, among others, instituting an investigation regarding the irregular expenditure identified, developing a pre-vetted suppliers database, looking at issues of supply chain management, developing an emergency relief and humanitarian relief policy, doing a risk assessment, developing a risk policy and strategy, and developing an anti-corruption and fraud policy and strategy. Work still needs to be done to finalise an operational manual detailing Terms of Reference and delegations of authority, to ensure that all the necessary systems, processes, policies and procedures are in place and functioning effectively, and to provide necessary capacity to the Secretariat.

In this regard, the Audit Committee and the Advisory Committee have continued to provide direction and assistance to the ARF in driving forward its legislative mandate. The Advisory Committee has established a task team composed of officials from the department to develop operational policies and procedures to guide the ARF's operations and administration efficiently and effectively. Six ARF Advisory Committee meetings were held and five new projects were recommended to the two ministers during the reporting period.

We are also mindful of the fact that the ARF activities are inextricably linked to South Africa's domestic priorities, that it cannot operate within a void and that it has to present South Africa's interests professionally and effectively in an international

environment that is increasingly characterised by growing competition and national interests taking precedence over the common good.

During the reporting period, however, the ARF continued to be an invaluable instrument in the promotion of the objectives set out in the African Renaissance and International Cooperation Fund Act, 2000 (Act 51 of 2000) towards African development. The department, hosting the ARF Secretariat, continued to manage the ARF in accordance with the ARF Act, 2000 and the Public Finance Management Act, 1999 (Act 1 of 1999), as well as relevant Treasury Regulations for public entities.

In addition to the above, the department continued to ensure that projects received from various stakeholders were adequately prepared and submitted to the ARF Advisory Committee for consideration and recommendation to the Minister of International Relations and Cooperation and the Minister of Finance for concurrence.

Moving forward, the ARF will implement the ARF Strategic Plan 2014 – 2017 with vigour. We expect that this resolute commitment will contribute to realising some of the Government's priorities, not only in South Africa but in other countries as well, particularly African countries, such as the creation of decent work and sustainable livelihood, and rural development in the form of food security.

As we enter the 20th anniversary of the advent of democracy in South Africa, my sincere desire is that the ARF should continue to be an invaluable instrument of the South African Government in promoting South Africa's national interests and values, the African Renaissance and the creation of a better world for all. It is my sincere desire that the ARF should continue to show the same level of commitment, loyalty and cooperation necessary to attain a democratic, non-racial, non-sexist and conflict-free developmental African continent.

In conclusion, I would like to thank Minister Maite Nkoana-Mashabane and Minister Pravin Gordhan 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, sterling and commendable work, as well as the ARF Secretariat which, despite much adversity, continued to execute the task of supporting the Advisory Committee and other stakeholders with dedication.

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

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

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the standards applicable to the public entity.

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

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to

the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2014.

Yours faithfully



Accounting Authority
Ambassador JM Matjila
31 July 2014

5. STRATEGIC OVERVIEW

5.1 Vision

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

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** is critical in ensuring that South Africa's efforts are in line with the development needs of the identified country.
- **Harmonisation of assistance needs to be coordinated.** The ARF will position itself as a catalyst to drive the implementation of Post-Conflict Reconstruction and Development (PCRD) programmes, to become an important player in partnership with all role players to ensure that available funds are channelled to meet the identified priorities of the affected country.

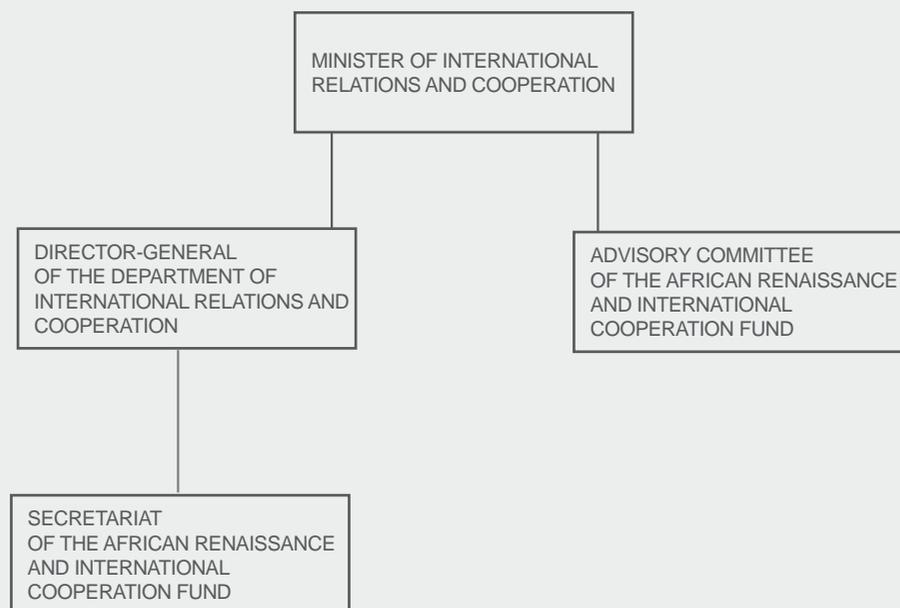
In addition to the above, the ARF will conduct its business while constantly adhering to the values of the Department of International relations and Cooperation, namely:

- Patriotism
- Loyalty
- Dedication
- Ubuntu
- Equity
- Integrity
- Batho Pele.

6. LEGISLATIVE AND OTHER MANDATES

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

7. ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

1. PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management.

Refer to the annual performance report on pages 17 to 22 for information on the achievement of planned targets for the year.

Refer to page 33 of the Auditor-General Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 Service-delivery environment

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

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

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

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

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

The African Union's (AU) New Partnership for African Development (NEPAD) is the primary vehicle through which the AU is implementing its socio-economic development agenda. In this regard, the shift from a poverty-reduction paradigm to a growth-expansion paradigm is key in consolidating the African Agenda and forms a central part of the strategic framework of NEPAD. Considerable progress is being made in various AU/NEPAD programmes, such as the Programme for Infrastructure Development in Africa, the Presidential Infrastructure Championing Initiative and the Comprehensive Africa Agriculture Development Programme.

Notwithstanding the above gains, a number of challenges still remain that require and will continue to receive priority attention from the AU, its regional economic communities and national governments. These challenges include, among others, the combating of unconstitutional changes in government, boosting local skills and technological capabilities, addressing the challenges posed by environmental and human-induced disasters, the operationalisation of the African Peace and Security Architecture, addressing prevailing socio-economic disparities and poverty compounded by youth unemployment and the marginalisation of women in economic activities, and securing limited resources to implement African development initiatives. In response to these challenges and in order to chart Africa's direction over the next 50 years, Agenda 2063 is being developed under the guidance of the AU Commission Chairperson.

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

2.2 Organisational environment

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

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

The DG is the Accounting Officer of the Fund in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). The DG has established a Secretariat consisting of officers to assist with the disbursement of the funds and monitoring and administration of projects relating to the Fund. The Fund is managed by DIRCO and payments are made on behalf of the Fund by the department once concurrence is received from the Minister of Finance.

The above has resulted in the opening of control accounts (Payables and receivables) in the accounting records of the department and these accounts are reconciled to the records of the Fund. The financial statements of the Fund are prepared separately from the department as the ARF is registered as a Schedule 3A Public Entity in terms of the PFMA, 1999. All the transactions and information arising from the work of the Fund are audited by the Auditor-General South Africa on an annual basis.

Notwithstanding the above however, the ARF Secretariat continues to experience a capacity problem, particularly with regard to the monitoring and evaluation function. The ARF, set up as a public entity, does not yet have all the features of other public entities due to the placement within DIRCO structures. Furthermore, the Board decided to use the ARF to assist in implementation of domestic priorities, i.e. favouring local or regional procurement where possible and empowering local small and previously disadvantaged service providers. This moved the ARF into an arena that it had not previously occupied and the requisite policies, procedures and processes were not in place.

In this regard, attempts are being made to comply with previous audit findings, including setting up a dedicated service providers' database and developing a draft humanitarian assistance policy. Anti-fraud, anti-corruption and risk management documents have also been developed.

Key policy developments and legislative changes

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

Strategic outcome-oriented goals

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

3. PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives

Programme/activity/objective:					
Strategic objectives	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
To promote democracy and good governance	<p>100% of approved disbursements distributed during this reporting period</p> <p>South Africa's participation in the SADC Electoral Observer Mission (SEOM) 2012/13 as follows:</p> <ul style="list-style-type: none"> • Lesotho (May 2012) • Angola (August 2012) • Referendum in Zimbabwe (March 2013) <p>Electoral assistance to Guinea Bissau</p>	100% of approved disbursement to support democracy and good governance processed timeously	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment for the South African delegation's participation in the SEOM to Swaziland on 13 September 2013</p> <p>Processed payment for the South African delegation's participation in the SADC SEOM to Zimbabwe on 9 July 2013</p> <p>Processed payment for the South African Election Observer Mission to observe the Mali elections on 17 July 2013</p> <p>Processed payment to fund South Africa's electoral assistance to Madagascar on 27 October 2013</p> <p>Processed payment for the South African delegation's participation in the SEOM to Madagascar Presidential elections (first round) on 10 October 2013. The elections were held on 25 October 2013</p>	None	None

Programme/activity/objective:					
Strategic objectives	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
			<p>Processed payment for the South African delegation's participation in the SEOM to the Legislative elections on 28 November 2013 and the second round Presidential election in Madagascar on 20 December 2013.</p> <p>Processed payment of the remaining 50% of the €1 million (i.e. €500,000.00) to the United Nations Development Programme (UNDP) for electoral support to Guinea-Bissau on 19 February 2014 for the general elections held on 16 March 2014</p>		
To contribute to human resource development	<p>100% of approved disbursements distributed during this reporting period</p> <p>The African Capacity Building Foundation (ACBF)</p> <p>African Ombudsman Research Centre (AORC)</p> <p>Funding of the Department of Science and Technology Africa Very Long Baseline Interferometry Network (AVN) Project</p>	100% of approved disbursement to support capacity-building processed timeously	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment to the DPSA for the DRC Public Census Project on 16 April 2013</p> <p>Processed payment for the implementation of the IDTP Project on 6 June 2013</p> <p>Processed payment to the Cuban Medical Brigade in Sierra Leone Project on 5 July 2013</p>		

Programme/activity/objective:					
Strategic objectives	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
			<p>Processed payment to the DPSA DRC Public Census Project on 19 August 2013</p> <p>Processed several payments for the Rice and Vegetable Production Project in the Republic of Guinea in October 2013</p> <p>Processed several payments totalling R923,443.08 for the Rice and Vegetable Production Project in the Republic of Guinea for the payment of three months salaries of the homologues (local technical experts) for the period January to March 2014</p>		
To support socio-economic development and integration	<p>100% of approved disbursements distributed during this reporting period</p> <p>Poultry Farming, Logistics and Chicken Feed Milling Project in Zambia</p> <p>South Africa's assistance to Malawi to alleviate the fuel crisis</p> <p>Improvement of veterinary laboratory capacity in sub-Saharan Africa.</p>	100% of approved disbursement to support socio-economic development and integration processed timeously	100% of approved disbursement for humanitarian assistance processed timeously	100%	No disbursement requested during this financial year

Programme/activity/objective:					
Strategic objectives	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
To provide humanitarian assistance and disaster relief	<p>100% of approved disbursements distributed during this reporting period</p> <p>Humanitarian assistance to Niger</p> <p>Humanitarian assistance to Chad</p> <p>Humanitarian assistance to Mauritania</p> <p>Humanitarian assistance to Mali</p> <p>Humanitarian assistance to Niger</p> <p>Assistance in dealing with the food shortage in Lesotho</p> <p>Humanitarian assistance to Somalia</p> <p>Humanitarian assistance to the Republic of Congo</p>	100% of approved disbursement for humanitarian assistance processed timeously	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment for the Seychelles Budget Support Project following the tropical depression on 16 May 2013</p> <p>Processed payment on the Food Security and Nutrition Project in Niger on 2 July 2013</p> <p>Processed payment for humanitarian assistance to the Republic of Chad (South Africa's intervention in the Sahel Region Project) on 27 October 2013</p>	None	None
To support cooperation between South Africa and other countries	<p>100% of approved disbursements distributed during this reporting period</p> <p>Continued with the support of Government of Guinea (Conakry) Rice and Vegetable Production Project</p>	100% of approved disbursement for cooperation processed timeously	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment for the Financial Assistance Project to Malawi on 19 August 2013</p>	None	None

Programme/activity/objective:					
Strategic objectives	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
	Continued with the Cuban Medical Brigade Project in Sierra Leone		Processed payment of R137,092,970.97 as financial assistance to the Government of the Republic of Malawi for the purchase of fuel on 27 February 2014		
To contribute to PCRD	100% of approved disbursements distributed during this reporting period	100% of approved disbursement for PCRD processed timeously	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payment for the implementation of the PCRD Training Programme run by the International Diplomatic Training Programme Project on 5 August 2013</p> <p>Processed payment for the implementation of the Mediation Workshop organised by the International Diplomatic Training Programme Project on 10 October 2013</p>	None	None

Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance indicator	Actual achievement 2012/2013	Planned target 2013/2014	Actual achievement 2013/2014	Deviation from planned target to actual achievement for 2013/2014	Comment on deviations
Percentage of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting	100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting has been achieved Twenty-four project proposals reviewed and submitted to committee meetings	100% of project proposals reviewed and submitted to committee meetings	100% of requests responded to for the quality assurance and review of project proposals in preparation for the ARF Board meeting has been achieved Twenty-three project proposals have been reviewed and submitted to committee meetings	None	None
Number of ARF structures and processes convened to identify and recommend projects	Ten Advisory Committee meetings held to consider projects proposal for recommendation	Four Advisory Committee meetings held to consider project proposals for recommendation	Six Advisory Committee meetings held to consider project proposals for recommendation	Two additional Advisory Committee meetings held	There were urgent project proposals that had to be considered by the ARF Advisory Committee
Percentage of approved disbursement processed	100% of approved disbursements distributed during this reporting period 17 approved ARF projects disbursement processed	100% of approved ARF projects disbursement processed	100% of approved disbursements distributed during this reporting period 20 approved ARF projects disbursement processed	None	None

Strategy to overcome areas of underperformance

The capacity of the ARF Secretariat is being addressed. The outstanding policies, procedures and processes relating to supply chain management and humanitarian assistance and emergency relief are being finalised. The Terms of Reference for the ARF Advisory Committee and the ARF Secretariat are being finalised as well.

Changes to planned targets

No changes to planned targets

Linking performance with budgets

Programme/activity/objective	2014/2013			2013/2012		
	Budget	Actual expenditure	(Over)/under expenditure	Budget	Actual expenditure	(Over)/under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Appropriation	485 442	41 300	444 142	517 982	1 070 306	(552 324)
Total	485 442	41 300	444 142	517 982	1 070 306	(552 324)

Reasons for variance

The underspending on budget allocation is attributable to fewer projects considered for funding due to the delay in considering the project's proposal by the Advisory Committee while governance measures were sought in addressing the 2012/13 audit report.

4. REVENUE COLLECTION

Sources of revenue	2014/2013			2013/2012		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Interest income	93 564	93 564	-	73 467	73 467	-
Other revenue	-	-	-	10 000	10 000	-
Total	93 564	93 564	-	83 467	83 467	-

Revenue

The interest received of R93 million (2013: R74 million) from investments, relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank.

PART C

GOVERNANCE

1. INTRODUCTION

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

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

2. PORTFOLIO COMMITTEES

The Head of the ARF Advisory Committee attended and briefed the Parliamentary Portfolio Committee on International Relations and Cooperation in February 2014.

3. EXECUTIVE AUTHORITY

In terms of the PFMA, 1999 and in compliance with the Treasury Regulations, for the period under review, the ARF has submitted to the Executive Authority the Strategic Plan 2013 – 2016, the Annual Performance Plan 2013/14, four quarterly reports for 2013/14 and the Annual Report and Financial Statements.

As prescribed by Treasury Regulations 29.3.1 that the Accounting Authority must establish procedures for quarterly reporting to the Executive Authority in order to facilitate effective performance monitoring, four quarterly reports for the 2013/14 financial year were submitted to the Minister of International Relations and Cooperation for consideration and approval. The four quarterly reports were submitted as follows:

- ARF First Quarterly Report for the period 1 April to 30 June 2013 – 15 December 2013
- ARF Second Quarterly Report for the period 1 July to 30 Sep 2013 – 15 December 2013
- ARF Third Quarterly Report for the period 1 October to 31 December 2013 – 25 February 2014
- ARF Fourth Quarterly Report for the period 1 January to 31 March 2014 – 11 April 2014.

4. THE ACCOUNTING AUTHORITY'S REPORT

4.1 INTRODUCTION

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

4.2 OBJECTIVES OF THE FUND

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

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

4.3 THE UTILISATION OF FUND

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

- the DG or the delegate of the DG
- three officers of the department appointed by the Minister
- two officers of the Department of Finance appointed by the Minister of Finance.

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

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

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

4.3.4. Loans or other financial assistance are granted in accordance with an agreement entered into by the country in question and the Minister of International Relations and Cooperation (hereafter referred to as the Minister). Assistance granted is subject to such terms and conditions as may be agreed upon by that country and the Minister, acting in each case in consultation with the Minister of Finance.

4.4 RELATED PARTIES

4.4.1 The related party is the Department of International Relations and Cooperation (DIRCO) while the control of the Funds is under the Director-General in terms of the Public Service Act, 1994 (Act 103 of 1994).

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

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

4.4.3 In addition, DIRCO acts as an implementing agency in the disbursement of funds to projects. This resulted in the opening of a control account. The Fund utilises the established policies and procedures of DIRCO in the disbursement of funds.

4.5 GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

4.5.1 Revenue R485 million (2013: R 517 million)

- In terms of the Act, income, among other sources, consists of money appropriated by Parliament for the Fund. During the year under review, an amount of R485 million (2013: R517 million) was appropriated and subsequently transferred by DIRCO to the Fund.
- The interest received of R93 million (2013: R74 million) from investments, relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank.

4.5.2 Expenditure

During the year under review, the Fund recorded an expenditure of R41 million as compared to R1 070 million in the 2012/13 financial year. The significant decrease is attributed to the delay in considering the project's proposal by the Advisory Committee while governance measures were sought in addressing the 2012/13 audit report, mainly irregular expenditure. However, the R1 070 million includes multiyear projects of which R229 million was recorded as a disbursement to the recipients in 2013/14 financial year. Request for funding amounting to approximately R300 million was received in 2013/14 and is under consideration by the Advisory Committee.

4.5.3 Irregular expenditure condoning

- During the 2012/13 financial year, the Fund reported an irregular expenditure amounting to R540 million attributable to the procuring of goods and services by means other than through inviting competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the Accounting Officer or Accounting Authority. (Contravention of Treasury Regulation 16A6.4).
- Following an investigation instituted by the Minister, the outcome of investigation confirmed that there was no financial loss incurred by the State and the irregular expenditure was condoned, accordingly.

- Subsequently, through the direction of the DG, DIRCO has developed policies and procedures on handling emergency situations in the disbursement of humanitarian assistance and awaiting approval in 2014/15 financial year.

4.5.4 Receivables

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

4.5.5 Payables

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

4.5.6 New/proposed activities

- The department is perusing efforts to review the legislative framework in order to consolidate international assistance provided by South African Government. Consequently, a draft Partnership Fund for Development Bill is planned to be tabled before Parliament in the 2014/15 financial year. The objective of the Bill is to support South Africa's outgoing development cooperation policy by providing funding and technical support for the development initiatives.

4.5.7 Corporate governance arrangements

- The Fund is managed through the control of the DG and in addition the following governance mechanism is in place:
- the Advisory Committee through the Secretariat has initiated the regularisation of the relationship between the Fund and the department and an accountability mechanism through a Shared Services Agreement to commence in the 2014/15 financial year.
- In addition, as from February the Fund has enhanced its governance by introducing the following structures:
 - Risk Management Committee
 - Audit Committee

- The policies and procedure for adoption in the 2014/15 financial year are intended to enhance the governance framework, including the capacity to respond to emergency situations.

4.5.8 Additional information

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Changes in Net Assets
- Cash-Flow Statement
- Notes to the Annual Financial Statements
- Annexure 1 – Receivable
- Annexure 2 – Payable
- Annexure 3 – Amount payable to Related Party.

5. ACKNOWLEDGEMENT/S OR APPRECIATION

- I would like to acknowledge the support received from the Honourable Minister, Deputy Ministers, the National Treasury, the Advisory Committee members; the Auditor General of South Africa, the Audit Committee members, the Chief Financial Officer and the team, including Secretariat and management.

6. APPROVAL AND SIGN OFF

- The Annual Financial Statements set out on pages below have been recommended by the audit committee members and approved by the Accounting Officer.



Ambassador JM Matjila

Director-General

31 July 2014

Composition of the ARF Advisory Committee

Committee	No. of meetings held	No. of members	Name of members
ARF Advisory Committee	Six	Six members	Mr C Ramashau (Chairperson) DDG/CFO-DIRCO
			Ms MV Dlomo (DIRCO)
			Ambassador EM Saley (DIRCO)
			Ms H Bhengu (DIRCO)
			Mr R Toli (NT)
			Dr N Ngwenya (NT)

5. RISK MANAGEMENT

- The entity has developed its Risk Management Policy and Risk Management Strategy for the implementation of the policy towards the end of the financial year.
- Strategic and operational risk assessments will be 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 being developed to manage and keep risks at an acceptable level. New and emerging risks will be regularly identified and monitored through appropriate reporting channels.
- The Risk Management Committee, consisting of external independent persons and members of DIRCO's senior management structure, has been appointed. The Chairperson and Deputy Chairperson of the Risk Management Committee are both external and independent from the entity's structure. The committee provides advice to the Accounting Officer on the adequacy and effectiveness of systems of enterprise-wide risk management.
- The Audit Committee, consisting of independent external persons, has been appointed. The committee provides advice to the Accounting Officer on the effectiveness of systems of enterprise-wide risk management.
- There is visible progress in the risk management maturity in that the entity has incorporated risk management in the planning process in order to embed risk management in the day-to-day activities.

IDENTIFIED RISKS	MITIGATION STRATEGIES
Delays in the finalisation of the concurrence letters, which lead to delays in the implementation of ARF projects	Encouraged frequent communication between the two relevant ministries with a view to speed up the process of processing concurrence letters
Risk posed by foreign exchange losses, where commitments for a particular project have been made in a foreign currency	Encouraged the Advisory Committee to recommend ARF projects in local currency
Lack of operational policy and guidelines for the ARF Fund and emergency relief policy	Facilitating the development of operational policy and guidelines and emergency relief policy
Lack of capacity to monitor and review the implementation of approved ARF projects	To enhance operational capacity, the department is in the process of establishing the South African Development Partnership Agency (SADPA) as the body to manage, coordinate and facilitate all South African official outgoing development cooperation programmes and projects

6. INTERNAL CONTROL UNIT

- The Fund share services provided by the Department of International Relations and Cooperation.

7. COMPLIANCE WITH LAWS AND REGULATIONS

- The Fund share services provided by the Department of International Relations and Cooperation.

8. FRAUD AND CORRUPTION

The entity has developed Fraud and Corruption Prevention Policy and Strategy as part of its commitment to managing fraud and corruption risks.

There is also a Whistle-Blowing Policy developed in line with the Fraud and Corruption Prevention Policy. The policy outlines the fraud reporting procedures in detail, with the allowance of reporting anonymously to the National Anti-Corruption Hotline.

The suspected indications of fraud or corruption are either reported internally through appropriate channels (supervisors and/or Forensic Auditing Unit) or anonymously through the National Anti-Corruption Hotline. Either way, the reported cases are attended to by Forensic Auditing Unit within 30 days of the reporting.

9. ARF SECRETARIAT

According to Section 6 (2) of the African Renaissance and International Cooperation Fund Act, 2000 (Act 51 of 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 two officers of DIRCO to form the ARF Secretariat and assist with the disbursement of the funds and monitoring and administration of projects relating to the Fund. Furthermore, the Fund is managed by DIRCO and payments are made on behalf of the Fund by the department once concurrence has been received from the Minister of Finance.

10. SOCIAL RESPONSIBILITY

Provide a summary of what the public entity has accomplished during the year in meeting its social responsibility.

11. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section of the Public Finance Management Act, 1999(Act 1 of 1999) and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal Terms of Reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

Audit Committee Members from 1 September 2013 to 31 March 2013					
Name	Internal or external	If internal, position in the department	Date appointed	Date Resigned	No. of Meetings attended
Mr C Motau	External		1 December 2013	To date	2 ARF
Mr M Mokono	External		1 December 2013	To date	1 ARF
Ms T Skweyiya	External		1 December 2013	To date	2 ARF
MR P Serote	External		1 December 2013	To date	2 ARF
Dr MEC Moleki	External		1 December 2013	To date	2 ARF
Ms ZP Manase	External		1 December 2013	To date	2 ARF
Mr WE Huma	External		1 December 2013	To date	2 ARF

The effectiveness of Internal Control

Our review of the Internal Audit work conducted in the public entity revealed certain weaknesses, which were then raised with the department since appointment with effect from December 2013. The committee reinforced establishment of the basis for formalising corporate governance, institutionalising policies on corporate governance.

The committee reviewed the strategic plan and annual plan of the ARF. An improvement on compliance on submission has been noted. However, there are still challenges with reporting predetermined objectives on the ARF.

The following were areas of concern.

During the year under review, no Internal Audit work was performed due to lack of capacity resources, which resulted in the development of the programme of action

for the ARF, which include the establishment of the system of internal control and a functioning internal audit.

The Committee noted and engaged with the process of the investigation into irregular expenditure by the Minister and measures instituted from recommended would be continuously monitored.

In-Year Management and Monthly/Quarterly Report

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the Accounting Officer the audited Annual Financial Statements to be included in the report
- reviewed the Auditor-General's management letters and management's responses
- reviewed changes in accounting policies and practices
- reviewed significant adjustments resulting from the audit.

Auditor General's Report

We have reviewed the department's implementation plan for audit issues raised in

the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- no policies and procedures
- the Secretariat and Advisory Committee does not have Terms of Reference
- no organisational structure.

The Audit Committee concurs and accepts the conclusions of the external auditor on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the auditor.



Zodwa Manase

Chairperson of the Audit Committee

African Renaissance and International Cooperation Fund

31 July 2014

PART D

HUMAN RESOURCE MANAGEMENT

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

PART E

FINANCIAL INFORMATION

1. REPORT OF THE EXTERNAL AUDITOR

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE AFRICAN RENAISSANCE AND INTERNATIONAL COOPERATION FUND REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the African Renaissance and International Cooperation Fund (ARF) set out on pages 37 to 53, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the African Renaissance and International Cooperation Fund Act, 2000 (Act No. 51 of 2000) (ARF Act), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the African Renaissance and International Cooperation Fund as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2014:
 - Objective: Contribute to an integrated, democratic peaceful and prosperous continent through development assistance, capacity-building and humanitarian assistance on pages 17 to 22

9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPPI)*.
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objective.
13. I did not raise any material findings on the usefulness and reliability of the reported performance information for the objective.

Additional matters

14. Although I did not raise material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matters:

Adjustment of material misstatements

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

Compliance with legislation

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

Strategic planning and performance management

Proposed strategic plan not submitted timeously

17. Treasury regulation 30.1.1 prescribes that the accounting authority for a public entity listed in schedule 3A must annually submit a proposed strategic plan for approval by the relevant executive authority. Such a plan must be submitted at least six months before the start of the financial year of the designated department or another time period as agreed to between the executive authority and the public entity. The proposed strategic plan for 2013-14 was not submitted to the executive authority for approval, as required by treasury regulation 30.1.1.

Non-compliance with quarterly reporting requirements

18. Treasury regulation 30.2.1 prescribes that the accounting authority must establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action. The entity failed to report timeously on its quarterly performance to the executive authority, as required by treasury regulation 30.2.1.

Annual financial statements, performance and annual reports

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

Ineffective systems of financial and risk management and control

20. Section 51(1)(a)(i) of the PFMA prescribes that the accounting authority must ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
21. The fund did not develop and document policies and procedures that could provide a framework on how its operational activities should be carried out in accordance with section 51(1)(a)(i) of the PFMA.
22. The advisory committee of the fund, established in accordance with section 5(1) of the ARF Act, did not have documented terms of reference that stipulate, amongst others, its powers and duties.
23. The secretariat of the fund, established in accordance with section 6(2) of the ARF Act, did not have documented terms of reference that stipulate, amongst others, its powers and duties.
24. The accounting authority failed to ensure that a risk assessment was conducted regularly and that a risk management strategy was implemented in accordance with treasury regulation 27.2.1.
25. Section 5(4) of the ARF Act prescribes that loans or financial assistance must be granted or rendered in accordance with an agreement entered into between the relevant parties, excluding assistance for the promotion of democracy and good governance or the prevention or resolution of conflict. Contracts between the entity and the project implementing agencies for projects were not concluded.
26. Section 5(3) of the ARF Act prescribes that the funds must be made available or disbursed upon the recommendation of the advisory committee and the approval of the minister of International Relations and Cooperation, in consultation with the minister of Finance. Funds were spent in excess of the amount concurred by the minister of Finance.

No approved delegation of authority

27. Section 56(1)(a) and (b) of the PFMA prescribes that the accounting authority may, in writing, delegate any of the powers entrusted or delegated to the accounting authority in terms of this act, to an official in that public entity or instruct an official in that public entity to perform any of the duties assigned to the accounting

authority in terms of this act. The fund did not have a documented and approved delegation of authority that indicated the responsibilities of the officials delegated to monitor the activities of the fund.

Materiality and significance framework not developed

28. Treasury regulation 28.3.1 prescribes that the accounting authority must develop a framework of acceptable levels of materiality and significance in agreement with the relevant executive authority. The entity did not develop a materiality framework, as required by the treasury regulation 28.3.1.

Internal audit unit

29. Section 51(1)(a)(ii) of the PFMA prescribes that the accounting authority for a public entity must ensure that the public entity has and maintains a system of internal audit under the control and direction of an audit committee. Treasury regulation 27.2.10 prescribes that the internal audit function must assist the accounting authority in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. No internal audits were conducted on the activities of the ARF during the period 1 April 2013 to 31 March 2014, resulting in non-compliance with section 51(1)(a)(ii) of the PFMA and treasury regulation 27.2.10.

PROCUREMENT AND CONTRACT MANAGEMENT

30. The accounting authority did not take adequate and effective steps to ensure compliance with National Treasury Practice Note No. 8 of 2007/08. Supply chain management prescriptions were not followed and deviations were not properly motivated.

EXPENDITURE MANAGEMENT

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

Internal control

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

Leadership

The accounting authority was slow in addressing the significant deficiencies over the establishment of a proper governance framework, including policies and procedures and internal controls over the activities of the fund, resulting in material non-compliance with laws due to an overall lack of accountability.

OTHER REPORTS

Investigations

An investigation was performed by an external firm on the irregular expenditure reported in the 2012-13 annual report. The investigation was concluded in January 2014. Recommendations based on the findings of the investigation were subsequently implemented.

Auditor-General



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pretoria
31 July 2014

2. ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2013/14 R '000	2012/13 R '000
Revenue			
Revenue from non-exchange transactions			
Appropriated funds	1	485 442	517 982
Revenue from exchange transactions			
Investment income	2	93 564	73 467
Other revenue		-	10 000
Total revenue		579 006	601 449
Local and foreign aid assistance	3	(41 300)	(1 070 306)
Total expenditure		(41 300)	(1 070 306)
Surplus for the period		537 706	(468 857)

STATEMENT OF FINANCIAL POSITION

	Note	2013/14 R '000	2012/13 R '000
ASSETS			
Current assets			
Cash and cash equivalent	5	1 864 871	1 515 014
Total current assets		1 864 871	1 515 014
Non-current assets			
Trade and other receivables from non-exchange transactions	4	195 165	125 442
Total non-current assets		195 165	125 442
Total assets		2 060 036	1 640 456
LIABILITIES			
Current liabilities			
Trade and other payables from non-exchange transactions	6	352 843	707 500
Total current liabilities		352 843	707 500
Non-current liabilities			
Trade and other payables from non-exchange transactions	6	236 531	-
Total non-current liabilities		236 531	-
Total liabilities		589 374	707 500
Net assets			
Accumulate surplus		1 470 662	932 956
Total net assets and liabilities		2 060 036	1 640 456

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Surplus R'000
Balance as 31 March 2012	1 401 813
Surplus for the period ending 31 March 2013	(468 857)
Balance as at 31 March 2013	932 956
Add: Surplus for the year	537 706
Balance as at 31 March 2014	1 470 662

CASH FLOW STATEMENT

	Note	2013/14 R '000	2012/13 R '000
Cash flow from operating activities			
Receipts		579 006	591 449
Appropriated funds	1	485 442	517 982
Investment income	2	93 564	73 467
Payments		(229 149)	(804 030)
Cash disbursements on projects	8	(229 149)	(804 030)
Net cash flow from operating activities	7	349 857	(212 581)
Cash flows from investing activities		-	-
Loans granted to associates/other economic entities			
Net increase/(decrease) in cash and cash equivalents		349 857	212 581
Cash and cash equivalents at the beginning of the year	5	1 515 014	1 727 595
Cash and cash equivalents at the end of the year		1 864 871	1 515 014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget	Adjustments	Final budget	Actual amounts on a comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance					
Revenue					
Revenue from non-exchange transactions					
Appropriated funds	485 442	-	485 442	(41 300)	444 142
	485 442	-	485 442	(41 300)	444 142

Basis of preparation

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

Reasons for variance

The underspending is attributable to fewer projects considered for funding due to the delay in considering the project's proposal by the Advisory Committee while governance measures were sought in addressing the 2012/13 audit report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

I. Presentation of Annual Financial Statements

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

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

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

1.1 Judgments, estimates and assumptions

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

1.2 GRAP standards not yet effective

Standard number	Standard name	Effective date (if applicable)
GRAP 105	Transfers of Functions Between Entities Under Common Control	No effective date
GRAP 106	Transfers of Functions Between Entities Not Under Common Control	No effective date
GRAP 107	Mergers	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 18	Segment Reporting	No effective date

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

1.3 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that resources will be available to finance future operations and that the 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 African Renaissance and International Cooperation Fund (ARF) recognises revenue from appropriation funds when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

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

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

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

Revenue from exchange transactions

Investment income

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

1.5 Expenses

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

1.6 Comparatives

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

1.7 Financial Instruments

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

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

Initial recognition and measurement

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

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

Subsequent measurement

Loans and receivables

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

Loans and receivables are subsequently measured at cost less accumulated impairment losses.

1.8 Trade and other receivables

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

1.9 Trade and other payables

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

1.10 Cash and cash equivalent

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

1.11 Rounding off figures

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

1.12 Related party transactions

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

1.13 Irregular, fruitless and wasteful expenditure

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

- the PFMA, 1999; or
- any national legislation providing for procurement in that national government.

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

1.14 Related parties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

	2013/14 R'000	2012/13 R'000
1. Appropriated funds		
Appropriation from Parliament	485 442	517 982
Total	485 442	517 982
2. Investment income	93 564	73 467
3. Local and foreign aid assistance		
Prevention and resolution of conflict	-	16 324
Human resources development	-	155 748
Socio-economic development and integration	41 300	321 634
Humanitarian assistance	-	576 600
Total	41 300	1 070 306
3.1 Socio-economic development and integration Projects		
AU and SADC election observer mission	17 000	
Budget support to Seychelles	7 714	
Madagascar election	16 585	
Total	41 300	

4. Current receivables

Trade and other receivables from non-exchange transactions

Department of International Relations and Cooperation: *per annexure 1*

195 165 125 442

195 165 125 442

Receivables Age Analysis: *per Annexure 1*

	< THAN 1 YR	1-3 YEARS	3+ YEARS	2013/2014	2012/2013
Receivables	-	128 819	66 346	195 165	125 442
Total	-	128 819	66 346	195 165	125 442

5. Cash and cash equivalents

Cash and balances with financial institutions

1 864 871 1 515 014

6. Trade and other payables from non-exchange transactions

Per annexure 2

6.1 Current liabilities.

352 843 707 500

6.2 Non-current liabilities

236 531 -

589 374 707 500

7. Net cash generated from operations

Surplus for the period

537 706 (468 857)

Changes in working capital

(184 849) 256 276

Effect on Payables

(118 126) 297 565

Effect on Receivables

(69 723) (58 512)

Other

- 17 223

Net cash flow from operating activities

349 857 (212 581)

8. Cash disbursements on projects

	2013/14 R'000	2012/13 R'000
	(229 149)	(804 030)
Prevention and resolution of conflict	-	(17 263)
Human resources development	-	(25 242)
Socio-economic development and integration	(229 149)	(226 986)
Humanitarian assistance	-	(534 539)

9. Irregular expenditure

	2013/14 R'000	2012/13 R'000
Opening balance	540 210	10 636
Add: Irregular expenditure – current year	25 085	529 574
Less: Amount condonation	558 505	-
Closing balance of expenditure awaiting condonation/ to be recovered	6 790	540 210

Details of irregular expenditure – current year

Incident/detail of irregular expenditure	Disciplinary steps	R'000
Recurring expenditure from previous year for non-compliance with National Treasury, SCM prescripts on prior years as well as non-compliance with ARF Act.	N/A	25 085
Total irregular expenditure		25 085

2012/2013 Irregular Expenditure

Incident/detail of irregular expenditure	Disciplinary steps taken/ criminal proceedings	R'000
Non-compliance with relevant regulations	No criminal action was taken as there was no financial loss incurred by the entity. The irregular expenditure was subsequently condoned by the relevant authority	529 574
Total irregular expenditure incurred		529 574

10. Taxation

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

11. Financial instruments

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.

a. Credit risk

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

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

b. Market risk

Interest rate risk

This is mainly attributable to the ARF's investment account with the South African Reserve Bank. The ARF's sensitivity to interest rates is any deviation from the current money market interest rate of 5%. The risk of undue exposure for the Fund is negligible.

c. Liquidity risk

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

d. Other risks

Due to the nature of the ARF's financial instruments the entity is not unduly exposed to price risks or other market risks. The ARF does not have any foreign accounts receivable, payable or derivative market instruments.

	2013/14 R'000	2012/13 R'000
Related parties exposures DIRCO		
Payable per Annexure 3	34 206	-
Trade and other receivables	192 259	125 442

DIRCO is the designated department to the entity.

Annexure 1: Trade and other receivables

AGE ANALYSIS SUMMARY FOR ACCOUNTS RECEIVABLE (ARF)					
PROJECTS	< THAN 1 YR	1 TO 3 YRS	3+	2013/2014	2012/2013
Saharawi	-	-	10 000	10 000	10000
Government of Guinea (Rice and Vegetable Production)	-	4 554	-	4 554	8 897
Democratic Republic of Congo	-	12 018	34 900	46 918	50 973
Humanitarian Assistance Aid to Congo	-	-	21	21	21
Sahel Region	-	12 187	-	12 187	14 071
Humanitarian Assistance to Niger	-	5 099	-	5 099	9 336
University of South Africa	-	-	16 425	16 425	16 425
AU and SADC	-	-	-	-	1 957
Guinea Museum	-	-	5 000	5 000	5 000
International Diplomatic Training Programme (IDTP)	-	-	-	-	3026
Government of Malawi (Fuel Assistance)	-	92 055	-	92 055	-
Guinea Bissau	-	-	-	-	5 736
Cuban Medical Brigade *	-	-	-	2 906	-
GRAND TOTAL	-	128 913	66 346	195 165	125 442

*Non-DIRCO debtor resulting from an overpayment to the project

Annexure 2: Trade and other payables

Projects/Payables	2013/14 R'000	2012/13 R'000
Current liabilities		
Government of Malawi	92 055	229 148
South Africa's intervention in Sahel Region	133 667	135 551
Government of Guinea-Rice Production, Waste Management and Technical Assistance	69 157	73 502
South African Participation in the Upcoming 2013/14 AU Election Observer Mission	13 570	-
Cuban Medical Brigade in Sierra Leone	-	1 505
DPSA DRC Census	1 772	5 827
Madagascar Election Support	474	-
Seychelles	-	-
Amount owed to Related Party Annexure 3	34 206	
Humanitarian Assistance to Niger	5 099	9 336
International Diplomatic Training Programme (IDTP)	2 843	8 408
The Presidential Elections in Guinea Bissau	-	5 735
South African Participation in the Upcoming 2012/13 AU Election Observer Mission	-	1 957
Humanitarian Assistance to Somalia	-	67
VIP Protection Training to the DRC Protection Unit – South African Police Service (SAPS)	-	648
The Cuba Economic Aid Package	-	100 000
IGM Expansion Project (Madagascar)	-	14 100
Emergency Assistance Aid Congo	-	21
Independent Electoral Commission – DRC	-	262
Government of Comoros – Electoral Assistance projects	-	5 084
VIP Protection Training to the DRC Protection Unit – SAPS	-	827
Guinea Museum Project in Kindia	-	5 000
Timbuktu Manuscript Project	-	2 928
African Capacity Building Foundation (ACBF)	-	2 422
University of South Africa (Unisa)	-	2 023
DRC Mission	-	34 900
SAPS to Purchase Riot Equipment – DRC	-	24 000
United Nations Mission in Liberia for the Rebuilding of the Liberian National Police	-	7 141
African Ombudsman Research Centre (AORC)	-	14 100
Mozambique – Operation BAPISA	-	13 008
Saharawi	-	10 000

Total current liabilities	352 843	707 500
Projects/Payables	2013/14	2012/13
	R'000	R'000
Non-current liabilities		
Humanitarian Assistance to Somalia	67	-
VIP Protection Training to the DRC Protection Unit – SAPS	648	-
Cuba Economic Aid Package	100 000	-
IGM Expansion Project (Madagascar)	14 100	-
Emergency Assistance Aid Congo	21	-
Independent Electoral Commission – DRC	262	-
Government of Comoros – Electoral Assistance projects	5 084	-
VIP Protection Training to the DRC Protection Unit – SAPS	827	-
Guinea – Museum Project in Kindia	5 000	-
Timbuktu Manuscript Project	2 928	-
ACBF	2 422	-
Unisa	2 023	-
DRC Mission	34 900	-
SAPS to Purchase Riot Equipment – DRC	24 000	-
United Nations Mission in Liberia for the Rebuilding of the Liberian National Police	7 141	-
AORC	14 100	-
Mozambique – Operation BAPISA	13 008	-
Saharawi	10 000	-
Total non-current liabilities	236 531	
GRAND TOTAL PAYABLES	589 374	707 500

Annexure 3: Owing to Related Party

PROJECTS	2013/14 R'000	2012/13 R'000
South Africa's Participation in the Upcoming 2013 AU Election Observer Mission	3 430	-
International Diplomatic Training Programme (IDTP)	2 539	-
Budget Support to Seychelles	7 714	-
Cuban Medical Brigade in Sierra Leone	4 411	-
Election Support to Madagascar	16 112	-
TOTAL	34 206	-

