

ANNUAL REPPORT

2010–2011

African Renaissance and International Cooperation

The Department of International Relations and
Cooperation (the dirco)



OR TAMBO BUILDING

460 Soutpansberg Road
Rietondale
Pretoria
0084

Tel: +27 12 351 1000

www.dirco.gov.za

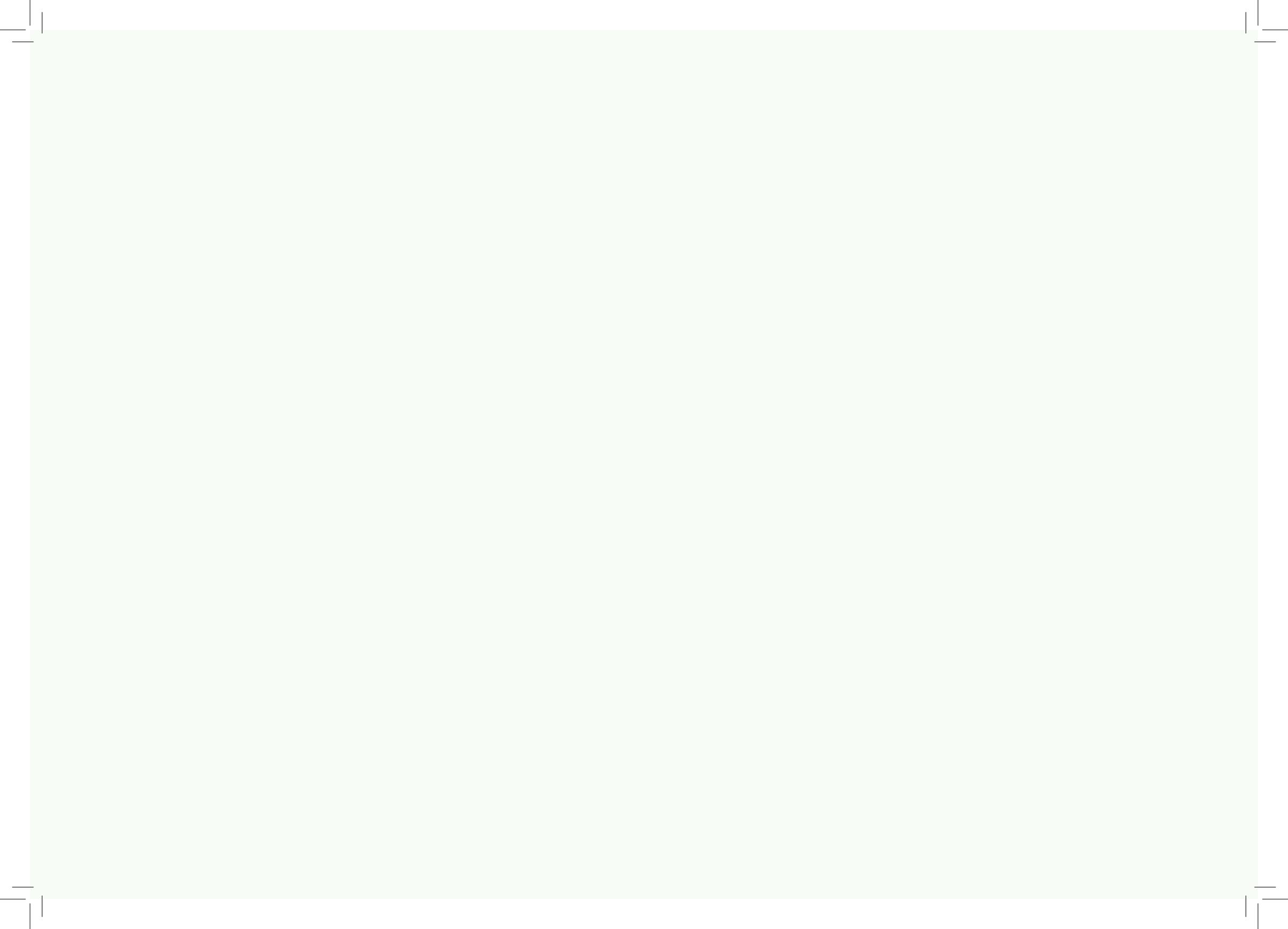




table of
contents

Accounting Officer's Report for year ended 31 March 2011	5- 6
African Renaissance Annual Performance Assessment	8-9
Report of the Auditor-General	11
Accounting Policies and Related Matters	15
Statement of Financial Performance	18
Statement of Financial Position	18
Statement of Changes in Net Assets	19
Cash Flow Statement	19
Notes to the Annual Financial Statements	20
Annexure 1 – Payables	23
Annexure 2 – Receivables	23
Annexure 3 – Owing to DIRCO	24



ACCOUNTING OFFICER'S REPORT FOR THE YEAR ENDED 31 MARCH 2011

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. INTRODUCTION

The African Renaissance and International Co-operation Fund (hereafter referred to as the Fund) was established in terms of section 2(1) of the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000) and is under the control of the Director-General of International Relations and Cooperation (DG). The current Act replaced the former Economic Co-operation Promotion Loan Fund Act, 1968 (Act No. 68 of 1968) that was repealed on 22 January 2001. The report covers the activities of the Fund during the 2010/2011 financial year in terms of the objectives and goals of the Act.

2. PURPOSE OF THE FUND

2.1 The purpose of the Fund is to promote economic co-operation between the Republic of South Africa and other countries by granting loans and/or rendering of other financial assistance in respect of development projects in such countries. Therefore, the Fund will enable the South African government to identify and fund, in a proactive way:

- 2.1.2 co-operation between the Republic of South Africa and other countries, in particular African countries;
- 2.1.3 promotion of democracy and good governance;
- 2.1.3 prevention and resolution of conflicts;
- 2.1.4 socio-economic development and integration;
- 2.1.5 humanitarian assistance; and
- 2.1.6 human resource development.

2.2 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.

2.3 An Advisory Committee has been established to manage the Fund and to also make recommendations to the Minister and the Minister of Finance on the disbursement of funds through loans or other financial assistance. The Advisory Committee consists of the following members:

- 2.3.1 The Director-General of International Relations and Cooperation or the delegate of the Director-General.
- 2.3.2 Three officers of the department appointed by the Minister.
- 2.3.3 Two officers of the National Treasury appointed by the Minister of finance.

3. RELATED PARTIES

The Fund is managed by Department of International Relations and Cooperation and payments are made on behalf of the Fund by the Department once concurrence is received from the Minister of Finance. This has resulted in the opening of control accounts (Payables and Receivables) in the books of the Department and these accounts are reconciled with the records of the Fund.

4. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

4.1 Income R461, 835 million

In terms of the Act, income, amongst other sources, consists of money appropriated by Parliament for the Fund. During the year under review, an amount of R401, 072 million was appropriated and subsequently transferred by the Department of International Relations and Cooperation to the Fund.

The interest received of R60, 763 million from investments relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank.



4.2 Expenditure

During the year under review an amount of R 4 million was approved to fund the following projects:

(a) South Africa's participation in the African Union (AU) Observer Mission to the Sudan general elections.

The South African Government made available an amount of R4 million towards South Africa's participation in the African Union (AU) Observer Mission in respect of April 2010 general elections in Sudan. The observation of the election process is important to South Africa, in ensuring that the prescripts of the Declaration on Elections, Democracy and Governance in Africa and other related protocols are adhered to. South Africa deployed 36 officials/ observers to form part of the AU Observer Mission. The R4 million covered mainly accommodation, transport, subsistence and travel allowance, vaccination, stationery, general equipment and communications.

(b) Advisory Committee Recommendation

During the year under review the Advisory Committee recommended projects to the amount of R141 million for approval by the Minister of International Relations and Cooperation and concurrence by the Minister of Finance.

It must be noted that as at the end of the financial year concurrence letters were awaited from the Minister of Finance for these projects. Therefore, in compliance with the principle of accrual accounting these projects have not been recognised as expenditure against the Fund. The expenditure will be recognised once concurrence is granted by the Minister of Finance.

4.3 Payables

Payables arise as a result of payments made by the Department of International Relations and Cooperation for the approved projects on behalf of the Fund. Payables also represent the monies due by the fund for approved projects. The list of these payments is attached as annexure 1.

4.4 Receivables

Receivables represent monies withdrawn from the Fund for approved projects but which were not fully utilised. Receivables also represent loans that were previously converted into grants but which were subsequently refunded by the debtor. A list of receivables is attached as annexure 2.

The payables and receivables will be reconciled and finalised prior to the conversion of ARF to SADPA during 2011/12 financial year.

4.5 SADPA

One of the priority objectives of the South African Government is the consolidation of its international assistance. Consequently, Cabinet approved the establishment of the South African Development Partnership Agency (SADPA), which will eventually replace the ARF. The development of a framework commenced during 2009/10 financial year and it is envisaged that this task will be completed during the 2011/12 financial year.

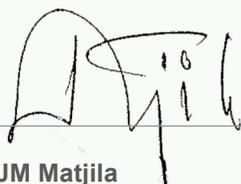
5. SCOPA RESOLUTIONS

There are no outstanding SCOPA resolutions.

The financial position of the African Renaissance and International Co-operation Fund as at 31 March 2011 and the results of its operations are set out in the attached annual financial statements:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Changes in Net Assets
- Cash-Flow Statement
- Notes to the Annual Financial Statements
- Annexure 1 – Payables
- Annexure 2 – Receivables
- Annexure 3 – Owing to DIRCO

The Accounting Officer has approved the above-mentioned financial statements.



Ambassador JM Matjila
Director-General: International Relations and Cooperation
Date: 31 July 2011



AFRICAN RENAISSANCE ANNUAL PERFORMANCE ASSESSMENT

ANNUAL REPORT FOR 2010/11

SUB-PRO-GRAMMES/ OB-JECTIVES	OUTPUTS/ ACTIONS	OUTPUT PERFORMANCE MEASURES/SERVICE DELIV-ERY INDICATORS/KEY PER-FORMANCE INDICATORS	ACTUAL PERFORMANCE AGAINST TARGET			
			Target/ Measures	Actual		
				Achieved	Not Achieved	Way forward
To support the pro-motion of democracy & good governance in identified African countries	Support peace process initiatives in identified coun-tries of the African continent	Provided funding for South Af-rica's participation in AU/SADC election observer missions.	Earmark funding for South Africa's par-ticipation in the 2011 AU/ SADC election observer missions.	ARF Advisory Committee recommended an amount of R5 million to fund South Africa's participation in the 2011 AU and SADC Observer Missions in Africa. The funding has so far covered for the elections in Seychelles The ARF Advisory Committee recommended R6, 185 million for South Africa's hosting of the Pan African Women's Organisa-tion (PAWO) Recommended R1.2 million funding for technical assistance to the UN independent expert for human rights. (Concurrence letters received)		Other countries including the DRC, Cameroon, Egypt, Chad, Liberia and Nigeria are still to hold elec-tions. The 31st ARF meeting directed that the Desk works with PAWO to identify programmes and clear deliverables. The Desk and the Secretariat are preparing agreements to be signed in relation to the project
Provide and support humanitarian assist-ance and disaster relief in Africa and elsewhere in the world	Assisted countries that are in need of disaster relief by providing funds as well as human and technical resource	Funding approved for humani-tarian assistance	Provide funds through the ARF for the humanitarian situation in Cuba in the wake of the 2009 hur-ricanes	Recommended R100 mil-lion on Economic Recovery Package developing country awaiting National Treasury concurrence.		Preparations for the MoU to be signed are underway.

<p>Promote implementation of bilateral agreements between South Africa and partner countries within areas of development</p>	<p>Provided funding for the implementation of bilateral agreements between South Africa and partner countries within areas of development</p>	<p>Support Sub-Saharan African countries affected by Trans-boundary Animal Diseases through building and enhancing capacities for animal disease diagnosis in a sustainable manner.</p>	<p>Provide funds for the improvement of veterinary laboratory capacities in South Saharan African Countries, including the DRC, Zambia, Mozambique and Botswana.</p>	<p>Reserved R15 million for the International Atomic Energy Agency for the improvement of veterinary laboratory capacities in South Saharan African Countries including the DRC, Zambia, Mozambique and Botswana. (Concurrence letters received)</p> <p>Reserved R13, 558 million for South Africa's International Diplomatic Training.</p>	<p>The Desk and the Secretariat are preparing agreements to be signed in relation to the project.</p> <p>Awaiting concurrence letter from the National Treasury.</p>
--	---	---	--	---	--



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND FOR THE YEAR ENDED 31 MARCH 2011

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the African Renaissance and International Cooperation Fund which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages 19 to 25

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the requirements of the African Renaissance and International Co-operation Fund Act, 2000 (Act no. 51 of 2000) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

- 1 As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
- 2 conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. 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.

- 3 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.
- 4 I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

- 5 In my opinion, the financial statements present fairly, in all material respects, the financial position of the African Renaissance and International Co-operation Fund as at 31 March 2011 and its financial performance and cash flows for the year then ended in accordance with GRAP and in the manner required by the PFMA.

Emphasis of matter

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



Restatement of corresponding figures

- 2 As disclosed in note 10 to the financial statements of the African Renaissance and International Co-operation Fund, the corresponding figures relating to expenses and payables have been restated for the prior year 31 March 2010. This has been as a result of a clarification in the interpretation of the accounting policy specifically, recognising a transaction only when a concurrence letter has been issued.

Additional

- 10 I draw attention to the matter below. My opinion is not modified in respect of these matters:

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 11 In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 19 to 25 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives Usefulness of information

- 12 The following criterias are relevant to the findings below:
Measurability: Indicators are well-defined and verifiable, and targets are specific, measurable and time-bound.
- 13 Audit finding:
Measurability: The performance targets are not specific in clearly identifying the nature, and the required level of performance.

Compliance with laws and regulations Strategic planning and performance management

- 14 The accounting officer did not report on progress made in achieving measurable objectives and targets to the executive authority on a quarterly basis as required by TR 5.3.1.
- 15 The strategic plan dated, 2010-2013, for the African Renaissance and International Co-operation, (Schedule 3 of PFMA) has not been submitted to National Treasury as required by TR 30.1.1.

Annual financial statements, performance and annual report

- 16 The financial statements submitted for audit did not comply with section 55(1)(a) and (b) of the PFMA. A material misstatement was identified during the audit, which was subsequently corrected by management.

INTERNAL CONTROL

- 17 In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

• Leadership

The current level of oversight responsibility over reporting and compliance with laws and regulations and internal control exercised by the accounting officer and delegated leadership can be improved.

Documented and implemented policies and procedures (relevant to both the financial and non-financial environment) are not sufficiently monitored to ensure that the operations of the entity comply with relevant legislation and regulations.

Although the appropriate level of leadership regularly reviews management reporting in terms of best practice, mentioned practices did not detect misstatements of financial statements and performance information submitted for audit.

- **Financial and performance management**

The financial statements, supporting schedules to the financial statements and other information to be included in the financial statements are not always prepared to ensure completeness and accuracy thereof.

- **Governance**

Mitigating actions to address risks, relating to compliance with laws and regulations and performance against predetermined objectives, as identified by the department, were not properly implemented.



Auditor General

Pretoria
31 July 2011



ACCOUNTING POLICY

1. SIGNIFICANT ACCOUNTING POLICIES

The African Renaissance and International Co-Operation Fund as specified in Schedule 3A of the Public Finance Management Act (PTMA), Act No. 1 of 1999 (as amended by Act 29 of 1999)

The principle accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2. BASIS OF PREPARATION

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

These financial statements are prepared in accordance with the going concern principle and on an accrual basis with the measurement base applied being the historical cost unless otherwise stated.

In applying accounting policies management is required to make various judgements, 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 judgements and estimates are explained in the relevant policy where the impact on the financial statements may be material.

The following GRAP Standards have been approved but are not yet effective:

STANDARD	SUMMARY AND IMPACT	EFFECTIVE DATE OF STANDARDS
GRAP 24 – Presentation of Budget Information in Financial Statements	<p>This standard requires a comparison of budget and actual amounts and an explanation for material differences.</p> <p>The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.</p>	Issued by the ASB November 2007. Effective date 1 April 2012
GRAP 26 – Impairment of Cash – generating Assets	<p>This standard prescribes the procedures to determine whether a cash generated asset is impaired and to ensure that impairment losses are recognized.</p> <p>The impact on the financial results and disclosure is considered to be minimal.</p>	Issued by the ASB March 2009. Effective date 1 April 2012

2.1 Going concern

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

2.2 Currency

These financial statements are presented in the South African Rand since that is the currency in which the entity transactions are denominated.



2.2.1 Revenue

Revenue from State contributions and interest from investments are accounted for on the accrual basis. Interest on loans is brought into account in the year in which it is capitalised or accrued. Interest on loans is calculated bi-annually in arrears on the balance outstanding, and where withdrawals were made during the period, from the date of each withdrawal. In accordance with international practice interest is calculated on the basis of a 360 day year, consisting of 12 months of 30 days each. Interest is not charged on installments in arrears.

2.2.2 Expenses

In accordance with the African Renaissance and International Cooperation Fund Act, 2000 (Act No. 51 of 2000); expenses and the corresponding liability is recognised when the Minister of Finance has issued a concurrence letter indicating approval of projects recommended by the Advisory Committee.

2.2.3 Income tax expense

The charge for current tax is the amount of income taxes payable in respect of the taxable profit (tax loss) for the current period. It is calculated by using tax rates that have been enacted or substantially enacted on the reporting date.

2.2.4 Comparative figures (Re-stated)

The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the Department may reasonably have available for reporting in terms of the Public Finance Management Act.

2.2.5 Debts written off

In terms of the current Act "the Minister may, in consultation with the Minister of Finance and upon recommendation of the advisory committee, write off or convert to grants and any outstanding debts owed to the previous Economic Co-operation Promotions Loans Fund".

2.2.6 Financial Instruments

The Fund's principal financial assets are Cash and Cash Equivalents, Receivables and Long Term Loans granted to other countries. 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 main financial liabilities of the Fund are amounts owed to outside parties in respect of projects approved in terms of the African Renaissance and International Cooperation Fund Act, 2000 (Act No. 51 of 2000)

2.2.7 Impairment of assets

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. In arriving at the recoverable amount management uses its judgment. The impairment loss is recognized in the Statement of Financial Performance as an expense whenever the carrying amount of an asset exceeds its estimated recoverable amount.

2.2.8 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.2.10 Cash and cash equivalent

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities on the statement of financial position.

2.2.11 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

2.2.12 Related party transactions

Related party is the Department of International Relations and Cooperation that controls the Fund in making financial and operating decisions. Specific information with regards to the department's transactions is included in the disclosure notes.

2.2.13 Subsequent events

There have been no significant subsequent events after year end that impacts on the financial statements.

**STATEMENT OF FINANCIAL PERFORMANCE**

	Notes	2010/11 R'000	Restated 2009/10 R'000
Revenue			
Transfers and Subsidies Received	1	401,072	631,371
Other income	2	60,763	33,885
Total revenue		<u>461,835</u>	<u>665,256</u>
Expenditure			
Local and foreign aid assistance	4	(4,000)	(331,000)
Total expenditure		<u>(4,000)</u>	<u>(331,000)</u>
Surplus for the year	3	<u>457,835</u>	<u>334,256</u>
Attributable to:			
Owners of the controlling entity		457,8355	334,256
Minority interests		-	-
		<u>457,8355</u>	<u>334,256</u>

STATEMENT OF FINANCIAL POSITION

	Notes	2010/11 R'000	Restated 2009/10 R'000
ASSETS			
Current assets			
Loans and receivables	6	70,617	44,297
Cash and cash equivalents	7	1,430,817	1,031,982
Total current assets		<u>1,501,434</u>	<u>1,076,279</u>
TOTAL ASSETS			
		<u>1,501,434</u>	<u>1,076,279</u>
LIABILITIES			
Current liabilities			
Trade and other payables	5	445,393	478,073
Total current liabilities		<u>445,393</u>	<u>478,073</u>
TOTAL LIABILITIES			
		<u>445,393</u>	<u>478,073</u>
NET ASSETS			
Accumulated Surplus	9	1,056,041	598,206
TOTAL NET ASSETS AND LIABILITIES		<u>1,501,434</u>	<u>1,076,279</u>

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Accumulated Surplus R'000
Balance as 1 April 2010 as originally stated		297,862
Surplus from previous year		(38,695)
		<hr/>
Surplus for the year 31 March 2010		259,167
		<hr/>
Balance as at 31 March 2010		593,423
Correction of prior period	10	4,783
		<hr/>
		598,206
Surplus for the year		457,835
		<hr/>
Balance as at 31 March 2011	9	1,056,041

CASH FLOW STATEMENT

	Notes	2010/11 R'000	Restated 2009/10 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Appropriation received		401,072	631,371
Interest received	2	60,763	33,885
Cash receipts		<hr/>	<hr/>
		461,835	665,256
Cash paid for projects		<hr/>	<hr/>
		(63,000)	(336,782)
Net cash generated from operating activities	8	398,835	328,473
Net increase in cash and cash equivalents		398,835	328,474
Cash and cash equivalents at the beginning of the year		1,031,982	703,508
Cash and cash equivalents at end of the year	7	1,430,817	1,031,982



NOTES TO THE FINANCIAL STATEMENTS

	2010/11 R'000	2009/10 R'000
1. Transfers and subsidies received		
Transfer payments from controlling entity	401,072	631,371
Total	401,072	631,371
2. Other income		
Short term bank deposits	60,763	33,885
Total	60,763	33,885
3. Reconciliation of budget surplus/deficit with the Surplus/deficit in the statement of financial performance		
Net surplus per the statement of financial performance:	457,835	334,256
Adjusted for:	(457,835)	(334,256)
Projects not approved	(461,835)	(372,951)
Prior year adjustments	4,000	-
Surplus not approved by National Treasury	-	38,695
Increases / decreases in provisions	-	-
Budget surplus for the year	0	0
4. Goods and services		
Local and foreign aid assistance approved for the period	4,000	331,000
Total	4,000	331,000
5. Trade and other payables		
Payables	406,698	439,378
Other Payables	38,695	38,695
Total	Annexure 1 445,393	478,073

NOTES TO THE FINANCIAL STATEMENTS

	2010/11 R'000	2009/10 R'000
6. Trade and other receivables		
Current receivables	0	6,000
Non- current receivables	68,545	36,225
Prepayments	2,072	2,072
Total	Annexure 2 70,617	44,297
7. Cash and cash equivalents		
Cash and balances with banks	1,430,817	1,031,982
Total	1,430,817	1,031,982
For the purpose of the cash flow statement:		
Cash & cash equivalents at the end of the year	1,430,817	1,031,982
Cash & cash equivalents at the beginning of the year	1,031,982	703,509
8. Net cash generated from operations		
Surplus before taxation	457,835	334,256
Changes in working capital	(59,000)	(5,782)
Effect on Payables	(32,680)	(2,767)
Effect on Receivable	(26,320)	(3,015)
Net cash flows from operating activities	398,835	328,474
9. Accumulated Surplus		
Balance at the beginning of the year	598,206	297,862
Net surplus for the year	457,835	334,256
Net surplus for the year	1,056,041	632,118
Adjustment prior year	-	4,783
Adjustment other payables	-	(38,695)
Total	1,056,041	598,206

NOTES TO THE FINANCIAL STATEMENTS

10. Prior year error

The annual financial statements have been restated to correct the amounts that were erroneously omitted in payables and receivables. The effect of the restatement is as follows:

Effect on opening accumulated surplus	R'000		
Increase in accumulated surplus			4,783
Effect on statement of changes in net assets	R'000	R'000	R'000
	Receivables	Payables	Accumulated Surplus
Balance as at 31 March 2010 as previously reported	35,875	435,739	593,423
Adjustment prior period error: unaccounted balances	8,422	3,639	4,783
Guinea Conakry Museum Project	5,000	5,000	-
CHOGM	2,639	2,639	-
Swaziland	1,611	-	1,611
Africa Cup of Nations	(828)	-	(828)
Sudan Elections	-	(4,000)	4,000
Restated balance as at 31 March 2010	44,297	439,378	598,206

The amounts for CHOGM and Guinea Conakry are monies withdrawn for projects but were not fully utilised and were previously omitted in previous year. The amounts for Swaziland and Africa Cup of Nations are repayments for loans which were erroneously not reported. The amount for Sudan Elections was erroneously recognized in 2009\10 financial year; however since concurrence by Minister of Finance was only granted in the 2010\11 financial year, the recognition of this amount was corrected.

11. Taxation

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

NOTES TO THE FINANCIAL STATEMENTS

12. Financial Instruments

The ARF's financial instruments consist primarily of other receivables, cash and cash equivalent and other payables.

The ARF deposits all its cash in reputable financial institution.

12.1 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 the counterparties. The ARF's credit risk is primarily attributable to its receivables. However, this risk is minimal as the ARF receivables consist of funds due from the Department of International Relations and Cooperation and are fully recoverable.

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

12.2 Market risk

12.2.1 Interest rate risk

This is mainly attributable to the ARF's exposure to the interest rates on its cash and cash equivalents. The ARF's sensitivity to interest rates has decreased as a result of decreasing interest rate environment.

Exposure to interest rate is said out to below:

Class of financial instrument	Carrying value	
	31 March 2011 R'000	31 March 2010
Cash and cash equivalents	1,430,817	1,031,982
Net exposure	1,430,817	1,031,982



NOTES TO THE FINANCIAL STATEMENTS

12.2.2 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.

12.2.3 Other risks

Due to the 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 payable, or derivative market instruments.

		31 March 2011 Amount	31 March 2010 Amount
13. Related Parties Reconciliation - DIRCO		R'000	R'000
Payables to DIRCO	Annexure 3	123, 214	96,786
Receivables from DIRCO	Annexure 2	70,617	44,297
		<u>52,597</u>	<u>141,083</u>

ANNEXURE 1:**PAYABLE**

PROJECTS	2010/11 R'000	Restated 2009/10 R'000
Owing to DIRCO: refer to annexure 3	123,214	96,786
Government of Comoros – Electoral assistance projects	5,084	5,084
DRC Observer Mission	34,900	10,081
Zimbabwe Elections	-	2,226
UNISA/DFA Project	3,381	10,850
UN Mission (UNMIL/UNPOL) in Liberia for the rebuilding of the Liberian National Police	7,141	7,141
Mozambique – Operation BAPISA	13,008	13,008
Government of Guinea (Conakry) -Rice Production, Waste management, & Technical assistance	151,875	165,795
Lesotho (Metrology Dam Project)	-	60,000
IGM Expansion project (Madagascar)	14,100	14,100
Timbuktu Manuscript project	2,928	2,928
		13,606
Cuban Medical Brigade in Sierra Leone	13,606	
The establishment of the African Ombudsman Research Centre (AORC)	1,500	3,000
Elections in Sudan	1,188	-
Western Sahara- Funding to support a technical assistance	10,000	10,000
Comoros-support Election Assistance paid to Dirco	13,653	13,653
Government of Uganda - refurbishment and construction of the OR Tambo School of Leadership in Kawaweta.	3,480	3,480
Guinea –Museum project in Kindia	5,000	5,000
CHOGM	2,639	2,639
Trade payables	406,697	439,377
Other Payables	38,696	38,696
Total payables	445,393	478,073

ANNEXURE 2:**RECEIVABLES**

PROJECTS	2010/11 R'000	Restated 2009/10 R'000
Comoros- Support Electoral Assistance	13,653	13,653
Capital redemption received paid to DFA	5,650	5,650
Advance paid to DFA	2,072	2,072
Refund Mali Trust paid to DFA	192	192
Kawaweta Project	3,480	3,480
Saharawi	10,000	10,000
CHOGM	2,639	2,639
Guinea Museum	5,000	5,000
The establishment of the African Ombudsman Research Centre (AORC)	1,500	-
Refund Swaziland	1,611	1,611
DRC	24,820	-
TOTAL	70,617	44,297

**ANNEXURE 3: OWING TO DIRCO**

PROJECTS	2010/11 R'000	2009/10 R'000
OSOC-Guinea Bissau Elections	590	590
Zimbabwe Elections	4,587	2,361
Lesotho Projects	6,552	6,552
Rwanda-Cuban Medical Brigade	17,422	17,422
Mali Cup of Nation	353	353
Timbuktu	17,072	17,072
Seychelles Government –Infrastructural Rehabilitation of Seychelles	26,280	26,280
Burundi	7,500	7,500
Guinea Conacry	20,451	6,530
DFA Goss Unisa	19,595	12,126
Sudan Elections	2,812	-
TOTAL	123,214	96,786

