

Table of Content

African Renaissance and International Co-operation Fund for the year ended 31 March 2008

Contents	
Accounting Officer's Report for year ended 31 March 2008	2-4
Performance information	5-7
Accounting Policies and Related Matters	8-9
Report of the Auditor-General	10-11
Statement of Financial Performance	12
Statement of Financial Position	13
Statement of Changes in Net Assets	14
Cash Flow Statement	15
Notes to the Annual Financial Statements	16-18
Schedule 1	19



AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND

ACCOUNTING OFFICER'S REPORT for the year ended 31 March 2008

Report by the Accounting Officer to the executive authority and Parliament of the Republic of South Africa.

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: Department of Foreign Affairs (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 The current Act replaced the former Economic Co-operation Promotion Loan Fund Act, 1968 (Act No. 68 of 1968) that was repealed on 22 January 2001.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 2007/2008 financial year in terms of the objectives and goals of the Act.

PURPOSE OF THE FUND

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:

- co-operation 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; and
- human resource development.

Loans or other financial assistance are granted in accordance with an agreement entered into by the country in question and the Minister of Foreign Affairs (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.

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:

- the Director-General of Foreign Affairs or the delegate of the Director-General.
- three officers of the department appointed by the Minister.

- two officers of the National Treasury appointed by the Minister of Finance.

RELATED PARTIES

Due to the urgency of some of the projects as well as the lengthy process to be followed to finalise the projects, the Department of Foreign Affairs had to utilise its own funds after the approval of the Director-General or the Minister. This is done with a view of claiming it back from the Fund once a letter of concurrence has been 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 the Fund. This arrangement poses a risk to the Department, as the amount owed by the Fund is not enforceable in the event that the Minister of Finance does not issue the letter of concurrence.

GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

4.1 Income

In terms of the Act, income, amongst other sources, consists of money appropriated by Parliament for the fund. During the year under review, a transfer payment of R300 million was effected by the Department of Foreign Affairs to the Fund.

The interest received 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 R352,172 million was approved to fund the following projects:

(a) Department of Defence- BAPISA Project - R13 million

The South African Department of Defence was mandated, through Operation BAPISA, to destroy unexploded ordinance devices in Mozambique. Operation BAPISA is expected to destroy 750 metric tonnes of ordinance devices. The mandate of Operation BAPISA was to come to an end on 25 May 2007, however, due to the change in mandate from humanitarian assistance to "military assistance", the expanded scope included the clearance and demolition of unexploded ordinance at the ammunition storage facility which increased the cost of the project by an additional R7, 120,133 from the original R5, 887,709.

(b) Humanitarian Assistance to the Western Sahara - R 22 million

The Western Sahara, which is located in the north west of the African continent, remains the last of the African states yet to be de-colonised. An amount of R22 million was approved to fund three projects that were identified:

- Funding of R8 million was approved to fund a humanitarian landmine removal project that will include training in de-mining-management, victim assistance and rehabilitation. The training will be targeted at providing appropriate de-mining in extreme desert conditions in strategic areas to promote the safe return of refugees and also promote economic activity.
- An additional amount of R12 million (R4 million per year over three years) was granted for humanitarian assistance in order to assist the Saharawi authorities in providing housing, securing basic food, water, generators, logistics and subsistence equipment.
- As there are currently no recreational facilities for children in the refugee camps, R2 million was approved to fund the construction of a community sports facility in the camps.

(c) Comoros – Assistance for the Holding of Elections – R 31.670 million

South Africa had previously identified Comoros as a key priority. During the 2007/8 financial year funding of R31, 670 million was granted to support South Africa's assistance to the Government of Comoros in the presidential elections that was held during 2007. The focus was on training a group of Comorian armed personnel, including the gendarmerie, to provide security during the elections, attach electoral experts to assist the electoral commission in implementing its electoral plan and provide advice when required. The goal for South Africa was to ensure that the Comorian Government is capacitated to organise future elections.

(d) South African Observer Mission (SADC) to Zimbabwe Elections - R 10 million

Zimbabwe held its local, parliamentary and presidential elections in March 2008. Following a cabinet decision, it was agreed that the South African observer mission would form part of the SADC delegation. An amount of R10 million was granted for the funding of the South African component of the SADC Observer Mission. The South African component comprised of members of Parliament, Non-Governmental Organisations as well as Government officials.

(e) Government of the Democratic Republic of Congo - R 81. 256 million

The South African Government has committed considerable resources and effort into the democratic processes of the Democratic Republic of Congo (DRC) in previous years. In line with South Africa's commitment in the DRC, a further five projects were approved during the 2007/8 financial year:

- Public Census project
- Supporting institutional and organisational capacity-building of the decentralised structures of the DRC,
- Implementation of a 4-year development plan aimed at fast-tracking the development of skills in key areas such as

public project management, the delivery of a functioning local development institute (l'ENA) and the rapid creation of a core base of skills capable of servicing the social delivery demands of the DRC.

- Provision of support to the REGIDESO (water supply corporation) in the Katanga Province of the DRC and the
- Training of immigration officers and developing a population register for the DRC.

(f) African Economic Research Consortium (AERC) – R 2.1 million

The AERC is a Kenyan based organisation that promotes world-class economic research by providing research grants to universities, organising seminars and developing a doctoral programme. The AERC receives funding from the African Development Bank and Department for International Development (DFID). With most economic research being conducted outside the African continent, funding was approved to support this human resource development project.

(g) Government of Guinea – Funding for Rice Production, Technical Assistance - R 172. 327 million

The staple food in Guinea Conakry is rice. However, a shortage of rice led to exorbitant price increases. The problem lies in the fact that there are too few skilled commercial farmers who can efficiently maximize rice outputs. The funding was granted to support an agreement by the Vietnamese to assist in the knowledge transfer and skills transfer for efficient rice production. Funding was also made available for electricity stabilisation in Guinea as well as cleaning the city of Conakry. Furthermore, funding was approved for the construction of a Museum in Kindia, Guinea Conakry. The funding was to be made available over a three-year period.

(h) Pan African Women's Organisation (PAWO) - R 11. 756 million

The PAWO requested for funding to host a congress in South Africa in 2008. PAWO, which was the first continental women's organisation that was formally inaugurated in 1962, had as one of its main objectives the mobilisation of women in countries that were still colonised to fight for liberation. PAWO took a decision in 1997 that the 9th Congress would be held in South Africa. The funding was to assist the organisation in the holding of this congress. The congress was successfully held during February 2008.

(i) Assistance in the Hosting of Commonwealth Heads of Government Meeting (CHOGM) in the Republic of Uganda - R 10 million

The Ugandan Government requested assistance in training of its security and protocol officials, as well as for a technical

team to travel to Uganda to assist with security logistics for the CHOGM Summit. The funding was allocated to assist Uganda with the successful hosting of the 2007 CHOGM.

(j) Guinea-Bissau Anti Drug Trafficking Efforts - R 1 million

The United Nations Office for Drugs required an amount of R19 million to assist in the Guinea-Bissau Anti Drug Trafficking efforts. The second round of pledging was held in Geneva in March 2008 and the funding consisted of South Africa's pledge to assist in these efforts, given the historical friendship between the two countries and the promise made by our Deputy President during 2006.

(k) O R Tambo School of Leadership in Kawaweta, Republic of Uganda – R14 million

An amount of R14 million has been granted to fund the refurbishment and construction of the O R Tambo School of Leadership in Kawaweta, Uganda. The South African Departments of Public Works, Foreign Affairs, Defence and the Freedom Parks Trust will play a major role in this project. A Memorandum of Understanding (MoU) was signed between the Governments of South Africa and Uganda on 6th March 2007.

In terms of the Memorandum of Understanding, South Africa undertook to contribute R22 million towards the Project with the Department of Public Works contributing the remaining R8 million.

(l) Burundi Peace Process (Office of the Peace Facilitator) – R8. 5 million

Following the funding of R10 million from the ARF to support the establishment of the Office of the Peace Facilitator for the 2006/7 financial year, an amount of R8, 5 million was recommended to enable the Office of the Peace Facilitator to continue with its work in Burundi.

4.3 Payables

As reported in the previous financial years that during 2001/02, the Government of the Republic of Mali made a request for financial assistance in hosting of the 23rd Africa Cup of Nations (AFCON) 2002 Tournament, which was held from 19th January to 10th February 2002. At the time of our intervention, it was established that the preparations for hosting of the tournament were still at initial stages, which rendered the tournament a non starter without South Africa's support.

South Africa at that stage had formulated a bid to host the 2006 World Cup, and it was prudent that support to the AFCON initiative be given in order to gain the confidence of the world that Africa is capable of hosting an event of the magnitude of the World Cup. Had the South African Government not intervened, the AFCON Tournament would not have taken place as no other African country would have been in a position to host the tournament successfully at such a late stage.

The Department of Sports and Recreation was responsible for the management of the project through the Mali Trust Fund. However, due to increased costs, the Minister of Finance requested the audit of the Trust Fund before he could issue a letter of concurrence, which has been duly done by the Auditor General. The Audit report together with the request for concurrence letter has been submitted to the Minister of finance. Although the Minister of Finance has not given concurrence, the matter is currently under discussion with National Treasury.

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 2007 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
- Schedule 1
- Schedule 2
- Schedule 3

The accounting officer has approved the above-mentioned financial statements.



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DR. A NTSALUBA
Director-General: Department of Foreign Affairs
Date: 31 July 2008

SUB-PROGRAMMES/ OBJECTIVES	OUTPUTS/ACTIONS	OUTPUT PERFORMANCE MEASURES/SERVICE DELIVERY INDICATORS/KEY PERFORMANCE INDICATORS	ACTUAL PERFORMANCE AGAINST TARGET	
To support the promotion of democracy & good governance in identified African countries	Support the holding of elections in identified countries on the African continent	<p>Provided funding in respect to South Africa's participation in the SADC Observer Mission to the elections in Zimbabwe</p> <p>Provided funding for technical assistance in the form of training in support of the successful hosting of the presidential elections in the Comoros</p>	<p>Target/Measures</p> <p>Evaluate project proposals</p> <p>Provide funding of R10 million for the South African Observer Mission</p> <p>Form part of the SADC Observer Mission</p> <p>Evaluate project proposals</p> <p>Provide funds to respective South African departments responsible for the facilitation of the training</p> <p>Training of gendarmerie in Comoros in protocol and security</p>	<p>Actual</p> <p>R10 million was approved as funding for the Mission</p> <p>South Africa formed part of the SADC election Observer Mission</p> <p>Zimbabwe elections successfully held on 29 March 2008.</p> <p>R31 million was approved as funding for the elections in Comoros</p> <p>South African technical team sent to Comoros</p> <p>Training provided for protocol and security</p> <p>Elections successfully held</p>
Assist and support in the institutional restructuring and reform of Government in identified African countries	Assist and support in the institutional restructuring and reform of Government in identified African countries	<p>Funding approved by ARF</p> <p>Teams provided technical assistance</p> <p>The following projects initiated:</p> <ul style="list-style-type: none"> - The institutional & organisational capacity building of the decentralised structures of the DRC - public census project - DRC - The development of skills, project management and the delivery of a functioning local development institute (I'ENA) - DRC 	<p>Evaluate project proposals</p> <p>Provide funds for the respective South African departments responsible for the implementation of projects</p>	<p>Funding for all three projects were approved:</p> <ul style="list-style-type: none"> - The institutional & organisational capacity building of the decentralised structures of the DRC - R11.7 million - Public Census Project - R40.3 million - The development of skills, project Management and the delivery of a functioning Local Development Institute (I'ENA) - R3.7 million <p>All three projects were initiated and are in progress</p>

SUB-PROGRAMMES/ OBJECTIVES	OUTPUTS/ACTIONS	OUTPUT PERFORMANCE MEASURES/SERVICE DELIVERY INDICATORS/KEY PERFORMANCE INDICATORS	ACTUAL PERFORMANCE AGAINST TARGET
To support the development of skills and capacity in identified African countries	To provide support in developing educational programmes and management as well as support in public service reform in Africa	<p>Funding approved by ARF</p> <p>Technical assistance provided to identified countries</p> <p>The following projects were initiated:</p> <ul style="list-style-type: none"> - Training of immigration officials in the DRC - Training Ugandan Government security and protocol officials - Trilateral cooperation with the Vietnamese government to facilitate knowledge transfer in Guinea Conakry (rice production) 	<p>Funding for all three projects were approved</p> <p>All three projects were initiated:</p> <ul style="list-style-type: none"> - Training of immigration officials in the DRC - R3.590 million - Trilateral cooperation with the Vietnamese government to facilitate knowledge transfer to Guinea Conakry - R172.327 million - Government security and protocol officials Uganda - R10 million
To support programmes aimed at socio-economic development and integration on the African continent	Provide funding for approved projects from the ARF on technical assistance and local economic development	<p>Funds approved for the following projects:</p> <ul style="list-style-type: none"> - Anti drug trafficking efforts in Guinea Bissau - Economic research programmes on the continent through the African Economic Research Consortium (AERC) - Hosting of the Pan African Women's Organisation (PAWO) Congress in South Africa - The refurbishment and construction of the O R Tambo School of Leadership in Kawayeta, Uganda - Technical and financial assistance to support several projects in the Republic of Guinea (Conakry) 	<p>Evaluate project proposals</p> <p>Provide funds for the respective South African departments responsible for the implementation of projects in the Guinea Bissau, Guinea Conakry and Uganda</p> <ul style="list-style-type: none"> - South Africa pledged R1 million to assist in the anti drug trafficking efforts in Guinea Bissau - Funding of R2.1 million was granted to support the efforts of the AERC - Funding of R11, 756 million was granted for the hosting of the PAWO Congress in February 2008 - Funding of R14 million has been recommended for the O R Tambo School of Leadership in Kawayeta, Uganda - Funding of R172. 327 million has been approved for the rice production, construction of the museum in Kindia, electricity stabilisation, and cleaning of the city.

SUB-PROGRAMMES/ OBJECTIVES	OUTPUTS/ACTIONS	OUTPUT PERFORMANCE MEASURES/SERVICE DELIVERY INDICATORS/KEY PERFORMANCE INDICATORS	ACTUAL PERFORMANCE AGAINST TARGET
Provide and support humanitarian assistance and disaster relief in Africa and elsewhere in the world	Assisted countries that are need of disaster relief by providing funds as well as human and technical resources	Funding approved for the humanitarian projects in the Saharawi Arab Democratic Republic (SADR) Support landmine removal in the SADR Support the establishment of a youth recreational centre in SADR	Evaluate project proposals Provide funds to the SADR to carry out humanitarian projects Approved R12 million for humanitarian assistance to the SADR (R4 million per year) Approved R8 million for a landmine removal project Approved R2 million for the establishment of a youth recreational centre
Promote the implementation of bilateral agreements between South Africa and partner countries within areas of development	Provided funding for the implementation of bilateral agreements between South Africa and partner countries within areas of development	Funding approved for the following bilateral projects: - Operation BAPISA in Mozambique - REGIDESO water supply corporation in the Katanga Province in the DR Congo - Commonwealth Heads of Government Meeting (CHOGM) in Uganda - O R Tambo School of Leadership in Kawayeta, Uganda	Evaluate project proposals Provide funds for the respective South African departments responsible for the implementation of projects in the DR Congo, Mozambique and Uganda All the three projects were approved: - R13 million for Operation BAPISA, - R22 million for the REGIDESO water supply corporation, - R10 million for CHOGM, - R14 million for the refurbishment and construction of the O R Tambo School of Leadership in Kawayeta, Uganda
Support initiatives that enable partner countries to promote justice, human rights and respect for international law	Provided financial assistance to promote the prevention and resolution of conflict in Africa	Approve funding for the facilitation of the peace process in Burundi	Evaluate project proposals Provide funding to enable the Office of the Peace Facilitator to continue its work in Burundi R8, 5 million was recommended to enable the Office of the Peace Facilitator to continue its work in Burundi

AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 March 2008

1. Basis of accounting

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statement	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in items presented and disclosed in the financial statements. The implementation of GRAP 1,2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Shared capital
Distribution to owners	Dividends
Reporting date	Balance sheet date

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions must be presented separately on the statement of financial position

4. The amount and nature of any restrictions and cash balances is required to be disclosed.

Paragraph 11 – 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

2. Revenue

Revenue from state contributions and interest from investments is accounted for on the accrual basis of accounting. 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 instalments in arrears.

3. Comparative figures

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.

4. 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 any outstanding debts owed to the previous Economic Co-operation Promotions Loans Fund".

5. 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 due to the Department of Foreign Affairs for loans that are awaiting concurrence letters from the Minister of Finance, as well as amounts owed to outside parties in respect of projects approved in terms of the African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000)

6. 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 judgement. The

impairment loss is recognised in the statement of financial performance as an expense whenever the carrying amount of an asset exceeds its estimated recoverable amount.

7. Rounding

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

8. Related party transactions

Related party is the department of Foreign Affairs 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.



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE AFRICAN RENAISSANCE AND INTERNATIONAL CO-OPERATION FUND FOR THE YEAR ENDED 31 MARCH 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the African Renaissance and International Co-operation Fund which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 19.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in the accounting policy note 1 to the annual financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 6(1) of the African Renaissance and International Co-operation Fund Act, 2000 (Act. No 51 of 2000), my responsibility is to express an opinion on these financial statements based on my audit.
4. The audit was conducted in accordance with the International Standards on Auditing read with *General*

Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. 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.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

The Fund's policy is to prepare financial statements on the basis of accounting determined by the National Treasury of South Africa, as set out in the accounting policy note 1 to the annual financial statements.

Opinion

8. 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 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as set out in the accounting policy note 1 to the annual financial statements and in the manner required by the PFMA.

OTHER MATTER

Without qualifying my opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

Matters of governance

9. The PFMA tasks the accounting officer with a number of responsibilities concerning financial risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The Fund had an audit committee in operation throughout the financial year.	Yes	
• The audit committee operates in accordance with approved, written terms of reference.	Yes	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10/27.1.8	Yes	
Internal audit		
• The department had an internal audit function in operation throughout the financial year.	Yes	
• The internal audit function operates in terms of an approved internal audit plan.	Yes	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2/27.2.	Yes	
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines section 40 of the PFMA for departments and constitutional institutions.	Yes	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		No
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	Yes	
The prior year's external audit recommendations have been substantially implemented.	Yes	
SCOPA resolutions have been substantially implemented.	Yes	

OTHER REPORTING RESPONSIBILITIES

REPORTING ON PERFORMANCE INFORMATION

10. I have audited the performance information as set out on pages 12 to 19.

Responsibilities of the accounting officer for the performance information

11. The accounting officer has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

Responsibility of the Auditor-General

12. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2007*.

13. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.
14. I believe that the evidence I have obtained is sufficient and appropriate to report that no findings have been identified as a result of my audit.

APPRECIATION

15. The assistance rendered by the staff of the Department of Foreign Affairs during the audit is sincerely appreciated.

Auditor-General

Pretoria
31 July 2008



African Renaissance and International Co-operation Fund
Statement of Financial Performance for the year ended 31 March 2008

	Notes	31/03/2008 R'000	Restated 31/03/2007 R'000
Revenue			
Transfers and Subsidies Received	1	300,000	150,000
Other income	2	36,306	28,957
Total revenue		<u>336,306</u>	<u>178,957</u>
Expenditure			
Local and foreign aid assistance	3	(352,172)	(389,321)
Other operating expenses			
Total expenditure		<u>(352,172)</u>	<u>(389,321)</u>
Surplus/(Deficit) for the year		<u>(15,866)</u>	<u>(210,364)</u>

African Renaissance and International Co-operation Fund
Statement of Financial Position as at 31 March 2008

	Notes	31/03/2008 R'000	Restated 31/03/2007 R'000
ASSETS			
Current assets			
Loans and Receivables	4	34,386	8,742
Cash and cash equivalents		466,983	205,804
Total assets		501,369	214,546
LIABILITIES			
Current liabilities			
Local and foreign aid assistance payable	3	456,404	153,715
Total liabilities		456,404	153,715
NET ASSETS			
Accumulated Surplus/(Deficit)	8	44,965	60,831
Total Net Assets and liabilities		501,369	214,546

African Renaissance and International Co-operation Fund
Statement of Changes in Net Assets for the year ended 31 March 2008

	Notes	Accumulated Sur- plus/(Deficit) R'000
Balance at 01 April 2006 as previously reported		273,195
Prior year adjustments		(2,000)
Restated Balance as at 31 March 2006		271,195
Deficit for the year as previously reported		(213,464)
Adjustment: Increase in project expense		3,100
Restated Balance as at 31 March 2007		60,831
Deficit for the year		(15,866)
Balance as at 31 March 2008	8	44,965

African Renaissance and International Co-operation Fund
Cash Flow Statement for the year ended 31 March 2008

	Notes	31/03/2008 R'000	Restated 31/03/2007 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		300,000	150,000
Cash paid to suppliers and employees		(75,127)	(324,140)
Cash generated from/(utilised in) operations		224,873	(174,140)
Interest received		36,306	28,957
Net cash inflows/outflows from operating activities	7	261,179	(145,183)
Net increase/(decrease) in cash and cash equivalents		261,179	(145,183)
Cash and cash equivalent at the beginning of the year		205,804	350,987
Cash and cash equivalent at end of the year	5	466,983	205,804

African Renaissance and International Co-operation
Notes to the Annual Financial Statements for the year ended 31 March 2008

	31/03/2008	Restated
	R'000	31/03/2007
		R'000
1. Transfers and subsidies received		
National Departments	300,000	150,000
Total	300,000	150,000
2. Other income		
Interest on investments	36,306	28,957
Total	36,306	28,957
3. Local and foreign aid		
Local and foreign aid assistance payable Schedule1	456,404	153,715
Local and foreign aid assistance paid	352,172	389,321
4. Trade and receivables		
Other receivables	32,314	6,670
Prepayments	2,072	2,072
Total	34,386	8,742
5. Cash and cash equivalents		
Cash and balances with banks	466,983	205,804
Cash In Transit	0	0
Total	466,983	205,804
For the purpose of the cash flow statement:		
Cash & cash equivalents	466,983	205,804
Bank Overdraft	-	-
Cash & cash equivalents at 1 April 2006		350,987

African Renaissance and International Co-operation
Notes to the Annual Financial Statements for the year ended 31 March 2008

	31/03/2008	Restated
	R'000	31/03/2007
		R'000
6. Cash generated from/(utilised in) operations		
Surplus before taxation	(15,866)	(210,364)
Impairment of financial assets	0	0
Investment income	(36,306)	(28,957)
Operating cash flows before working capital changes		
Working capital changes	277,045	65,181
Cash generated from operations	<u>224,873</u>	<u>(174,140)</u>
7. Net cash inflows/outflows from operating activities		
Cash receipts from customers	300,000	150,000
Cash payments to suppliers and employees	(75,127)	(324,140)
Cash generated from/(utilised in) operations	<u>224,873</u>	<u>(174,140)</u>
Interest received/(paid)	36,306	28,957
Net cash inflows/ outflows from operating activities	<u>261,179</u>	<u>(145,183)</u>
8. Accumulated Surplus		
Accumulated surplus		
Balance at 1 April as originally stated	60,831	271,195
Net surplus/deficit for the year	(15,866)	(210,364)
Total	<u>44,965</u>	<u>60,831</u>
9. Related party		
Department of Foreign Affairs	45,927	45,927
Total	<u>45,927</u>	<u>45,927</u>
10. Prior year error		
The annual financial statements have been restated to correct the amounts that were erroneously processed in payables and cash and cash equivalents. The effect of the restatement is as follows:		
	R'000	
Effect on opening accumulated surplus		
Increase in project expense	(2,000)	
Effect on prior year deficit		
Decrease in project expense	3,100	

African Renaissance and International Co-operation
Notes to the Annual Financial Statements for the year ended 31 March 2008

Effect on statement of financial position

	United Cities and local Government of Africa Payables	DFA Payables	Cash and cash equivalents
	R'000	R'000	R'000
Balance as at 31 March 2006 as previously reported	3,000	46,797	350,987
Adjustment: incorrect allocation of expenses	2,000	-	-
Restated balance as at 31 March 2006	5,000	46,797	350,987
Movement for the year	-	12,230	(135,183)
Balance as at 31 March 2007 as previously reported	5,000	59,027	215,804
Adjustment:			
Incorrect allocation of expenses	-	(13,100)	-
Incorrect inclusion of cash in transit	-	-	(10,000)
Restated balance as at 31 March 2007	5,000	45,927	205,804

**African Renaissance and International Co-operation Fund
Annual Financial Statements for the year ended 31 March 2008**

Schedule 1: Payables	Restated	
	2007/08 R'000	2006/07 R'000
Department of Foreign Affairs	45,926	45,927
SA Contribution to AU Peace Fund for Comoros	5,084	5,084
SA Contribution to Guinea Elections	81	81
DRC observer mission	10,000	10,000
Zimbabwe Elections	12,226	2,226
UNISA/DFA project	22,976	22,976
United Cities and Local Governments of Africa		5,000
Burundi Project	16,000	10,000
United Nations Mission	7,141	7,141
Guinea- Museum Project	5,000	5,000
Government of Seychelles	26,280	26,280
Association of SADC Chambers of Commerce and Industry		6,500
DRC-Security project		7,500
Mozambique- Funding of Operation Bapisa	13,008	
Assistance to the African Economic Research Consortium	2,100	
Guinea Rice Production	172,325	
Western Sahara-Technical Assistance	22,000	
Department of Defence - DRC post elections	81,257	
Government of Guinea-Bissau anti-drug trafficking	1,000	
Uganda- Kawaweta Project	14,000	
Total Payables	456,404	153,715

