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ACCOUNTING OFFICER'S REPORT

REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

1. INTRODUCTION

The African Renaissance and International Cooperation Fund (hereafter referred to as the Fund) was established in terms of Section 2(1) of the African Renaissance and International Cooperation Fund Act, 2000 (Act 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 The current Act replaced the former Economic Cooperation Promotion Loan Fund Act, 1968 (Act 68 of 1968), that was repealed on 22 January 2001. The report covers the activities of the Fund during the 2011/12 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:
- 2.1.1 cooperation between the Republic of South Africa and other countries, in particular African countries
 - 2.1.2 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
 - 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 DG of International Relations and Cooperation or the delegate of the DG
 - 2.3.2 three officers of the department appointed by the Minister
 - 2.3.3 two officers of National Treasury appointed by the Minister of Finance.

3. RELATED PARTIES

The Fund is managed by Department of International Relations and Cooperation (DIRCO) 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: R527,547 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 R450,370 million was appropriated and subsequently transferred by DIRCO to the Fund.

The interest received of R77,177 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 270,636,420 million was approved to fund the following projects:

(a) Technical assistance to the mandate of the United Nations Independent Expert on Human Rights and Extreme Poverty of the UN Human Rights – R1,2 million

The South African Government made available an amount of R1,2 million towards research in the area of economic development and poverty eradication to assist the review of the UN “Draft Guiding Principles on Extreme Poverty and Human Rights” with a view to provide and factor in technical knowledge on African-specific needs for development and poverty eradication.

(b) Improvement of veterinary laboratory capacities in South Saharan African countries – DIRCO: International Atomic Energy Agency (IAEA) – R15 million

The South African Government contributed R15 million to the IAEA for the improvement of veterinary laboratory capacities in South Saharan African countries. The main objective of the project is to support Sub-Saharan African countries affected by transboundary animal diseases through building and enhancing capacities for animal disease diagnosis in a sustainable manner. This will be done through training but also by providing adequate equipment and reagents to enable implementation of different disease diagnostic tests, in particular molecular biology and nuclear-based techniques, guidelines and expert backstopping and support.

(c) South Africa’s International Diplomatic Training Programme – R13,6 million

The South African Government approved an amount of R13,6 million for an International Diplomatic Training Programme the DIRCO Diplomatic Academy. The main objective of the training programme is to address the challenges of human resources capacity in the field of diplomacy in developing countries, particularly African countries. The training takes place in South Africa and targets diplomats who are already in the civil service in their respective countries.

(d) Cuba Economic Aid Package – R100 million

The South African Government approved an amount of R100 million towards supporting the economic recovery of Cuba following the hurricanes 2008. This assistance is

a fulfillment of a promise that South Africa made to assist Cuba to recover from the devastating damage from three consecutive hurricanes that caused severe damage to the agricultural sector in Cuba, as well as to contribute to the country’s food security. R60 million of the amount will cover a grant assistance while R40 million will cover an agricultural assistance package (purchase of seeds and fertilizers).

(e) Participation in African Union (AU)/Southern African Development Community (SADC) observer missions – R5 million

Funding was approved to the amount of R5 million for South Africa’s participation in SADC and AU observer missions during the financial year. The objective is to observe whether elections are conducted within the context of AU/SADC principles and guidelines governing democratic elections and to help ensure that elections are conducted in a conducive environment to enable the deepening of democracy on the continent.

(f) Humanitarian assistance to Somalia – R10,636,420 million

The South African Government put aside an amount of R13,636,420 million to transport humanitarian assistance donated by SADC member states to the people of Somalia. The overall goal of the project was to deliver SADC humanitarian assistance to the areas of need in Mogadishu, Somalia, and also assist alleviate the dire humanitarian and socio-economic situation prevailing in that country.

(g) Electoral assistance to the Democratic Republic of Congo (DRC) – R125,2 million

Funding was approved to assist the DRC to undertake successful Presidential and legislative elections in November 2011. In this regard, R1,2 million was approved for an Independent Electoral Commission (IEC) capacity development project, R100 million for the South African National Defence Force (SANDF) to transport 2 700 tons of ballot papers and R24 million to the South African Police Service (SAPS) to purchase radio telecommunications and riot equipment.

(h) 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 DIRCO 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 South African Development Partnership Agency (SADPA) during 2012/13 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 SADPA.

5. SCOPA RESOLUTIONS

There are no outstanding SCOPA resolutions.

The financial position of the ARF as at 31 March 2012 and the results of its operations are set out in the attached annual financial statements:

- 5.1 Statement of Financial Performance
- 5.2 Statement of Financial Position
- 5.3 Statement of Changes in Net Assets
- 5.4 Cash-Flow Statement
- 5.5 Notes to the Annual Financial Statements
- 5.6 Annexure 1 – Payables
- 5.7 Annexure 2 – Receivables
- 5.8 Annexure 3 – Owing to DIRCO.

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


Ambassador JM Matjila
Director General
31 May 2012

AFRICAN RENAISSANCE AND INTERNATIONAL COOPERATION FUND ANNUAL PERFORMANCE ASSESSMENT

PERFORMANCE INFORMATION REPORT: Annual Report (1 April 2011-31 March 2012)

PROGRAMME 2

Outcome 3: Technical and Development Cooperation

OBJECTIVES	DELIVERABLES	ACTUAL PERFORMANCE AGAINST TARGET			
		Target	Actual		
			Achieved	Not achieved	Way forward
To manage the African Renaissance and International Cooperation Fund (ARF).	Managed the ARF.	Manage the ARF in accordance with ARF Act, 2000 and PFMA, 1999.	<p>Managed the ARF in accordance with ARF Act, 2000 and PFMA, 1999.</p> <p>Held eight ARF Advisory Committee (AC) meetings during the course of the year.</p> <p>14 projects were recommended by the ARF AC to the two responsible as at 31 March 2012. The countries covered by the projects were the Democratic Republic of Congo (DRC), Somalia, Guinea Bissau, Guinea Conakry, Niger, and Congo. The DST AVN project involves a number of African countries. A total of R270 636 420.00 was approved for the financial year.</p> <p>Attended and reported on monitoring and evaluation visits to the DRC in May 2011 and to Guinea Conakry in December 2011.</p> <p>Finalised the ARF Accounting Officer and performance information reports (separate from departmental reports).</p> <p>Solicited and received project reports with regard to projects in Uganda, the DRC, Lesotho and the African Ombudsman Research Centre.</p>	The process of securing concurrence letters is holding back disbursement on some projects.	Continue to manage the ARF in accordance with ARF Act, 2000 and PFMA, 1999.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE AFRICAN RENAISSANCE AND INTERNATIONAL COOPERATION FUND FOR THE YEAR ENDED 31 MARCH 2012

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the African Renaissance and International Cooperation Fund set out on pages 10 to 19, which comprise the Statement of Financial Position as at 31 March 2012, the Statement of Financial Performance, Statement of Changes in Net Assets and the Cash Flow Statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The 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 South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA), African Renaissance and International Cooperation Fund Act, 2000 (Act 51 of 2000), and for such internal control as the management 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 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 2012, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the PFMA, 1999.

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 relevant to performance against predetermined objec-

tives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on page 7 of the Annual Report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information (FMPPI). The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
10. The material findings are as follows on the annual performance report concerning the usefulness and reliability of the information.

Usefulness of information

Performance targets not specific

11. The National Treasury FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 100% of the target relevant to manage the African Renaissance and International Cooperation Fund was not specific in clearly identifying the nature and the required level of performance.

Performance indicators not well defined

12. The National Treasury FMPPI requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 100% of the target relevant to manage the African Renaissance and International Cooperation Fund was not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.

Compliance with laws and regulations

13. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

14. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the findings on compliance with laws and regulations included in this report.

Leadership

15. The monitoring controls to ensure that there is adequate oversight exercised over the report on predetermined objectives and the compliance were not sufficient, resulting in material findings on the predetermined objectives.

Auditor-General

Pretoria
31 July 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ACCOUNTING POLICY

1. SIGNIFICANT ACCOUNTING POLICIES

The African Renaissance and International Cooperation Fund as specified in Schedule 3A of the Public Finance Management Act (PFMA), 1999 (Act 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.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) set out in Appendix E to ASB Directive 5, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.2 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.

1.3 GRAP standards not yet approved

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

STANDARD
GRAP 21 - Impairment of non-cash-generating assets
GRAP 23 - Revenue from non-exchange transactions (taxes and transfers)

GRAP 24 – Presentation of Budget Information in financial statements
GRAP 26 – Impairment of cash-generating assets
GRAP 103 - Heritage assets
GRAP 104 - Financial instruments

1.4 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.

1.5 Currency

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

1.5.1 Revenue

Revenue from state contributions and interest from investments are accounted for on the accrual basis. 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.

1.5.2 Expenses

In accordance with the African Renaissance and International Cooperation Fund Act, 2000 (Act 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.

1.5.3 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 PFMA, 1999.

1.5.4 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”.

1.5.5 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 owed to outside parties in respect of projects approved in terms of the African Renaissance and International Cooperation Fund Act, 2000.

1.5.6 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.

1.5.7 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.

1.5.8 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, and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities on the Statement of Financial Position.

1.5.9 Rounding

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

1.5.10 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 regard to the department's transactions is included in the disclosure notes.

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2012

	Notes	2011/12 R'000	2010/11 R'000
Revenue			
Transfers and subsidies received	1	450,370	401,072
Other income	2	77,177	60,763
Total revenue		527,547	461,835
Expenditure			
Local and foreign aid assistance	4	(270,636)	(4,000)
Provision for impairment of trade receivables	6	(9,526)	-
Total expenditure		(280,162)	(4,000)
Surplus for the year	3	247,385	457,835

STATEMENT OF FINANCIAL POSITION as at 31 March 2012

	Notes	2011/12 R'000	2010/11 R'000
ASSETS			
Non-current assets			
Trade and other receivables	6	66,931	70,617
Total non-current assets		66,931	70,617
Current assets			
Cash and cash equivalents	7	1,727,595	1,430,817
Total current assets		1,727,595	1,430,817
TOTAL ASSETS		1,794,526	1,501,434
LIABILITIES			
Current liabilities			
Trade and other payables	5	409,936	445,393
Total current liabilities		409,936	445,393
TOTAL LIABILITIES		409,936	445,393
NET ASSETS			
Accumulated surplus	9	1,384,590	1,056,041
TOTAL NET ASSETS AND LIABILITIES		1,794,526	1,501,434

STATEMENT OF CHANGES IN NET ASSETS as at 31 March 2012

	Notes	Accumulated Surplus R'000
Balance as 1 April 2011 as originally stated		598,206
Surplus for the year 31 March 2011		457,835
Balance as at 31 March 2011		1,056,041
Surplus for the year		247,385
Refunds of unspent funds and previous surplus	9	81,164
Balance as at 31 March 2012	9	1,384,590

CASH FLOW STATEMENT for the year ended 31 March 2012

	Notes	2011/12 R'000	2010/11 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Appropriation received	1	450,370	401,072
Interest received	2	77,177	60,763
Other Income	9.1	19,738	-
Cash receipts		547,285	461,835
<hr/>			
Cash paid for projects		(250,507)	(63,000)
<hr/>			
Net cash generated from operating activities	8	296,778	398,835
<hr/>			
Net increase in cash and cash equivalents		296,778	398,835
Cash and cash equivalents at the beginning of the year		1,430,817	1,031,982
Cash and cash equivalents at end of the year	7	1,727,595	1,430,817

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
1. Transfers and subsidies received		
Transfer payments from controlling department	450,370	401,072
Total	450,370	401,072
2. Other income		
Interest		
Short-term bank deposits	77,177	60,763
Total	77,177	60,763
3. Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance		
Net surplus per the Statement of Financial Performance:	247,385	457,835
Adjusted for:	(247,385)	(457,835)
Projects not approved	(247,385)	(461,835)
Prior year adjustments	-	4,000
Surplus not approved by National Treasury	-	-
Increases/decreases in provisions	-	-
Budget surplus for the year	0	0
4. Goods and services		
* Local and foreign aid assistance approved for the period	270,636	4,000
Total	270,636	4,000
*Local and foreign aid assistance consists mainly of the following:	R'000	
Economic aid assistance	100 000	
Transportation of ballot papers	100 000	
Purchase of riot equipment	24 000	
Other	46 636	
5. Trade and other payables		
Payables	409,936	445,393
Total Annexure 1	409,936	445,393
6. Trade and other receivables		
Non-current receivables	74,385	68,545
Prepayments	2,072	2,072
	Annexure 2	76,457
Less: Provision for impairment of trade receivables	(9,526)	-
Total	66,931	70,617

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

7. Cash and cash equivalents

	2011/12 R'000	2010/11 R'000
Cash and balances with banks	1,727,595	1,430,817
Total	1,727,595	1,430,817

For the purpose of the Cash Flow Statement:

Cash & cash equivalents at the end of the year	1,727,595	1,430,817
Cash & cash equivalents at the beginning of the year	1,430,817	1,031,982

8. Net cash generated from operations

Surplus before taxation	247,385	457,835
Changes in working capital	49,393	(59,000)
Increase/(decrease) on payables	(35,457)	(32,680)
Decrease/(increase) on receivables	3,686	(26,320)
Other (Retained surplus for previous years, proceeds from completed projects)	81,164	
Net cash flows from operating activities	296,778	398,835

9. Accumulated surplus

Balance at the beginning of the year	1,056,041	598,206
Net surplus for the year	247,385	457,835
Net surplus for the year	1,303,426	1,056,041
Refund of unspent funds	19 738	
Other	61 426	
Total	1,384,590	1,056,041

9.1. Refund of unspent funds

	19,738	
Comoros	13,653	-
Kawaweta	3,446	-
CHOGM	2,639	-
Other	61,426	
Surplus from previous year	38,695	-
DRC Project	10,327	-
DFA GOSS UNISA	12,404	-
Total	81,164	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

The amounts for Comoros, Kawaweta and CHOGM are funds received for unspent funds on completed projects. The amount of surplus from the previous year was approved by National Treasury for retention. The amounts for the DRC Project and DFA GOSS UNISA were received by DIRCO for the completed projects in the 2011/12 financial year.

10. Taxation

No provision has been made for taxation, as the 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 other receivables, cash and cash equivalent and other payables. The ARF deposits all its cash in reputable financial institution.

11.1 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 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.

11.2 Market risk

11.2.1 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 2012 R'000	31 March 2011 R'000
Cash and cash equivalents	1,727,595	1,430,817
Net exposure	<u>1,727,595</u>	<u>1,430,817</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

11.2.2 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.

11.2.3 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 2012 Amount	31 March 2011 Amount
		R'000	R'000
12. Related parties reconciliation – DIRCO			
Payables to DIRCO	Annexure 3	18,648	123,214
Receivables from DIRCO	Annexure 2	76,457	70,617
		57,809	52,597

Annexure 1: Payables

PROJECTS	2011/12 R'000	2010/11 R'000
Owing to DIRCO: Refer to annexure 3	18,648	123,214
Government of Comoros – Electoral assistance projects	5,084	5,084
DRC Observer Mission	34,900	34,900
UNISA/DFA Project	2,023	3,381
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 and technical assistance	136,383	151,875
IGM Expansion Project (Madagascar)	14,100	14,100
Timbuktu Manuscript Project	2,928	2,928
Cuban Medical Brigade in Sierra Leone	8,226	13,606
The establishment of the African Ombudsman Research Centre (AORC)	-	1,500
Elections in Sudan	827	1,188
Western Sahara – Funding to support a technical assistance	10,000	10,000
Comoros – support Election Assistance paid to Dirco	-	13,653
Government of Uganda – refurbishment and construction of the OR Tambo School of Leadership in Kawaweta	-	3,480
Guinea – Museum Project in Kindia	5,000	5,000
CHOGM	-	2,639
South Africa's participation in 2011 AU and SADC election observer missions	224	-
Improvement of veterinary laboratory capacities in Sub-Saharan Africa	15,000	-
International Diplomatic Training Programme (IDTP)	12,182	-
The Cuba Economic Aid Package	100,000	-
SAPS to Purchase Riot Equipment – DRC	24,000	-
Independent Electoral Commission (IEC)-DRC	262	-
Other payables		38,696
Total payables	409,936	445,393

Annexure 2:

Receivables

PROJECTS	2011/12 R'000	2010/11 R'000
Comoros – Support Electoral Assistance	-	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
Saharawi	10,000	10,000
CHOGM	-	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	35,146	24,820
UNISA/DFA Project	16,425	-
International Diplomatic Training Programme (IDTP)	136	
South Africa's participation in 2011 AU and SADC election observer missions	224	
TOTAL	76,457	70,617

Annexure3: Owing to Dirco

PROJECTS	2011/12 R'000	2010/11 R'000
OSOC-Guinea Bissau Elections	590	590
Zimbabwe elections	2,227	4,587
Lesotho projects	6,552	6,552
Rwanda-Cuban Medical Brigade	-	17,422
Mali Cup of Nation	353	353
Timbuktu	-	17,072
Seychelles Government – Infrastructural Rehabilitation of Seychelles	-	26,280
Burundi	7,500	7,500
Guinea Conakry	487	20,451
DFA GOSS UNISA	-	19,595
Sudan Elections	1	2,812
Independent Electoral Commission (IEC)-DRC	938	
TOTAL	18,648	123,214

