



CONNECT • SHARE • REFORM

**Collaborative Africa Budget Reform Initiative
Annual Financial Statements
for the year ended 31 March 2016**

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

General Information

Country of Incorporation and domicile	Republic of South Africa
Nature of business and principal activities	The Collaborative Africa Budget Reform Initiative is an intergovernmental organisation that provides a platform for peer learning and exchange for African ministries of finance and planning.
Member countries	
Member countries	Burkina Faso Central African Republic Kingdom of Lesotho Republic of Côte d'Ivoire Republic of Ghana Republic of Kenya Republic of Liberia Republic of Mali Republic of Mauritius Republic of Rwanda Republic of Senegal Republic of South Africa Republic of The Gambia
Management Committee members	Mr G Wamoustoyo - Chairman Mr P Nomo - Alternate Chairman Mr S Traore Mr S Kiiru Dr K Brown Mr L Ouedraogo - Ex-officio member Mr NG Cole - Ex-officio member
Business address	Southdowns Ridge Office Park Cnr of John Vorster & Nellmapius Drive Centurion South Africa 0062
Postal address	Postnet Suite 314 Private Bag X 06 Waterkloof South Africa 0145
Auditors	Morar Incorporated Chartered Accountants (S.A.) Registered Auditors
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Agreement Establishing the Collaborative Africa Budget Reform Initiative.
Preparer	The annual financial statements were internally compiled by: Mrs S Vermaak Financial Manager
Issued	10 October 2016

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the Management Committee:

Index	Page
Management Committee's Responsibilities and Approval	3
Independent Auditor's Report	4 - 5
Management Committee's Report	6 - 13
Statement of Financial Position	14
Statement of Surplus or Deficit and Other Comprehensive Income	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Accounting Policies	18
Notes to the Annual Financial Statements	25 - 35
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	36

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Responsibilities and Approval

The members are required in terms of the Agreement Establishing the Collaborative Africa Budget Reform Initiative to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the organisation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the committee sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The members have reviewed the organisation's cash flow forecast for the year to 31 March 2017 and, in light of this review and the current financial position, they are satisfied that the organisation has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the organisation's annual financial statements. The annual financial statements have been examined by the organisation's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on page 14 to 35 which have been prepared on the going concern basis, were approved by the Management Committee on 10 October 2016 and were signed on their behalf by:



Chairperson



Member

Independent Auditor's Report

To the Management Committee of Collaborative Africa Budget Reform Initiative

We have audited the annual financial statements of Collaborative Africa Budget Reform Initiative, as set out on pages 14 - 35, which comprise the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management Committee's Responsibility for the Annual Financial Statements

The organisation's Management Committee is responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and requirements of the Agreement Establishing the Collaborative Africa Budget Reform Initiative, and for such internal control as the Management Committee determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organisation's preparation and fair presentation of the annual 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 organisation'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 annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements of Collaborative Africa Budget Reform Initiative for the year then ended 31 March 2016 are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the annual financial statements, and the requirements of the Agreement Establishing the Collaborative Africa Budget Reform Initiative.

Other matter

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 36 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Reg. No: 2000/008551/21

IRBA Reg. No: 901449

Eco Fusion 6, Block C, Unit 25,
324 Witch Hazel Street,
Highveld, Centurion, 0157

Tel: +27 12 661 3140
Fax: +27 12 661 5046

P O Box 68268
Highveld Park
0169

e-mail: info@morar.co.za
website: www.morar.co.za

Offices In:

Centurion
Pietermaritzburg
Kimberley
Cape Town
East London
Durban
Bloemfontein
Polokwane
Rustenburg

Directors:

R. Morar CA (S.A.), CFE
C. Machiri CA (S.A.)
S. Mahadea CA (S.A.)
S. Rabichand CA (S.A.)
K. Naidoo CA (S.A.)
V. Samarjith CA (S.A.)
J. Christian CA (S.A.)
J. Reddy CA (S.A.)
T. Mudamburi CA (S.A.)
B. Louwrens CA (S.A.)
R. Naidoo CA (S.A.)
L. Van der Walt CA (S.A.)
N. Cupido CA (S.A.)
E. Potgieter CA (S.A.)
A. Singh CA (S.A.)
B. Temba CA (S.A.)
M. Naicker CA (S.A.)
A. Bikram CA (S.A.)

Other reports required by Agreement Establishing the Collaborative Africa Budget Reform Initiative

As part of our audit of the annual financial statements for the year ended 31 March 2016, we have read the Management Committee's report for the purpose of identifying whether there are material inconsistencies between that report and the audited annual financial statements. The Management Committee's report is the responsibility of the members. Based on reading that report we have not identified material inconsistencies between it and the audited annual financial statements. However, we have not audited the Management Committee's report and accordingly do not express an opinion thereon.

Morar Inc.

**Morar Incorporated
Chartered Accountants (S.A.)
Registered Auditors**

**Per: R Morar
Director**

10 October 2016

**Unit 25, Block C
Eco Fusion 6
324 Witch Hazel Avenue
Hlghveld
Centurion
0157**

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

We have pleasure in submitting our report on the annual financial statements of Collaborative Africa Budget Reform Initiative for the year ended 31 March 2016.

1. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Agreement Establishing the Collaborative Africa Budget Reform Initiative. The accounting policies have been applied consistently compared to the prior year.

The full details of the financial position, results of operations and cash flows of the organisation are set out in these annual financial statements.

2. Executive summary

Since its formation as an informal network of senior budget managers, just over a decade ago, the organisation has grown into a well-respected African institution in the field of public finance management (PFM).

The organisation's aim of building a unique community of peers working together to establish functional PFM systems across Africa was further strengthened over the 2015/16 reporting period, covering the first year of our 2015 to 2018 strategic plan. At the same time as consolidating the recognition earned by the organisation to date, the 3-year plan features several new areas of work and evolving delivery methods. New areas include programmes on 'institutional capabilities' and 'public debt management'.

Compared to the previous reporting period, the number of the organisation's activities increased by 55 percent and the number of countries participating in the organisation's activities increased by 15 percent. The increase in activities and coverage complemented an even greater emphasis on the application of peer learning by focusing on the actual practices of peer-countries.

The organisation's approach has five main elements that target different levels of stakeholders within the member countries and beyond. These include: (i) policy dialogues; (ii) support to country practices; (iii) training; (iv) advocacy and a common voice; and (v) knowledge development and exchange. For the period April 2015 to March 2016, thirty-three African countries participated in a total of nine of the organisation's events. Of the thirty-three countries, seventeen countries participated in three or more activities, as shown in Table 1:

Table 1: 2015/16 events

Main elements and participating countries	Activities
Policy Dialogues 46 countries	Conference on Health financing in Africa Ministries of Finance in the 21 st Century Budget Transparency 9 th Forum on Public Debt Management
Support to Country Practices 34 countries	Creating policy space for reform in Zanzibar Budget Practices and Procedures Survey Problem-Driven Iterative Adaptation (PDIA) Exercise (Liberia) Working session on budget practices
Training 8 countries	PFM: A road far travelled

Across each of the three elements, several knowledge products have been distributed to participating countries and other stakeholders. These have taken the form of published reports, blogs, unpublished reports and magazine and newspaper articles. Many of our activities also utilised the creative work of a graphic artist, capturing policy and implementation challenges in PFM in a visually creative way. These have been showcased at the organisation and non-organisation events.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

Through each of the nine activities, the organisation adopted an approach that deviates from the more traditional and often externally mediated forms of technical assistance and training. Our approach has allowed practitioners to develop and implement functional PFM systems in their countries. This was done within an environment of trust, allowing peers to be completely frank about the real challenges their administrations are dealing with. Many of these peer engagements go beyond purely technical discussions and dig deeper into those practical, 'softer' aspects of running reform processes that are invisible to outsiders.

Based on a solid track record, our work over the reporting period included building valuable partnerships with our stakeholders. The senior manager remains the focal point for our governance structures and engagement with budget teams and other units in the Ministry of Finance and in a select number of sector ministries, such as health, education and the extractives sectors. Development partners, regional and international development agencies and thinktanks, as well as a wide range of civil society organisations have been valuable contributors in the delivery of our work over the past year.

Over the 2015/16 reporting period, the Executive Secretary and members of the Secretariat were invited to contribute at eleven non-organisation regional and international forums and training courses. These have included, among others, the Annual Meetings of the African Capacity Building Foundation, the ODI Conference on Aid and Public Expenditure, and the executive training programmes of the Harvard Kennedy School.

Progress on programmes

1. Fiscal and budget policy

Our programme on fiscal and budget policy provides a platform for bringing together a range of peers to share, learn and exchange experiences on policy and implementation challenges affecting their countries. In our work on health financing, and also for the planned activities in revenue management in the extractives sector, peers from both health and finance ministries will be the targeted participants.

In support of our work on health financing, the organisation collaborates with the World Health Organisation (WHO), Global Fund (GF), and the Organisation for Economic Co-operation and Development (OECD).

Value for money in health

As African governments move towards expanding the coverage and quality of health care, coupled with scaling-up of interventions in the control and treatment of communicable diseases (malaria, TB, and HIV/AIDS), the securing of adequate financing is one of the many challenges that will need to be addressed. In this regard, achieving greater value for money, finding alternative sources of financing, re-prioritisation of existing resources, increasing domestic revenues, and more predictable and progressive aid modalities will need to be considered.

The organisation's conference on Challenges and Opportunities in Health Financing in Africa, which took place from 30 November – 1 December 2015 in Tanzania, was an opportunity for health and finance officials to dialogue the key challenges in health financing in Africa and ways to improve health outcomes in their respective countries. The conference was supported by the Global Fund and realised in collaboration with the Tanzanian Ministry of Finance, the WHO and OECD.

Six background papers were prepared and disseminated ahead of the health conference; covering: innovative financing options in health care; financing catastrophic health epidemics; and universal health coverage. The conference made several suggestions of ways that countries could finance universal health coverage. A key element of such financing is the commitment to sharing resources to spread the financial risks of ill-health across the population. This would require the private providers of health services to partner with government in bringing their specialisation and facilities into the coverage of the health service. The system would need to work like an insurance, where a large pool of prepaid funds will need to be collected to cover the health care costs of those in need, regardless of their ability to pay. In addition, the efforts in this regard should include reprioritisation and savings in lower priority areas, improved tax collection, and increased efforts to eliminate inefficiencies.

The conference used the organisation's approach of peer learning to improve dialogue and the co-ordination across ministries, departments and agencies, and also learn from the experiences of other countries, which once again proved to be effective.

Evaluation results reflected that: 96 percent of participants found the conference relevant; 78 percent had acquired new information; and all participants agreed that the content matched the conference objectives.

The outcomes of the conference, as well as a position paper on health financing, will serve as a basis for the organisation's ongoing work in the sector.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

Fiscal policy and revenue management in the extractives industry sector

Despite Africa's natural resource wealth, the realisation of greater and more predictable revenue flows for public services have been limited.

Two background papers were prepared to facilitate a policy dialogue that will take place in April 2016. The first outlines the linkages between the extractives sector and the rest of the economy. This paper makes a strong point that successfully linking natural resource exploitation to the broader economy can enable a low-income economy to use natural resources as a platform to jump to a path of higher and sustained growth, catching up with middle-income peers and creating an industrialised, diversified economy. The second examines the challenges and better ways to manage extractives revenue, particularly in the context of revenue volatility. Issues such as fiscal rules, fiscal regimes, sovereign wealth funds and medium term budgeting, among others, are covered.

Through the support of UKaid, the organisation initiated a multi-year programme; work in 2015/16 involved the conceptualisation and research in preparation of the dialogue that will be attended by government and other industry experts.

Two in-country events will take place to deepen learning on natural resource wealth management in 2016 and 2017.

Promoting a value-for-money mindset

The organisation's work in the promotion of a value for money mindset envisaged the development of a handbook of various case-studies and reports on value for money in public spending. Initial drafts and brainstorming sessions for this project led to the development of a paper on improving value for money in the budget process, shaped by the 10th Annual Seminar on Value for Money. The paper is included in the post-seminar publication, which covers the organisation's work on value for money in health, agriculture and education budgeting and expenditure. This foundational work will also inform the development of training materials for sub-programme 3.4 on sector analytical capabilities.

2. Budget transparency and accountability

The relationship between budget transparency and improved fiscal outcomes, although well recognised, is not a given: many countries make improvements in budget transparency but then experience limited improvement in financial governance.

The organisation's programme on budget transparency and accountability strives to support African countries in their endeavours to improve budget transparency and accountability throughout the planning and budgeting cycle.

In support of our budget transparency and accountability work, the organisation contributes to the Global Initiative on Fiscal Transparency (GIFT) and the Effective Institutions Platform (EIP).

Budget transparency

The organisation's project on budget transparency, in collaboration with the International Budget Partnership (IBP), culminated in a closing workshop held on 10 and 11 June 2015. The budget transparency project, which took the form of review in Kenya, Tunisia and the DRC, identified the policy blockages and actions that can be taken to improve transparency and participation scores of the reviewed countries and also peer-countries that participated in the review exercises.

Participants at the closing workshop in June 2015 included government and civil society representatives from 16 countries, including the government representatives from countries where the review took place, as well as from peer governments that participated in the activity. The workshop reflected on the main findings of the project, examined the improvements that had been made as a result of the project, and considered the next steps in the organisation's work with finance ministries in this area of transparency.

Based on the evaluation of the closing workshop, 86 percent of participants strongly agreed they had acquired new knowledge on practices and procedures to improve budget transparency and participation.

A transparency review, originally scheduled for Liberia, was unable to take place due to the Ebola emergency in the country. Similarly, work envisaged on transparency in Madagascar did not materialise due to political uncertainty in the country. Funds were reallocated to the Creating Policy Space for Reform workshop on programme-based budgeting in Zanzibar, described under programme 3.

The Open Budget Index report, released in August 2015, showed a significant improvement in the transparency and participation scores of many of the countries that contributed/took part in the the organisation/IBP project. In particular, the scores for the DRC and Tunisia more than doubled as a result of implementing the recommendations emanating from the JCCS exercises in the two countries.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

The organisation's work on transparency and participation will continue over the remainder of the three-year strategic plan, with special focus on: extra-budgetary information, contingent liabilities, fiscal risks, and data quality.

Aid transparency and use of country systems

Development assistance continues to represent a significant proportion of public spending for many African countries. Through several international agreements, development partners have committed to using the PFM systems of partner countries. In turn, partner countries have committed to strengthening their PFM systems. The organisation's report on the use of country systems in Africa (2014) concluded that progress has been varied, with limited correlation between the extent that donors use country systems and the strengths or weaknesses of these systems.

Towards the end of 2015, the organisation and the Senegalese Ministry of Economy, Finance and Planning (MEFP) launched a dialogue on *use of country systems*. The dialogue has two interrelated objectives:

- i. Improve transparency and the integration of aid information in the planning, budgeting, funds disbursement, procurement of goods and services, and the accountability and reporting processes of the Senegalese government;
- ii. Increase the extent that development partners rely fully or partially on country systems to plan, budget and report.

The organisation's role is to facilitate the dialogue through a series of engagements with the Senegalese authorities and development partners. This/these will culminate in a high-level policy dialogue in 2016.

Though this work on increasing the use of country systems is focused on Senegal, the research and actual country practices will provide important lessons that will benefit the organisation's dialogues on *use of country systems* in other African countries.

PFM Knowledge Hub

Following the design phase and the collection and collation of data, the organisation will launch its PFM Knowledge Hub in June 2016. The Hub will combine the organisation's website with a search feature called the African Budget Enquirer. The latter will serve as a repository of budget information for/from countries in Africa.

The effort to collect this data is great, however, the organisation expects the benefits of the Hub to be immensely valuable for senior budget managers and others. At the time of the launch in June 2016, the Hub will contain the approved budgets, in-year reports, audit reports and budget circulars of 28 African countries for the past 5 years. Using the data contained in budget documents, the PFM knowledge hub will also feature analysis on trends, patterns and differences in budget documentation and budget policy on the continent.

After completing the initial phase of collecting and making data available, further development on the Hub will focus on expanding on the number of countries covered in the African Budget Enquirer and incorporating e-learning tools. The PFM Knowledge Hub is supported by the German Development Co-operation (GIZ) on behalf of the German Government and the European Union.

In addition, the 2nd Survey on African Budget Practices and Procedures, completed in the 2015/16 reporting period following a validation workshop with the participating countries, will be accessible on the Hub. Twenty-three African countries completed the survey. In line with the 2008 Survey, the 2015 BPP survey allow countries to take stock of their practices, in the interest of peer learning, accountability and comparability. It also makes possible the identification of areas where support may be required. A series of reports on practices in the budget preparation process, macro fiscal institutions, aid transparency will be published during the course of 2016.

3. Institutional capabilities

Several factors can undermine the tabling of a credible budget in a timely manner. These factors include: unpredictable revenue flows; a lack of coordination; inappropriate information management processes and systems; and the absence of robust mechanisms to manage technical and political trade-offs. In turn, these result in delays in parliamentary appropriations and the delivery of goods and services by spending ministries.

In this programme, the organisation intends to work closely with selected finance ministries to strengthen their capabilities to improve budget credibility.

In support of our work on institutional capabilities, the organisation collaborates with the Overseas Development Institute through a memorandum of understanding, which was concluded in 2015.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

Creating policy space for reform

The *creating policy space* for reform approach draws on the Problem Driven Iterative Adaptation (PDIA) methodology, developed by the Harvard Kennedy School's Building State Capability programme. The approach equips practitioners to map out a realistic and workable path to resolving reform design and implementation challenges in their respective countries. The organisation has used this approach in Lesotho, Zanzibar and Liberia. Peer-countries participated and made invaluable contributions to the workshops in Lesotho (Botswana, Seychelles, Swaziland and Zambia) and Zanzibar (Ghana, Kenya and Seychelles).

Subsequent to the Lesotho workshop, which took place at the end of the 2014/15 reporting period, the organisation has adopted and refined the *creating policy space for reform* approach for most of its work in this programme. For the 2015/16 reporting period, the organisation undertook *creating policy space for reform* workshops in Zanzibar (14 – 16 September 2015) and Liberia (16 - 18 November 2015).

In the case of Zanzibar, the challenge was to identify "what is (really) needed to formulate and execute a credible programme-based budget". The workshop identified the main problems, causes of the problems and the actions that would need to be taken to improve PBB implementation. Peers from Ghana, Kenya and Seychelles provided valuable inputs based on their own experiences. Resource persons from AfriTAC East, GIZ and ODI supported a team of three of the organisation's staff with the facilitation and documentation of the workshop. One of the outputs was the production of a report on the workshop, including the actions that need to be undertaken. The report has been presented to the Minister of Finance and the Budget Commissioner of Zanzibar.

The evaluation results show that 92 percent of participants strongly agreed that the Zanzibar workshop helped them develop feasible actions and strategies to improve the functionality of programme-based budgeting in Zanzibar and also in the peer countries.

The organisation invited two officials from Zanzibar to discuss progress made so with the actions, challenges and priorities on programme based budgeting in a working session with officials from Seychelles and South Africa in March 2016. The smaller dialogue was seen to be extremely beneficial as it allowed officials to compare and contrast the technical issues they currently face in undertaking their work. The organisation believes that this form of regular conversation is as an important layer to the work that the organisation does.

The Liberia workshop was jointly undertaken by the organisation and the ODI, as part of the ODI's ongoing Budget Strengthening Initiative programme in the country, and was a follow-up to the first workshop that took place in May 2014. The purpose was to build on the problems defined in the first workshop and progress made since May 2014, dig a little deeper into the problems and challenges standing in the way of certain reforms, and to elaborate concrete action points and implementation timeframes.

Building capable finance ministries

This sub-programme aims to strengthen the organisational and implementation capabilities of finance ministries, particularly the central budget office.

As part of a broader collaboration, the organisation, the ODI and the National Treasury of South Africa co-hosted a conference with the theme 'Finance Ministries in the 21st Century' in Johannesburg in March 2015. Fifty-five participants from government, bilateral and multilateral development partners shared their experiences from over 20 countries on how finance ministries operate as organisations, and how they could do better. The conference highlighted the areas of capability that are important, relevant and underdeveloped, and how these are applied when: (i) dealing with fiscal stress; (ii) managing competing priorities; (iii) applying authority; (iv) responding to new challenges; and (v) getting and keeping the right people. The organisation and the ODI will jointly and separately undertake further work to support the capabilities of finance ministries.

Another activity under this sub-programme was a two-day public financial management workshop in Kampala on 18 and 19 August 2015. Senior budget officials from Ghana, Kenya, Lesotho, Liberia, Malawi, Gambia, Uganda and Zanzibar participated in an interactive workshop format that tackled two central questions: (i) why do PFM reforms often not deliver on expected results; and (ii) what will contribute to greater success?

The Kampala workshop programme covered four common PFM reform areas: the policy-budget link, procurement practices, integrated financial management systems, and accountability. In each session the organisation used different facilitation techniques based on fictitious case studies that represented the challenges and complexities faced by budget officials. The workshop format encouraged frank and open self-reflection. A similar workshop is planned for members of the West African Economic and Monetary Union (WAEMU) that will relate to the PFM reform directives in 2016/17.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

For both the Sandton conference and the Kampala workshop, a graphic harvester was used to visually capture the main points of the discussions in four posters. The organisation's staff have used the posters for the training of USAID staff.

In total, three blogs, four graphic posters, and a training video clip have been produced as documentation and tools to develop the work of the capabilities programme.

4. Public debt management

The inclusion of work on public debt management in the organisation's mission was initiated by the National Treasury of South Africa, with the decision to request the organisation to host the fledgling Centre for African Public Debt Management (CAPDM). After consultation with the organisation's governance structures and negotiations with the National Treasury, the decision was taken to bring the work of the CAPDM under the organisation as an additional programme with effect from 1 April 2016. Most of the latter part of 2015/16 was therefore used to conceptualise the implications of extending the organisation's mission to include public debt management and bond market development to its programme of work.

This programme is being set up in order to provide a peer-learning and exchange platform for public debt managers on ways to strengthen sovereign public debt offices, and promote the building of strong local currency debt capital markets in Africa. Given the success of the approach used for our in-country work in Lesotho, Zanzibar and Liberia, the organisation will be using the creating policy space for reform approach as the main method of engaging with countries on improving debt and cash management.

The programme will cover the following three focus areas: debt capital markets, strengthening debt management offices, and African debt statistics. The first activity will take the form of a *creating policy space for reform* workshop in Uganda in 2016. Funding and in-kind support from the National Treasury of South Africa and in-kind support from BMZ/EU has enabled this new initiative to initiate its work plan in 2016/17.

5. Network governance

The governance programme aims to ensure that all of the organisation's programmes are managed and implemented in accordance with the organisation's International Agreement, Rules and Procedures, and respective policies and the assigned roles and responsibilities of the Secretariat, Management Committee and General Assembly.

A sustainable organisation network

With the aim of ensuring a sustainable organisation, the the organisation's Secretariat provides strategic leadership, management, and administrative support to the organisation's member countries, growing the membership base and ensuring financial sustainability of the budget.

For the 2015/16 reporting period, the meetings of the Management Committee and General Assembly took place in early June in South Africa, where the new three-year strategic plan, budget and work plan were approved. The two meetings also considered the programme and budget performance of the Secretariat.

The organisation will continue to build on its reputation of being an African-owned, peer-learning and exchange, and an adaptive organisation. This is our comparative advantage. The extent and quality of the organisation's work with ministries of finance and other roleplayers has been strengthened over the 2015/16 reporting period, especially in collaboration with its member countries. The latest country to accede to the organisation's international agreement is Cote d'Ivoire. Of the thirty-three countries that have participated in the organisation's activities, thirteen countries are members. The Secretariat is working with the Seychelles, Uganda, Benin and Tanzania on becoming members.

While member and participating countries remain the primary focal point of the governance, decision-making, and our activities, the organisation's values its collaboration with a wide variety of advocacy, technical and funding partners. The most notable of these partnerships include:

- i. Signed a Memorandum of Understanding with the Overseas Development Institute, which covers the joint work on strengthening the capabilities of finance ministries;
- ii. Renewed funding agreements with the Bill and Melinda Gates Foundation and the William and Flora Hewlett Foundation and the UK Department for International Development;
- iii. Secured new funding agreements with State Secretariat for Economic Affairs (SECO) and the Global Fund;
- iv. Renewed a funding and technical assistance agreement under the Good Financial Governance Programme of the European Union and the German Federal Ministry of Development Cooperation; and
- v. Ongoing negotiations with the African Development Bank.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

Visibility, relationship building and knowledge dissemination

The organisation developed a multifaceted communications strategy that included a Corporate Identity Manual and the training of staff in a variety of media engagement situations. Implementation of the new strategy led to an increase in website downloads, improved dissemination of reports, media coverage, and social media activity.

Over the 2015/16 reporting period, the organisation produced:

- Seven published reports;
- Eleven blogs;
- Three unpublished reports; and
- Two newspaper and magazine articles.

To enhance knowledge creation and exchange and improve PFM in Africa, the organisation will continue to reach its members and participants through the targeted dissemination of information and research among its community. The PFM Knowledge Hub will be a core tool for making knowledge available.

Monitoring and measuring the organisation's performance

The organisation monitors its performance in a number of ways. On the activity level, all events are evaluated by participants to assess relevance, quality, and ease of application. Together with project reports prepared by managers, the evaluation reports are considered at bi-monthly projects meetings and quarterly review meetings. Quarterly meetings are held internally and with development partners to review progress and ensure alignment with our strategic plan, logframe and budget.

A biennial monitoring survey is also completed by members and participating countries. The next biennial survey is scheduled for 2016/17.

Corporate services

The Secretariat continues to strengthen its compliance with the organisation's policies, practices and procedures. After eight years of agreed-upon-procedures audits, the first fully compliant IFRS (International Financial Reporting Standards) audit was undertaken for the 2014/15 financial year.

Three new staff members joined the technical team, following a recruitment and secondment process, as described in the table:

	Position	Programme	Nationality	Recruitment process
Moustapha Doukoure	Programme Manager	Budget Transparency and Accountability	French/Ivorian	Organisation recruitment policy
Clement Ncuti	Programme Manager	Institutional Capability	Rwandese	Organisation recruitment policy
Johan Krynauw	Programme Manager	Public Debt Management	South African	Secondment from National Treasury of South Africa

The addition of new programme on public debt management, and a growing staff complement necessitated the move into new offices, which was completed in December 2016. The organisation's Secretariat is now based in Centurion, South Africa and will allow for a staff complement to grow up to 25.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Management Committee's Report

3. Management Committee

The members in office at the date of this report are as follows:

Members

Mr G Wamoustoyo - Chairman	Central African Republic
Mr P Nomo - Alternate Chairman	Republic of Ghana
Mr S Traore	Republic of Mali
Mr S Kiiru	Republic of Kenya
Dr K Brown	Republic of South Africa
Mr L Ouedraogo - Ex-officio member	Burkina Faso
Mr NG Cole - Ex-officio member	Executive Secretary

There have been no changes to the Management Committee for the year under review.

4. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the organisation or in the policy regarding their use.

5. Events after the reporting period

We are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Going concern

We believe that the organisation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. We are satisfied that the organisation is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. We are not aware of any new material changes that may adversely impact the organisation. We are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the organisation.

7. Auditors

Morar Incorporated was appointed in office as auditors for the organisation for 2016.

8. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by us on 10 October 2016. No authority was given to anyone to amend the annual financial statements after the date of issue.

9. Acknowledgements

Thanks and appreciation are extended to all staff, suppliers and members for their continued support of the organisation.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Position as at 31 March 2016

Figures in Rand	Note(s)	2016	Restated 2015
Assets			
Non-Current Assets			
Property, plant and equipment	3	1 261 241	282 677
Intangible assets	4	61 603	84 042
		1 322 844	366 719
Current Assets			
Trade and other receivables	5	9 176 789	6 475 550
Cash and cash equivalents	6	27 244 581	13 996 749
		36 421 370	20 472 299
Total Assets		37 744 214	20 839 018
Equity and Liabilities			
Equity			
Accumulated surplus		15 065 324	8 650 043
Liabilities			
Current Liabilities			
Trade and other payables	7	3 312 866	3 104 464
Deferred income	8	18 996 631	8 860 873
Provisions	9	369 393	223 638
		22 678 890	12 188 975
Total Equity and Liabilities		37 744 214	20 839 018

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Rand	Note(s)	2016	Restated 2015
Revenue	12	29 667 700	22 882 547
Other income	13	2 650 971	3 371 993
Operating expenses		(26 766 767)	(23 253 077)
Operating surplus (deficit)	14	5 551 904	3 001 463
Investment revenue	15	863 377	781 932
Surplus for the year		6 415 281	3 783 395
Other comprehensive income		-	-
Total comprehensive surplus for the year		6 415 281	3 783 395

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Statement of Changes in Equity

Figures in Rand	Accumulated surplus	Total equity
Opening balance as previously reported	8 325 058	8 325 058
Adjustments		
Prior period error (Note 20)	(3 458 412)	(3 458 412)
Balance at 01 April 2014 as restated	4 866 646	4 866 646
Restated surplus for the year	3 783 395	3 783 395
Other comprehensive income	-	-
Total comprehensive surplus for the year	3 783 395	3 783 395
Balance at 01 April 2015	8 650 043	8 650 043
Surplus for the year	6 415 281	6 415 281
Other comprehensive income	-	-
Total comprehensive surplus for the year	6 415 281	6 415 281
Balance at 31 March 2016	15 065 324	15 065 324

Note(s)

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Statement of Cash Flows

Figures in Rand	Note(s)	2016	Restated 2015
Cash flows from operating activities			
Cash generated from operations	17	13 563 081	(6 098 844)
Interest income		863 377	781 932
Net cash from operating activities		14 426 458	(5 316 912)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 198 804)	(99 143)
Sale of property, plant and equipment	3	20 178	-
Purchase of intangible assets	4	-	(6 722)
Net cash from investing activities		(1 178 626)	(105 865)
Total cash movement for the year		13 247 832	(5 422 777)
Cash at the beginning of the year		13 996 749	19 419 526
Total cash at end of the year	6	27 244 581	13 996 749

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Agreement Establishing the Collaborative Africa Budget Reform Initiative. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and Loans and receivables

The organisation assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the organisation makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The organisation uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

The organisation reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the organisation holds for its own use and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the organisation, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the organisation. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the organisation; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 7 years

1.4 Financial Instruments

Classification

The organisation classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the organisation becomes a party to the contractual provisions of the instruments.

The organisation classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value.

Transaction costs are included in the initial measurement of financial instruments

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the organisation has transferred substantially all risks and rewards of ownership.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.4 Financial Instruments (continued)

Impairment of financial assets

At each reporting date the organisation assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the organisation, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the organisation's accounting policy for borrowing costs.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.6 Impairment of assets

The organisation assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the organisation estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the organisation also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The organisation assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.8 Provisions and contingencies

Provisions are recognised when:

- the organisation has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.9 Grants

Grants are recognised when there is reasonable assurance that:

- the organisation will comply with the conditions attaching to them; and
- the grants will be received.

Grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the organisation with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the profit or loss (separately).

Grants received before the organisation will comply with the conditions attached to them are satisfied, are recognised as deferred income.

1.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable in the normal course of business, net of value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.11 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.12 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the organisation has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Amendment to IAS 24: Related Party Disclosures: Annual improvements project 	01 July 2014	The adoption of this amendment has not had a material impact on the results of the organisation, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project 	01 July 2014	The adoption of this amendment has not had a material impact on the results of the organisation, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> Amendment to IAS 38: Intangible Assets: Annual improvements project 	01 July 2014	The adoption of this amendment has not had a material impact on the results of the organisation, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations not yet effective

The organisation has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the organisation's accounting periods beginning on or after 01 April 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> IFRS 16 - Leases 	01 January 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> IFRS 9 Financial Instruments 	01 January 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> IFRS 15 Revenue from Contracts with Customers 	01 January 2017	Unlikely there will be a material impact
<ul style="list-style-type: none"> Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation 	01 January 2016	Unlikely there will be a material impact
<ul style="list-style-type: none"> Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project 	01 January 2016	Unlikely there will be a material impact
<ul style="list-style-type: none"> Amendment to IAS 19: Employee Benefits: Annual Improvements project 	01 January 2016	Unlikely there will be a material impact
<ul style="list-style-type: none"> Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements 	01 January 2016	Unlikely there will be a material impact

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

3. Property, plant and equipment

	2016			2015		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	721 589	(81 160)	640 429	217 115	(78 063)	139 052
Office equipment	55 140	(34 093)	21 047	55 140	(23 065)	32 075
IT equipment	415 746	(255 597)	160 149	280 986	(169 436)	111 550
Leasehold improvements	467 604	(27 988)	439 616	-	-	-
Total	1 660 079	(398 838)	1 261 241	553 241	(270 564)	282 677

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	139 052	588 089	(39 200)	(47 512)	640 429
Office equipment	32 075	-	-	(11 028)	21 047
IT equipment	111 550	143 111	(928)	(93 584)	160 149
Leasehold improvements	-	467 604	-	(27 988)	439 616
	282 677	1 198 804	(40 128)	(180 112)	1 261 241

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	169 392	12 661	(43 001)	139 052
Office equipment	43 103	-	(11 028)	32 075
IT equipment	98 730	86 482	(73 662)	111 550
	311 225	99 143	(127 691)	282 677

4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	107 494	(45 891)	61 603	107 494	(23 452)	84 042

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	84 042	(22 439)	61 603

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	98 595	6 722	(21 275)	84 042

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

5. Trade and other receivables

Trade receivables	8 179 202	6 220 705
Prepayments	706 599	75 785
Deposits	290 988	179 060
	9 176 789	6 475 550

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 12 months past due are not considered to be impaired. At 31 March 2016, R - (2015: R -) were past due but not impaired.

Trade and other receivables impaired

As of 31 March 2016, trade and other receivables of R 3 869 320 (2015: R 2 013 330) were impaired and provided for.

The ageing of these trade and other receivables is as follows:

12 months past due	1 413 790	793 130
24 months past due	967 330	610 100
36 months past due	1 488 200	610 100

The carrying amount of trade and other receivables are denominated in the following currencies:

South African rand	2 300 812	1 827 985
United States dollar	655 000	525 000

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 013 330	1 059 530
Provision for impairment	1 855 990	953 800
	3 869 320	2 013 330

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	27 244 581	13 996 749
---------------	------------	------------

The carrying amount of cash and cash equivalents are denominated in the following currencies:

South African rand	19 395 208	13 996 749
United States dollar	425 215	-
Great Britain pound	66 994	-

7. Trade and other payables

Trade payables	441 346	920 484
Amounts received in advance	2 871 520	2 183 980
	3 312 866	3 104 464

The carrying amounts of trade and other payables are denominated in the following currencies:

South African rand	441 348	911 677
West African CFA franc	-	444 000

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Deferred income		
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	223 225	-
New Venture Fund	-	191 208
National Treasury (Republic of South Africa)	2 982 664	3 000 000
Bill + Melinda Gates Foundation	7 650 452	2 857 153
The William and Flora Hewlett Foundation	2 050 705	2 812 512
Swiss State Secretariat of Economic Affairs	6 089 585	-
	18 996 631	8 860 873

Deferred income consists of funding received from various donors to be utilised by the organisation in terms of the agreement between the donors and the organisation.

9. Provisions

Reconciliation of provisions - 2016

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	223 638	159 182	(13 427)	369 393

Reconciliation of provisions - 2015

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	148 321	97 824	(22 507)	223 638

10. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2016

	Loans and receivables	Total
Trade and other receivables	8 179 202	8 179 202
Cash and cash equivalents	27 244 581	27 244 581
	35 423 783	35 423 783

2015

	Loans and receivables	Total
Trade and other receivables	6 220 705	6 220 705
Cash and cash equivalents	13 996 749	13 996 749
	20 217 454	20 217 454

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
11. Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
2016		
	Financial liabilities at amortised cost	Total
Trade and other payables	441 348	441 348
Deferred income	18 996 631	18 996 631
	19 437 979	19 437 979
2015		
	Financial liabilities at amortised cost	Total
Trade and other payables	920 486	920 486
Deferred income	8 860 873	8 860 873
	9 781 359	9 781 359
12. Revenue		
Membership fees	5 688 635	4 393 796
Grants received	23 979 065	18 488 751
	29 667 700	22 882 547
13. Other income		
Profit and loss on exchange differences	2 650 971	3 371 993
14. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	673 170	573 644
Equipment		
• Contractual amounts	582 542	492 839
	1 255 712	1 066 483
Profit and loss on sale of property, plant and equipment	(19 950)	-
Amortisation on intangible assets	22 439	21 275
Depreciation on property, plant and equipment	180 112	127 691
Employee costs	9 674 184	6 867 343
15. Investment revenue		
Interest revenue		
Bank	863 377	781 932

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
16. Auditors remuneration		
Fees	361 067	297 002
17. Cash generated from operations		
Surplus	6 415 281	3 783 395
Adjustments for:		
Depreciation and amortisation	202 551	148 966
Net surplus (deficit) on disposal of property, plant and equipment	19 950	-
Profit on foreign exchange	(2 650 971)	(3 371 993)
Interest received - investment	(863 377)	(781 932)
Movements in provisions	145 755	75 318
Changes in working capital:		
Trade and other receivables	(50 268)	(55 373)
Trade and other payables	208 402	212 460
Deferred income	10 135 758	(6 109 685)
	13 563 081	(6 098 844)
18. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	1 097 071	408 768
- in second to fifth year inclusive	2 151 868	-
	3 248 939	408 768

Operating lease payments represent rentals payable by the organisation for certain of its office properties. Leases are negotiated for an average term of three years and rentals are not fixed for the period. No contingent rent is payable.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

19. Related parties

Relationships

Members of management and other officials

Mr NG Cole - Executive Secretary
 Ms N Patel-Manga - Chief Financial Officer (appointed 1 May 2015)
 Ms NA Boateng - Senior PFM Specialist
 Ms EA Gay - Senior PFM Specialist (resigned 30 June 2015)
 Ms J Stott - Senior PFM Specialist
 Mr SH Winters - PFM Specialist (resigned 30 November 2015)
 Ms J Costa Bento - PFM Specialist
 Mr J Nolasco - PFM Specialist (resigned 31 October 2014)
 Ms SG Vermaak - Financial Manager
 Ms F Matanda - Financial Assistant
 Ms A Barnard - Marketing and Communications Manager
 Ms A Singh - Business Support and Events Manager
 Ms WB Kabongo - Business Support and Events Assistant (resigned 31 August 2015)
 Mr M Doukoure - Programme Manager (appointed 1 November 2015)
 Ms K Kheswa - Procurement and Finance Officer (resigned 30 November 2014)

Related party transactions

Remuneration paid to members of management and other officials

Executive

2016

	Remuneration	Tax	Total
	compensation		
Mr NG Cole	1 360 981	212 201	1 573 182
Ms N Patel-Manga (appointed 1 May 2015)	1 076 172	-	1 076 172
Ms NA Boateng	1 076 176	-	1 076 176
Ms EA Gay (resigned 30 June 2015)	258 959	-	258 959
Ms J Stott	1 008 915	6 130	1 015 045
Mr SH Winters (resigned 30 November 2015)	84 800	-	84 800
Ms J Costa Bento	518 806	4 140	522 946
Ms SG Vermaak	857 532	117 658	975 190
Ms F Matanda	221 479	-	221 479
Ms A Barnard	984 200	141 445	1 125 645
Ms A Singh	686 025	85 741	771 766
Ms WB Kabongo (resigned 31 August 2015)	50 150	-	50 150
Mr M Doukoure (appointed 1 November 2015)	410 083	-	410 083
Ms K Kheswa (resigned 30 November 2014)	-	37 173	37 173
	8 594 278	604 488	9 198 766

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015	
19. Related parties (continued)			
2015			
	Remuneration	Tax Compensation	
		Total	
Mr NG Cole	1 283 944	191 952	1 475 896
Ms NA Boateng	1 015 260	-	1 015 260
Ms EA Gay (resigned 30 June 2015)	928 491	-	928 491
Ms J Stott	123 647	-	123 647
Mr SH Winters (resigned 30 November 2015)	39 539	-	39 539
Ms J Costa Bento	84 615	-	84 615
Mr J Nolasco (resigned 31 October 2014)	59 154	-	59 154
Ms SG Vermaak	808 992	110 784	919 776
Ms F Matanda	44 465	-	44 465
Ms A Barnard	928 491	-	928 491
Ms A Singh	647 194	53 509	700 703
Ms K Kheswa (resigned 30 November 2014)	300 449	45 306	345 755
	6 264 241	401 551	6 665 792

20. Prior period errors

The errors relate to correction of membership fees which were incorrectly accounted for in the financial years and foreign trade receivable which were not restated at the spot rate at the end of the financial years. The comparative amounts were restated. The adjustment have no tax effect as the organisation is exempt from income taxation (Refer to Note 24). The effect of the correction of the error on the 2015 results is as follows:

Effect of correction of the errors results in adjustments on prior years to 2015 as follows

Decrease in revenue	-	4 222 833
Decrease in provision for bad debts	-	(153 421)
Increase in Foreign exchange	-	(611 000)
	-	<u>3 458 412</u>
Decrease in retained income	-	(3 458 412)
Increase in Income in advance	-	1 858 811
Decrease in trade and other receivables	-	1 599 601

Effect of restatement of 2015 results

Decrease in revenue	-	367 061
Increase in other income	-	(2 999 627)
Decrease in expenditure	-	(398 204)
Net effect on comparative surplus for 2015	-	<u>(3 030 770)</u>

21. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Position

Trade and other payables	-	8 860 873
Deferred income	-	(8 860 873)

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

22. Risk management

Capital risk management

The organisation's objectives when managing capital are to safeguard the organisation's ability to continue as a going concern in order to provide benefits for stakeholders and to maintain an optimal capital structure.

The capital structure of the organisation consists of debt, which includes the borrowings, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the organisation may reduce the amount of operating costs and obtain additional funding. The funding strategy of the organisation is to approach donors and obtain funding before the start of each three yearly strategic plan.

There are no externally imposed capital requirements.

There have been no changes to what the organisation manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The organisation's activities expose it to a variety of financial risks: market risk (including currency risk etc.), credit risk and liquidity risk.

The organisation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the organisation's financial performance. Risk management is carried out by a central financial department under policies approved by the Management Committee. The organisation's financial department identify and evaluate financial risks in close co-operation with the organisation's operating units. The Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, organisation treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The organisation's risk to liquidity is a result of the funds available to cover future commitments. The organisation manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the organisation's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2016

Less than 1
year

Trade and other payables

441 348

At 31 March 2015

Less than 1
year

Trade and other payables

920 486

Interest rate risk

As the organisation has no significant interest-bearing assets, the organisation's income and operating cash flows are substantially independent of changes in market interest rates.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

22. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The organisation only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Foreign exchange risk

The organisation operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar (USD), West African CFA franc (XOF) and Great Britain Pound (GBP). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The organisation does not hedge foreign exchange fluctuations.

Sensitivity analysis:

The movement of R 1 per foreign currency increases or decreases on foreign currency balance will have the following effect on the balance as at 31 March 2016 with a corresponding effect on the income statement and statement of comprehensive income:

	<u>R1/USD increase</u>	<u>R1/USD decrease</u>
31 March 2016		
- Trade and other receivables	655 000	(655 000)
- Cash and cash equivalents	425 215	(425 215)
31 March 2015		
- Trade and other receivables	525 000	(525 000)
- Cash and cash equivalents	0	(0)
	<u>R1/GBP increase</u>	<u>R1/GBP decrease</u>
31 March 2016		
- Cash and cash equivalents	66 994	(66 994)
31 March 2015		
- Cash and cash equivalents	0	(0)
	<u>R1/XOF increase</u>	<u>R1/XOF decrease</u>
31 March 2016		
- Trade and other payables	0	(0)
-31 March 2015		
- Trade and other payables	(444 000)	444 000

Exchange rates used for conversion of foreign items were:

United States dollar	14.8820	12.2020
Great Britain pound	25.6217	18.0479
West African CFA franc	0.0255	0.0199

The organisation reviews its foreign currency exposure on an ongoing basis.

Price risk

The organisation is not overly exposed to price risk and manages its exposure through internal control processes.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

23. Fair value information

The estimated fair values as at 31 March 2016 have been determined using available market information and appropriate valuation methodologies, but are not necessarily indicative of amount that the organisation could realise in the normal course of business. The fair value of almost all financial instruments equals their carrying value, either because of the short-term nature and normal trade terms thereof or the market-related interest rates attached to it. All financial instruments are categorised at a level in the fair value hierarchy.

24. Taxation

No provision has been made for Taxation as the organisation is exempt from income taxation in accordance with Section 5(3) of the Diplomatic Immunities and Privileges Act, 2001 and Article 5(1) of the Agreement.

Collaborative Africa Budget Reform Initiative

Annual Financial Statements for the year ended 31 March 2016

Detailed Income Statement

Figures in Rand	Note(s)	2016	2015
Revenue			
Membership fees		5 688 635	4 393 796
Grants received		23 979 065	18 488 751
	12	29 667 700	22 882 547
Other income			
Interest received	15	863 377	781 932
Profit and loss on exchange differences		2 650 971	3 371 993
		3 514 348	4 153 925
Operating expenses			
Advertising		(29 076)	(30 276)
Auditors remuneration	16	(361 067)	(297 002)
Computer expenses		(191 604)	(209 175)
Consulting and professional fees		(778 724)	(1 927 936)
Depreciation, amortisation and impairments		(202 551)	(148 966)
Editorial services		(89 330)	(137 765)
Employee costs		(9 674 184)	(6 867 343)
Entertainment		(254 196)	(338 173)
Flights		(3 275 025)	(3 064 587)
General expenses		(271 509)	(313 904)
Ground transport		(225 963)	(249 818)
Lease rentals on operating lease		(1 255 712)	(1 066 483)
Municipal expenses		(179 094)	(172 337)
Printing and stationery		(9 457)	(21 407)
Profit and loss on sale of assets and liabilities		(19 950)	-
Provision for bad debts movement		(1 855 990)	(1 419 355)
Publications		(322 423)	(531 685)
Research and development costs		(4 032 794)	(2 303 681)
Software expenses		(69 377)	(33 195)
Speakers		(129 272)	(12 498)
Telephone and fax		(186 372)	(121 907)
Translation		(412 713)	(575 726)
Travel - local		(28 614)	(356 553)
Venue and conference cost		(2 911 770)	(3 053 305)
		(26 766 767)	(23 253 077)
Surplus (deficit) for the year		6 415 281	3 783 395