



**SOUTHERN AFRICAN DEVELOPMENT
COMMUNITY SECRETARIAT**

Financial Statements

for the year ended

31 March 2022

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1 Reporting entity

1.1 The Secretariat of the Southern African Development Community (SADC Secretariat) is an institution of SADC, established under Article 9 of the SADC Treaty. SADC is an international organization established under Article 2 of the SADC Treaty. Its Member States during the 2021/2022 financial year were sixteen and consisted of the following:

Angola, Botswana, the Union of Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia and Zimbabwe.

1.2. The Secretariat serves as the principal executive institution of the SADC, with the SADC Executive Secretary as its Head. Its primary responsibilities in accordance with Article 14 of the SADC Treaty are the strategic planning and management of the programmes of SADC. The primary responsibilities encompass the following key deliverables:

- (a) implementation of decisions of the Summit, Troika of the Summit, Organ on Politics, Defence and Security Co-operation, Troika of the Organ on Politics, Defence and Security Co-operation, Council, Troika of the Council, Sectoral and Cluster Ministerial Committees;
- (b) organization and management of SADC meetings;
- (c) financial and general administration;
- (d) representation and promotion of SADC;
- (e) coordination and harmonisation of the policies and strategies of Member States;
- (f) gender mainstreaming in all SADC programmes and activities;
- (g) submission of harmonised policies and programmes to the Council for consideration and approval;
- (h) monitoring and evaluating the implementation of regional policies and programmes;
- (i) collation and dissemination of information on the Community and maintenance of a reliable database;
- (j) development of capacity, infrastructure master plan and maintenance of intra-regional information communication technology;
- (k) mobilisation of resources, coordination and harmonisation of programmes and projects with cooperating partners;

Member States:

Angola	Eswatini	Mauritius	South Africa
Botswana	Lesotho	Mozambique	United Republic of Tanzania
Comoros	Madagascar	Namibia	Zambia
Democratic Republic of Congo	Malawi	Seychelles	Zimbabwe

All correspondence should be addressed to the Executive Secretary

- (l) devising appropriate strategies for self-financing and income-generating activities and investment;
- (m) management of special programmes and projects;
- (n) ~~undertaking research on Community building and the integration process;~~
and
- (o) preparation and submission to the Council, for approval, administrative regulations, standing orders and rules for the management of the affairs of SADC.

1.3 The Secretariat's operations are directed by the SADC Council of Ministers. These operations are funded by contributions, based on Article 26 (Funds) of the Treaty, which stipulates that: "The funds of SADC shall consist of contributions of Member States, income from SADC enterprises and receipts from regional and non-regional sources". The Secretariat's operations are carried out from the SADC Headquarters in Gaborone, Botswana.

1.4 The following operations are undertaken outside the headquarters of SADC:

1.4.1 The SADC Plant Genetic Resources Centre (SPGRC), a programme implemented by the Secretariat under the Directorate of Food Agriculture and Natural Resources, operates from Lusaka, Zambia. SPGRC was established in 1988 as a partnership between SADC and Nordic donors and was fully constituted into the structure of the SADC Secretariat as a unit under the Directorate of Food Agriculture and Natural Resources (FANR) in March 2017. The SPGRC aims at facilitating and guaranteeing the conservation and preservation of crop and wild plant genetic resources of the region for use in agricultural development by the present and future generations.

1.4.2 The SADC Regional Peacekeeping Training Centre (RPTC) operates from Harare, Zimbabwe under the Directorate of the Organ on Politics, Defence and Security Cooperation. The Centre was established in 1996. The aim of RPTC is to study the theory and practice of Peace Support Operations and to coordinate peace and support training in the SADC region as mandated by the SADC Ministerial Committee of the Organ (MCO).

1.4.3 The SADC's Permanent Mission to the International Civil Aviation Organisation (ICAO) is based in Montreal, Canada, and was established through Article 9.5 of the SADC Protocol on Transport, Communication and Meteorology, signed on the 24th August 1996 in Maseru by ten Member States in order to promote SADC Member States' representation in the ICAO Council and pursue a common position related to Civil Aviation.

1.5 The SADC Secretariat's regular budget includes assessed Member States' contributions, Special funds from the Member States for designated projects and

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activities, and funds from International Cooperating Partners (ICPs). Special funds from the Member States and ICPs are only recognised as income and expenditure when conditions attached to these funds are fulfilled.

- 1.5 Operations of SADC Institutions are accounted for by the Secretariat, in accordance with its role as the principal executive institution of the SADC.
- 1.6 Pursuant to provisions under Article 29 of the SADC Treaty, the Executive Secretary prepares the annual financial statements of the operations of SADC Institutions, which are then audited. Council appoints the external auditors in line with the Treaty.
- 1.7 The Financial statements for the year ended 31 March 2022 were issued on the **13 July 2022**

Member States:

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Democratic Republic of Congo	Malawi	Seychelles	Zimbabwe

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Telefax: (267) 3972848
(267) 3181070

Statement of Responsibility for the Financial Statements

In accordance with Article 15 (1)(i) of the SADC Treaty, as amended, the Executive Secretary is the Head of the SADC Secretariat, which is the reporting entity for purposes of annual financial statements as provided for under Article 29 (2) of the SADC Treaty.

As head of the reporting entity, the Executive Secretary has a responsibility to establish an adequate system of internal controls, designed to provide reasonable assurance regarding the achievement of internal control objectives.

The Executive Secretary acknowledges that he is ultimately responsible for the system of internal control, established by the Secretariat and places considerable importance on maintaining a strong control environment. To enable the Executive Secretary to meet these responsibilities, he has set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. These internal controls are monitored throughout the Secretariat and all employees are required to maintain the highest ethical standards in ensuring the Secretariat's business is conducted in a manner that in all reasonable circumstances is above reproach.

The SADC Treaty requires the Executive Secretary to prepare annual financial statements, based on an approved financial reporting framework, which gives a true and fair view of the assets, liabilities and financial position of the Secretariat at the end of the financial year, together with statements of financial performance, changes in net equity/assets, Statement of cash flows and comparison of budget versus actual amounts, for that period. In preparing these annual financial statements, the Executive Secretary is required to:

- select suitable and appropriate accounting policies and apply them consistently;
- make prudent judgments and accounting estimates, that are reasonable;
- state whether the annual financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), including any interpretations issued by the IPSAS Board; and
- prepare the annual financial statements on a going concern basis unless it is inappropriate to presume that the Secretariat will continue operation for the foreseeable future.

The Executive Secretary is responsible for establishing and maintaining adequate internal controls over financial reporting for the Secretariat. The purpose of the control processes is to

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provide reasonable assurance regarding the reliability of the financial reporting process that culminates in the preparation of annual financial statements in accordance with IPSAS.

The Secretariat's internal controls over financial reporting include financial regulations, policies and procedures that:

- ~~pertain to the maintenance of records that are in reasonable detail, and accurately and fairly reflect the Secretariat's transactions, assets, liabilities and cash flows;~~
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the annual financial statements in accordance with IPSAS and that receipts and expenditures are made only in accordance with authorizations established by the Executive Secretary;
- 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; and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposal of the Secretariat's assets that could have a material effect on the financial statements.

There were no changes to the Secretariat's internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over the financial reporting period of 01 April 2021 to 31 March 2022.

The Executive Secretary is of the opinion, based on the information and explanations given by management and staff, that the system of internal controls 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 deficiencies.

The annual financial statements are prepared on the basis that the Secretariat is a going concern and that SADC has neither the intention nor the need to liquidate or curtail materially the scale of operations of the Secretariat.

The annual financial statements set out on pages 12 to 73, were issued on **13 July 2022**.



H.E. Mr. Elias Magosi
EXECUTIVE SECRETARY

Member States:

Angola	Eswatini	Mauritius	South Africa
Botswana	Lesotho	Mozambique	United Republic of Tanzania
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TRANSMITTAL STATEMENT: ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022

1. The Financial Statements of the SADC Secretariat for the year ended 31 March 2022 are transmitted to the Council of Ministers through the Finance Committee and the Audit Committee. In accordance with Article 29 of the SADC Treaty, the Executive Secretary is required to facilitate an external audit of these annual financial statements prior to their submission to the Council for approval.
2. The 2021/22 Financial Statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The SADC Secretariat first implemented International Public Sector Accounting Standards (IPSAS) in the financial period that ended 31 March 2015. The adoption of IPSAS is in accordance with a decision of the Council of August 2012. The application of IPSAS has resulted in improvement in the quality, consistency and credibility of financial reporting which has led to increased confidence of the Member States and International Cooperating Partners as to the accountability and sound financial management practices of the Secretariat.
3. The report of the External Auditors on the audit of the 2021/2022 Financial Statements, together with their recommendations and the Secretariat's responses thereto, shall be contained in a separate document at the conclusion of the audit.

Hon. Nancy Gladys Tembo
Chairperson of the SADC Council of Ministers
And Minister of Foreign Affairs of Malawi

Member States:

Angola
Botswana
Comoros
Democratic Republic of Congo

Eswatini
Lesotho
Madagascar
Malawi

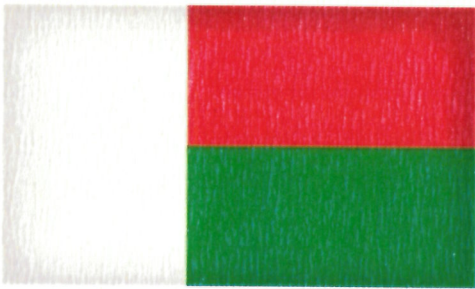
Mauritius
Mozambique
Namibia
Seychelles

South Africa
United Republic of Tanzania
Zambia
Zimbabwe

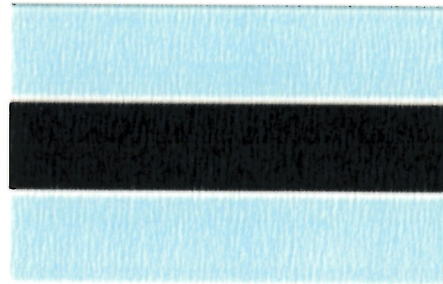
**REPORT OF SADC BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**



KINGDOM OF LESOTHO



REPUBLIC OF MADAGASCAR



REPUBLIC OF BOTSWANA

Member States:

Angola
Botswana
Comoros
Democratic Republic of Congo

Eswatini
Lesotho
Madagascar
Malawi

Mauritius
Mozambique
Namibia
Seychelles

South Africa
United Republic of Tanzania
Zambia
Zimbabwe

**REPORT OF THE BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS OF
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
FOR THE YEAR ENDED 31 MARCH 2022**

Introduction

1. We have audited the Financial Statements of the Southern African Development Community (SADC) Secretariat which comprises the Statement of Financial Position as of 31 March 2022, the Statement of Financial Performance, Statement of Changes in Equity and Net Assets, Statement of Cash Flows and the Statement of Comparison of Budget and Actual Amounts for the year then ended as well as notes comprising a summary of significant accounting policies and other explanatory information set out on pages 12 to 73.

Opinion

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the SADC as at 31 March 2022 and its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and SADC Secretariat Financial Regulations.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements sections of our report. We are independent of the SADC Secretariat in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Audit of the Financial Statements

3. The Executive Secretary and Management of SADC Secretariat, are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), applicable legislation and for such internal

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controls as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error as required by the Treaty and financial regulations.

~~In preparing the financial statements, management are responsible for assessing the SADC Secretariat's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SADC Secretariat or to cease operations, or has no realistic alternative but to do so.~~

Those charged with governance are responsible for overseeing the SADC Secretariat's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

4. Our objectives were to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit 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 SADC Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by SADC Secretariat.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures; and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the SADC Secretariat's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SADC Secretariat's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available at the date of the auditor's report however; future events or conditions may cause SADC Secretariat to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.

We also provided those charged with governance with a Statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

Member States:


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Key Audit Matters

5. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of SADC Secretariat for the financial year ended 31 March 2022. These matters were addressed in the context of our audit of the SADC Secretariat financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there were no key audit matters to communicate in our report.


Report on legal and other Regulatory Requirements

6. We have performed procedures in order to identify and report findings on compliance with legislation and internal control. In our opinion, the financial statements of the SADC Secretariat for the financial year ended 31 March 2022, have been prepared in accordance with the terms of Article 29 of the SADC Treaty and the provision of the SADC Financial Regulations.


MONICA M. BESETSA (Ms)
ACTING AUDITOR GENERAL
THE KINGDOM OF LESOTHO



RAKOTONDRAMIHAMINA JEAN DE DIEU (Mr)
PRESIDENT OF THE COURT OF ACCOUNTS
REPUBLIC OF MADAGASCAR


PULANE D. LETEBELE (Ms)
AUDITOR GENERAL
REPUBLIC OF BOTSWANA

Member States:

Angola	Eswatini	Mauritius	South Africa
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SADC Secretariat
Statement of Financial Position as at 31 March 2022

	Notes	2022 USD	2021 USD
Current assets		126,072,218	123,850,083
Cash and cash equivalents	12	106,758,040	98,191,948
Receivables exchange transactions	13	304,828	224,982
Receivables non-exchange transactions	14	15,815,939	23,302,343
Prepayments	15	736,223	785,572
Value added tax receivable	16	2,457,188	1,345,238
Non-current assets		39,399,283	39,669,686
Property, plant and equipment	17	38,608,041	38,811,803
Intangibles	17A	750,734	817,375
Security Deposits on Operating Leases	17B	40,508	40,508
Total assets		165,471,501	163,519,769
Current liabilities		40,588,120	48,329,449
Trade and other payables from exchange transactions	18	7,569,116	5,454,499
Trade and other payables from non-exchange transactions	19	872,914	2,748,466
Finance lease liability	20	3,739,980	3,487,844
Post-employment benefit	21	3,575,940	2,169,843
Deferred revenue from ICPs	22	24,830,170	34,468,797
Non-current liabilities		6,606,558	11,264,710
Post-employment benefit	21	2,182,337	3,100,509
Finance lease liability	20	4,424,221	8,164,201
Total liabilities		47,194,678	59,594,159
Net assets		118,276,823	103,925,610
Reserves	23	26,483,919	24,299,193
Member States Special Funds*	24	42,501,063	19,435,651
Accumulated surplus		49,291,841	60,190,766
Total net assets and liabilities		165,471,501	163,519,769

**Member States Special Funds have been reclassified from liabilities to correctly reflect their status as part of Member States funds in line with IPSAS 23. In prior years Member States funds were reflected as liabilities but have now been reclassified to equity.*

Member States:

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SADC Secretariat
Statement of Financial Performance for the year ended 31 March 2022

	Notes	2022 USD	2021 USD
Revenue from non-exchange transactions		76,387,007	57,562,767
Member States contributions	4	56,345,853	45,336,925
Other Income	5	528,648	677,847
ICPs Contributions	6	19,512,506	11,547,995
Revenue from exchange transactions		734,401	416,928
ICP Overhead Recovery and Institutional revenue	7	579,995	306,598
Investment revenue	8	154,406	110,330
Total revenue		77,121,408	57,979,695
Expenses			
Operating expenses		20,169,940	18,245,715
Staff costs	9	11,154,131	9,759,578
Transport, subsistence and conferences		1,363,592	181,746
Rentals		725,879	725,554
Contingent Rent on finance leases		1,001,646	929,937
General expenses and supplies	10	3,125,676	3,213,713
Communications		431,645	438,134
Audit and professional fees		296,344	260,312
Depreciation current year charge	17	1,299,234	1,738,817
Amortisation (intangible assets)	17A	66,641	57,634
Finance cost on lease	11	705,152	940,290
Programme Expenses		44,272,447	23,961,395
Member States funded	25	24,840,792	12,487,535
ICPs funded	26	19,431,655	11,473,860
Total expenses		64,442,387	42,207,110
Other losses /(gains)		9,319,130	(1,292,298)
(Gain)/Loss on sale of assets		(4,378)	44,761
Loss/(Gain) on foreign exchange transactions		1,345,416	(1,337,059)
Impairment of Receivables	14	7,978,092	-
Surplus for the year	36	3,359,891	17,064,883

SADC Secretariat
Statement of Changes in Equity and Net Assets for the year ended 31 March 2022

	Reserves					Total	
	Reserve Fund	Reserve Replacement	Asset Reserve	Staff Loan Fund	Designated (Special) Funds		Accumulated surplus/ (deficit)
Balance as at 31 March 2020	USD	USD	USD	USD	USD	USD	USD
Transfers from Accumulated Surplus	11,238,934	4,520,940	873,817	873,817	12,343,671	50,791,385	79,768,747
Contributions from Member States	7,759,295	854,864	-	-	-	(8,614,159)	-
Foreign exchange translations gains	-	-	-	-	12,246,371	(1,087,552)	12,246,371
Surplus/(deficit) for the period	1,046,567	-	-	40,985	(77)	17,064,883	(77)
Transfers to Accumulated Surplus	(1,154,342)	(937,306)	-	-	-	2,091,648	17,064,883
Designated funds expenditures	-	-	-	-	(5,156,859)	-	(5,156,859)
Interest(received/paid)	26,345	7,156	21,938	21,938	2,545	(55,439)	2,545
Balance as at 31 March 2021	18,916,799	4,445,654	936,740	936,740	19,435,651	60,190,766	103,925,610
Transfers from Accumulated Surplus	2,588,912	474,701	-	-	12,074,090	(15,137,703)	-
Contributions from Member States	-	-	-	-	27,239,766	-	27,239,766
Foreign exchange translations gains	(538,251)	-	(24,507)	(24,507)	(33)	562,758	(33)
Surplus/(deficit) for the period	-	-	-	-	-	3,359,891	3,359,891
Transfers to Accumulated Surplus	-	(369,161)	-	-	-	369,161	-
Designated funds expenditures	-	-	-	-	(16,258,931)	-	(16,258,931)
Interest received	23,260	9,733	20,039	20,039	10,520	(53,032)	10,520
Balance as at 31 March 2022	20,990,720	4,560,927	932,272	932,272	42,501,063	49,291,841	118,276,823

Statement of Changes in Equity and Net Assets has been amended to include Member States special funds in accordance with IPSAS 23. In prior years, Member States special funds were classified as liabilities even though the funds belonged to Member States. The change has the effect of correctly displaying all funds that belong to Member States under equity, thereby correctly portraying the Secretariat's financing proportion between Member States funds and External entities financing

Transfers to the Reserve Fund of USD2,588,912 (2020/21, USD 7,759,295) relates to the transfer of realised accumulated surplus to the Reserve Fund in accordance with the policy governing the utilisation and creation of the Reserve Fund. This transfer was approved by Council, at its meeting in August 2021. Details on Reserves are provided in note 23.

SADC Secretariat
Statement of Cash Flows for the year ended 31 March 2022

	Notes	2022	2021
		USD	USD
Cash flows from operating activities			
Surplus for the year	35	3,359,891	17,064,883
Adjustments:			
Depreciation		1,299,234	1,738,817
Amortization (intangible assets)		66,641	57,634
(Gain)/loss on sale of assets		(4,378)	44,761
Reclassification of small value assets to expenditure		-	23,716
Investment Income		(154,406)	(110,330)
Finance costs on lease		705,152	940,290
Increase in Post-employment benefit		487,925	811,205
(Decrease)/Increase in Deferred revenue from ICP		(9,638,627)	6,462,357
Increase in the Member States Special Funds		23,065,412	7,091,980
increase in payables		239,065	3,386,407
(Increase)/decrease in receivables		6,343,957	(4,644,567)
Net cash flows from operating activities		25,769,865	32,867,153
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,112,288)	(484,579)
Purchase of intangibles		-	(52,800)
Proceeds from sale of property, plant and equipment		21,195	3,192
Investment Income		154,406	110,330
Transfer to SADC Assistance to Mozambique		(1,900,000)	-
Transfer to SADC Elections Observer Missions Fund		(5,174,090)	-
Transfer to Regional Logistics Depot Fund		(5,000,000)	-
Net cash flows used in investing activities		(13,010,777)	(423,857)
Cash flows from financing activities			
Finance charges paid on SADC House		(705,152)	(940,290)
SADC house lease repayments		(3,487,844)	(3,252,706)
Net cash flows used in financing activities		(4,192,996)	(4,192,996)
Net increase in cash and cash equivalents		8,566,092	28,250,301
Opening cash and cash equivalents		98,191,948	69,941,647
Closing cash and cash equivalents	12	106,758,040	98,191,948

**SADC Secretariat
Statement of Budget and Actual Amounts (Revenue) for the year ended 31 March 2022**

Description	Original Budget	Adjusted Budget	Actual	Variance	Utilization rate
Member States contributions	45,150,309	45,150,309	40,054,449	5,095,860	89%
Member States contributions-Special Funds	5,639,115	20,505,712	17,818,576	2,687,136	87%
Transfers and asset donations	-	-	430,997	(430,997)	100%
International Cooperating Partners contributions	27,103,123	31,145,508	19,512,506	11,633,002	63%
Total revenue from non-exchange transactions	77,892,547	96,801,529	77,816,528	18,985,001	80%
Revenue from exchange transactions					
Institutional property rentals	-	-	21,353	(21,353)	100%
Investment revenue	-	-	154,406	(154,406)	100%
Proceeds from Disposals	30,000	30,000	21,564	8,436	72%
Total revenue from exchange transactions	30,000	30,000	197,323	(167,323)	658%
Sub-Total before Withdrawals	77,922,547	96,831,529	78,013,851	18,817,678	81%
Assets Replacement Fund	1,464,200	2,290,973	369,840	1,921,133	16%
SEOM five years Plan (2021-2025)	428,574	428,574	45,256	383,318	11%
Operationalize the Mechanism in Honors of the SADC Founders Fund	800,000	800,000	16,613	783,387	2%
Appropriated Funds towards commitments	980,253	1,474,462	1,474,462	-	100%
ICP Contributions towards Administration Overheads Revenue	1,455,991	1,455,991	558,642	897,349	38%
Contingency Fund	-	2,248,688	2,248,688	-	100%
HIV&AIDs Fund	-	1,200,000	-	1,200,000	0%
Sub-Total Withdrawals	5,129,018	9,898,688	4,713,501	5,185,187	48%
Total revenue	83,051,565	106,730,217	82,727,352	24,002,865	78%

Analysis of Revenue

Revenue from Annual Member States contributions is recognized when invoiced. Cash received relating to Member States' special contributions and funds are initially recorded as deferred income and only recognized as revenue when conditions imposed on the fund have been met

Grants received from International Cooperating Partners are initially recorded as deferred income and only recognized as revenue in the Statement of Financial Performance when the related conditions of the respective grants have been fulfilled.

Actual revenue amounted to US\$82,727,352 representing 78% of the Budgeted Revenue in the 2021/22 Financial Year. The notable increase in the Member States contributions budget (Final Adjusted Budget) is due to the additional approved budget for SAMIM deployment of US\$14,848,797 during the 2021/22 Financial Year.

Statement of Budget and Actual Amounts (Expenditure) for the year ended 31 March 2022

Description	Original Budget	Adjusted Budget	Actual Amount	Variance	Utilization rate
Programme Activities					
Member States funded with Emoluments					
Directorate of Organ, Politics, Defence and Security (ORGAN)	7,668,043	26,443,094	14,729,212	1,713,882	56%
Directorate of Industrial Development and Trade	3,190,160	2,685,508	1,673,719	1,011,789	62%
Directorate of Finance Investment and Customs	1,606,680	1,386,966	1,263,519	123,447	91%
Directorate of Infrastructure and Services (I&S)	2,510,010	1,761,396	1,659,333	102,063	94%
Directorate of Food, Agriculture and Natural Resources (FANR)	3,066,136	3,032,325	2,370,097	662,227	78%
Directorate of Social, Human Development and Special Programmes(SHD&SP)	1,335,311	1,121,008	861,739	259,270	77%
Disaster Risk Reduction	478,101	478,101	299,506	178,595	63%
Policy, Planning and Resource Mobilization (PPRM)	2,837,476	2,628,678	2,379,186	249,492	91%
Gender Unit	452,561	399,856	372,292	27,564	93%
GSHD-HIV/AIDS	1,520,000	2,720,000	566,303	2,153,697	21%
Sub-total: Programmes Funded by Member States	24,664,477	42,656,932	26,175,503	16,481,428	61%
Program activities: ICP Funded					
Directorate of Organ, Politics, Defence and Security (ORGAN)	5,238,663	4,416,213	2,881,252	1,534,961	65%
Directorate of Industrial Development and Trade	4,268,730	9,742,336	7,44,469	2,298,867	76%
Directorate of Finance Investment and Customs	4,204,153	5,597,002	3,430,310	2,166,693	61%
Directorate of Infrastructure and Services (I&S)	5,698,401	2,335,730	2,860,691	(524,961)	122%
Directorate of Food, Agriculture and Natural Resources (FANR)	2,712,402	3,295,143	719,365	2,575,778	22%
Directorate of Social, Human Development and Special Programmes(SHD&SP)	682,400	682,400	248,479	433,921	36%
Disaster Risk Reduction	50,000	400,075	140,669	259,406	35%
Policy, Planning and Resource Mobilization (PPRM)	2,470,866	2,670,866	1,363,647	1,307,219	51%
Sub-total Program activities Funded by ICP	25,325,615	29,139,765	19,087,882	10,051,884	66%
Sub-total Program activities	49,990,092	71,796,697	45,263,385	26,533,312	63%

Statement of Budget and Actual Amounts (Expenditure) for the year ended 31 March 2022

Description	Original Budget	Adjusted Budget	Actual Amount	Variance	Utilization rate
Support activities Member State funded					
Directorate of Budget and Finance	3,387,343	3,267,996	3,109,071	158,925	95%
Directorate Human Resources and Administration	15,402,222	15,949,899	13,795,419	2,154,480	86%
Legal	823,371	743,754	635,142	108,612	85%
Information Communication Technology	1,467,107	1,368,106	1,007,881	360,226	74%
Procurement Unit	755,748	790,698	741,468	49,229	94%
Executive Secretary, Deputy Executive Secretaries	1,597,396	1,402,460	1,252,284	150,176	89%
Internal Audit and Risk Management	1,062,035	745,784	595,242	150,542	80%
SADC Administration Tribunal	282,204	252,204	235,524	16,680	93%
Communication and Public Relations	845,064	772,883	651,650	121,233	84%
Sub-total: Support activities Member State funded	25,622,490	25,293,785	22,023,681	3,270,104	87%
Support activities International Cooperating Partners funded					
Executive Secretary	124,200	24,200	10,105	14,095	42%
Communication and Public Relations	379,067	339,067	226,619	112,448	67%
Directorate of Human Resources and Administration	450,000	472,290	104,990	367,300	22%
Information Communication Technology	824,241	1,170,185	4,527	1,165,658	0%
Sub-total Support activities International Cooperating partners funded	1,777,508	2,005,742	346,241	1,659,501	17%
Sub-total Support activities	27,399,998	27,299,527	22,369,922	4,929,605	82%
Total Programme and support activities costs excluding Contingency	77,390,090	99,096,224	67,633,307	31,462,917	68%
5% Contingency fund Transferred in 2021/22	2,257,515	2,257,515			
Transfers to Special Accounts	3,403,959	5,376,477			
Total	83,051,565	106,730,217			

Analysis of Expenditure Variances

The overall expenditure utilization for the year was US\$67,633,307 representing 68% of the Revised Budget. The utilisation rate of 68% excludes transfers to the Contingency Fund and the Special Funds. The achieved level of utilization was mainly due to the following:

- (i) *Member States funds*: Budget utilization rate of 61% on programme activities and 87% on Support Activities under Member States funding is mainly attributed to:
 - (a) the COVID-19 pandemic travel restrictions continued to affect the implementation of activities and outputs that could only be implemented through face to face approach. Several Ministerial meetings initially planned to be conducted face to face were changed to virtual meetings. In addition, regional and national capacity-building efforts were cancelled or deferred. Hence, the Secretariat could not utilise some resources budgeted for air tickets, participants per diems, and conference packages resulting in unplanned savings; and
 - (b) some staff positions remained vacant, resulting in the low utilisation of the emoluments budget; and
- (ii) *International Cooperating Partners (ICP) funds*: Budget utilization rate of 66% on Programme activities and 17% on Support Activities achieved was due to the following:
 - (a) the impact of the COVID-19 pandemic affected the implementation of International Cooperating Partner funded activities. Some major meetings and workshops have been postponed, cancelled, or conducted virtually. This resulted in low utilisation of the budgeted funds since there were no costs incurred on travel, per diems, or conferences; and
 - (b) delays in engaging suitable consultants due to non-responsive bidders and the procurement process taking longer than anticipated

1. Basis of preparation

1.1. Statement of compliance and basis of preparation

The Financial Statements of the Secretariat of Southern African Development Community (SADC) herein referred to as the Secretariat have been prepared in accordance with and comply with the accrual basis of the International Public Sector Accounting Standards (IPSAS). The Financial Statements have been prepared on the historical cost basis unless otherwise stated and the accounting policies have been applied consistently in their preparation and presentation. The statement of cash flows is prepared using the indirect method.

1.2. Going concern

The accompanying financial statements have been prepared on the assumption that SADC Secretariat will continue as a going concern. Based on the positive historical trend of collection of assessed contributions over the past years and the fact that the Council has not taken any decision to cease the operations of the SADC Secretariat, Management is confident that the SADC Secretariat will continue as a going concern in the foreseeable future.

1.3 Application of International Public Sector Accounting Standards (IPSAS)

- 1.3.1 The SADC Secretariat continues to prepare its financial statements in accordance with IPSAS issued by the International Public Sector Accounting Standards Board ("IPSASB") that are relevant to its operations. For the accounting periods beginning 1 April 2021 IPSAS not applicable to the SADC Secretariat are listed in table 1 below.
- 1.3.2 The SADC Secretariat has elected not to "early adopt" IPSAS Standards/Interpretations not yet effective as at the year-end.

Table 1: IPSAS not applicable to the SADC Secretariat

IPSAS No.	Description	Reason for not applying to SADC Secretariat
IPSAS 10	Financial Reporting in Hyper Inflationary Economy;	SADC Secretariat did not operate in a hyperinflationary environment during the reporting period. The United States Dollar, which over the years, has not been affected by hyperinflation, is the functional and reporting currency of the SADC Secretariat
IPSAS 11	Construction Contracts	SADC Secretariat is not involved in issues or manages any construction contracts as prescribed by the standard and therefore could not be required to account for any transaction in terms of IPSAS 11
IPSAS 27	Agriculture	SADC Secretariat is not involved in agricultural activities within the definition of biological assets.

IPSAS No.	Description	Reason for not applying to SADC Secretariat
IPSAS 32	Service Concession Arrangements: Grantor.	SADC Secretariat is not involved in binding arrangements that involve private sector participation in the development, financing, operation or maintenance of assets used to provide public service.
IPSAS 35	Consolidated Financial Statements.	SADC Secretariat does not have subsidiaries or Associate companies as defined by the standard.
IPSAS 36	Investment in Associates and Joint ventures	SADC Secretariat does not have Investments in Associates involving any form of shares or equity instruments or joint ventures
IPSAS 37	Joint Arrangements	SADC Secretariat does not have jointly controlled operations, or jointly controlled assets. Accordingly, the standard does not apply.
IPSAS 38	Disclosure of Interests in Other Entities	SADC Secretariat does not have interest in other entities. Accordingly, the standard does not apply
IPSAS 40	Public Sector Combinations	SADC Secretariat is not involved in any business combinations

2. Significant Accounting Policies

2.1. Measurement Basis

These financial statements are prepared using the historical-cost convention, except for financial assets which are recorded at fair value through surplus or deficit.

2.2. Foreign currency transactions

The financial statements are presented in United States Dollars (USD), which is the functional and reporting currency of the Secretariat and all values are rounded to the nearest USD.

Transactions in foreign currencies are recorded using the mid- rate at the beginning of each month except for direct translations, which are converted at the actual spot rate on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated to USD equivalents using the closing foreign exchange rate ruling at the reporting date.

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

Exchange differences on foreign currency transactions are included in the statement of financial performance.

2.3. Property, plant and equipment

2.3.1. Initial recognition and measurement

Property, plant and equipment acquired by the Secretariat is initially stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment. Depreciation is charged to the statement of financial performance on an annual basis. Impairment losses are recognised in the statement of financial performance, as and when these arise.

Included in property are leasehold buildings which are stated at a fair value of the leased asset determined at the inception of the lease. The fair value is based on the discount rate implicit in the lease/ Public-Private Partnership agreement of 7% per annum.

Property, plant and equipment acquired through non-exchange transactions (e.g. grants) are recorded initially at fair value, which is assumed as the cost of the asset.

2.3.2. Depreciation

Depreciation on assets is charged on a straight-line basis over the useful economic life of the asset. Depreciation is charged at rates calculated to allocate the cost of the asset, less any estimated residual value, over its remaining useful economic life. Annual depreciation rates used are as follows:

Class of asset	Depreciation rate
Buildings	2%
Motor vehicles	10%
Computer equipment	25%
Furniture and fittings	12.5%
Equipment	25%
Servers	20%
Machinery and Equipment	12.5%

The assets' residual values and useful economic lives are reviewed, and adjusted as appropriate, at the time of purchase and at the end of each reporting period.

2.3.3. Useful lives

The useful lives of the assets are reviewed at the end of every financial year. The secretariat carried out a comprehensive review of all fixed assets in the 2020/21 financial year to determine if there is a need to change the estimated useful lives of assets in light of the growing number of fully depreciated assets that are still in use. The review resulted in changes in the useful lives of some asset classes as follows:

Class of asset	Previous Useful Life	Current Useful Life
Motor vehicles	4 years	10 years
Furniture and fittings	6 years	8 years

The review of assets' useful lives also resulted in the introduction of the following new asset classes

Class of asset	Useful Life
Servers	5 years
Plant and Machinery	8 years

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- (i) The condition of the asset based on the assessment of experts employed by the Secretariat;
- (ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- (iii) The nature of the processes in which the asset is deployed;
- (iv) Availability of funding to replace the asset; and
- (v) Changes in the market in relation to the asset

2.3.4. De-recognition

Items of property, plant and equipment and/or any significant part of an asset are derecognised upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising from the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit, in the period when the asset is de-recognised.

2.3 Intangible Assets

2.3.1 Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

2.3.2 Internally generated computer software

Software development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits or service potential is probable, and

the Secretariat intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the direct labour and overheads that are directly attributable to preparing the software for its intended use. Other development expenditure is not capitalised and is reflected in surplus or deficit in the period in which the expenditure is incurred.

2.3.3 Software Licenses

Software licenses that are identifiable or arise from contractual or other legal rights are recognised as intangible assets if it is probable that the expected future economic benefits or service potential that is attributable to the asset will flow to the Secretariat over a period greater than 12 months and the cost of the asset can be measured reliably.

2.3.4 Trademarks, logo and insignia

In August 2017 Council approved a budget to register the SADC trademark, Logo and Insignia, in order to protect them from misuse and misrepresentation and to secure them in all the Member States. Expenditure relating to legal services to register, protect and secure the trademarks, logo and insignia have been capitalized as an intangible asset with an indefinite life span. The trademarks, logo and insignia will not be amortised, but will be tested annually for impairment, and more frequently whenever there is an indication that the asset may be impaired

2.3.5 Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected patterns of consumption of the future economic benefits or service potential embodied in the asset.

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortised over their useful life as follows:

Class of intangible assets	Life span
Internally generated computer software	10 years
Software licenses	5 years or the duration of the contract, up to a maximum of 10 years.
Copy right and Trade Mark	Indefinite

3.3.6. The amortisation period and the amortisation method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate.

Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired.

2.3.7 De-recognition

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit when the asset is de-recognised.

2.3.8. Donated Right to Use

Land; buildings, infrastructure assets, machinery and equipment are sometimes granted to the Secretariat, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether the agreement indicates that control over the underlying assets is transferred to the Secretariat.

Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to an imputed annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease, the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition; a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the Secretariat does not have exclusive control over the land and/or title to the land is transferred under restricted deeds. Where title to land is transferred to the Secretariat without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

2.4. Revenue Recognition

2.4.1. Revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at fair value and recognised on obtaining control of the asset (cash, goods, services and property plant and equipment) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Secretariat and can be measured reliably.

2.4.2. Contributions from the Member States

Contributions from the Member States are recognised based on the following:

- i) Annual Member States contributions are assessed under the provisions of the Treaty, as amended, in Article 28(2) based on a formula approved by Council. These are recorded as receivables and recognized as revenue after the approval of the annual budget by the Council. These are not returnable to the contributing Member States. The collection is enforced by the application of sanctions under Article 33 of the Treaty;

- ii) Contributions received from the Member States, as Special Funds, other than annual Member States Contributions, are recorded as liabilities. These are transferred and recognized as revenue in a statement of financial performance when conditions imposed on the special fund are met. When conditions are not met, the contributing Member States are engaged; and
- iii) In the event that the Council waives the conditions applicable to a Special Fund, the Secretariat recognizes the contributions received as revenue in a statement of financial performance. During a financial year, these contributions will form part of a surplus and or reduce a deficit, if not utilized.

2.4.3. Contributions from International Cooperating Partners(ICPs)

In accordance with provisions under Article 25 of the Treaty, SADC mobilizes resources from non-members for the implementation of interventions. The Executive Secretary, being the Chief Executive officer of SADC and Head of the Secretariat as designated in Article 3 and Article 14(2) respectively of the Treaty, signs resource mobilisation agreements providing financial, technical and material resources to SADC.

These resources may be executed by SADC Institutions established under Article 9 of the Treaty. Resources that are executed by the Secretariat are managed by the Executive Secretary. Pursuant to Article 15(1)(g), the Executive Secretary is the Accounting Officer on resources executed by the Secretariat.

Entities established at the level of Member States and or Regional level may in some cases be designated as executing authorities by SADC. As the Executive Secretary is not the Accounting Officer of such entities, agreements providing for financial, technical and material resources establish accounting officers on such resources to ensure accountability. These resources if channelled directly by the ICPs to those institutions are not included in the financial statements of the Secretariat.

Under the Windhoek Declaration of April 2006 on aid effectiveness, it is now the norm for SADC to forge its own strategies (ownership); for ICPs to support these strategies (alignment) and work to streamline their efforts and base delivery of aid on the Secretariat's own systems and processes (harmonisation); for development policies to be directed to achieving clear goals and for progress towards these goals to be monitored (results); and for development partners and SADC alike to be jointly responsible for achieving these goals (mutual accountability).

In compliance with the objectives of the Declaration, SADC and some of its ICPs have signed contribution agreements. Under this framework and within the specified legal framework, ICPs delegate the management of resources to SADC, the management of the resources based on the Secretariat own regulations, standing orders and rules. An agreed administrative overhead rate is charged on the eligible expenditure towards institutional indirect costs.

The Secretariat has determined that Members' contributions and contributions from ICPs are non-exchange transactions in terms of IPSAS 23. Revenue from Non-exchange transactions are utilised to fund the operations of the Secretariat in accordance with budget approval requirements.

Resources availed by ICPs have been accounted for and reported as follows:

- (i) Contributions receivable from ICPs which are expected to be received, are recognized in the statement of financial performance only when there is reasonable assurance that the Secretariat will comply with the conditions attached to them and the contributions will be received.
- (ii) Generally, such revenue is matched against the expenditure, as this is when the conditions of the grant are fulfilled. Expenditure not complying with requirements and or exceeding available resources under contractual instruments is not charged against an ICP. A system is in place to ensure that mandatory accounting and financial reporting requirements on contributions are complied with. The system provides for the following:
- a) Grants are initially recorded on the statement of financial position of the Secretariat as deferred revenue and recognised as revenue when the related conditions of the grant have been fulfilled;
 - b) Grants relating to the acquisition of fixed assets managed by the Secretariat are recognised in the statement of financial performance as revenue when conditions related to the grant have been met.
 - c) Disbursements of funds to the beneficiary by the Secretariat are treated as advances and recorded as receivables until justifications/ a satisfactory expenditure report is received.
- (iii) Funds receivable on contribution agreements with ICPs towards institutional overheads are:
- a) Provided for as a charge against the grant on an accrual basis; and
 - b) Recognized as exchange revenue, on an accruals basis.

2.4.4. Revenue from exchange transactions

The Secretariat obtains additional revenue categorised as exchange transactions from the following sources;

- i) Charge for use of institutional property
- ii) Sale of assets; and
- iii) Interest received.

The Secretariat will only recognise revenue where it is acting as a principal and has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Where SADC Secretariat acts as an agent, any amount collected on behalf of the principal will not be recognised as revenue.

Interest income is recognised as interest accrued using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying value.

2.5. Segment reporting

The SADC secretariat does not have clearly identifiable segments as described by IPSAS 18. Management however decided to separately present information on revenues, expenditures, assets and liabilities funded by the Member States and International Cooperating Partners (ICP) as a way of enhancing the quality of the information provided to the Secretariat's stakeholders. This information is presented on the face of the statement of financial performance, and the statement of financial position, while further information on ICP funding and expenditures is presented in notes 6, 12, 22, and 26. A summary of information on both streams of funding is presented in note 35. The disclosures made on

the various sections of the Financial Statements provide meaningful information to users of the financial statements on resources received from ICPs, how the resources were allocated and utilised during the financial year, and the balances of assets and liabilities at the end of the financial year.

2.6. Financial instruments

2.6.1. Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 *Financial Instruments: Recognition and Measurement* are recognised in the financial statements when the entity becomes a party to the contractual arrangements of the instrument. Upon initial recognition, a financial asset is classified within financial assets at fair value through a surplus or a deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

Upon initial recognition, financial assets are measured at fair value plus directly attributable transaction cost, unless a financial instrument is classified as a financial asset at fair value through a surplus or a deficit. Financial assets at fair value through surplus or deficit are measured at fair value upon initial recognition.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables represent amounts due from the Member States, Development Partners and other providers of goods and services in the normal course of business. After initial measurement, such financial assets are subsequently measured at amortized cost, using the effective interest rate method, less

impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit

ii. Cash and cash equivalents

Cash on hand and in banks and short-term deposits, which are held to maturity are measured at amortised cost. Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments readily convertible to cash and subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash resources as defined above.

iii. De-recognition

The Secretariat de-recognizes a financial asset or, where applicable a part of a financial asset or a part of a group of similar financial assets, when:

1. The rights to receive cash flows from the asset have expired or are waived;
2. The Secretariat has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:
 - a) The Secretariat has transferred substantially all the risks and rewards of the asset; or
 - b) The Secretariat has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

iv. Impairment of financial assets

The Secretariat assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- a) A group of debtors or debtors are experiencing significant financial difficulty;
- b) Default or delinquency in interest or principal payments;
- c) Probable that debtors will enter bankruptcy or other financial reorganization; and;
- d) Observable data indicate that there is a measurable decrease in the estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Secretariat first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Secretariat determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that

have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Secretariat. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

2.6.2. Financial Liabilities

Initial recognition and measurements

Initial recognition measurement:

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Secretariat determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. The Secretariat's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement:

The measurement of financial liabilities depends on their classification.

- i. Financial liabilities at fair value through a surplus or a deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on

liabilities held for trading are recognized in surplus or deficit.

ii. Loan and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification:

i. Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized, as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

ii. Payables

Payables are classified as loans and borrowing. These are measured at amortised cost in the statement of financial position.

iii. De-recognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

iv. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities, simultaneously.

2.7. Provisions

Provisions are recognized when the Secretariat has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Current provisions are measured at the estimated costs expected to settle the obligation, as at the reporting date.

Long-term provisions are measured at the present value of weighted average costs expected to settle the obligation, as at the reporting date. The present value of long-term provisions is determined using estimated cash flows. The cash flows are discounted at a current discount rate that reflects the risks specific to the obligation. The unwinding of the discount is expensed as incurred and recognized in the statement of financial performance as a finance cost.

2.8. Contingent liabilities

The Secretariat does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingent liabilities disclosed are stated at the estimated cost expected to settle the potential obligation, as at the reporting date.

2.9. Contingent assets

The Secretariat does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Secretariat in the notes to the financial statements. Contingent assets disclosed are stated at the estimated benefit expected to accrue to the entity as at the reporting date.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

2.10. Taxation

The current tax charge is not provided for since the Secretariat is exempt from taxes. This is in accordance with the SADC Protocol on Immunities and Privileges.

2.10.1. Deferred taxation

Deferred income tax has not been provided for as a liability and an asset is not expected in taxation due to the tax exemption status of the Secretariat.

2.10.2. Value added tax (VAT)

Value-added taxes on transactions of the SADC Secretariat are claimable by the Secretariat. Accordingly, expenditure is recorded net of value-added tax. Amounts owed by the various tax authorities for payment of VAT are reflected as receivables.

2.11. Lease

2.11.1. Finance Lease

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Secretariat. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Secretariat also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured at the present value of the future minimum lease payments at initial recognition.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Secretariat will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Contingent rentals are recognized as expenses in the period in which they are incurred. Contingent rentals are computed as the difference between the fixed minimum lease payments at the commencement of the lease and the actual minimum lease payment.

2.11.2. Operating lease

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

The Secretariat included the service element in computing the fair value of the leasehold building on the inception of the lease from 1 August 2009, and in recognizing the underlying liability. Subsequently, the liability has been reduced as payments are made and an imputed finance charge on the liability recognized using the SADC Secretariat incremental borrowing rate of interest.

2.12. Financial risk management

The Secretariat's exposure to financial risks as well as its policies to mitigate those risks is described below:

2.12.1. Exchange rate exposure

Exposure to foreign currency exchange rate movements arises in the normal course of the Secretariat's activities. While this is subject to the risk of foreign exchange rates changing, the Secretariat attempts to minimise the exposure by ensuring that contractual liabilities are in the currency of the foreign currency resources.

The closing relevant exchange rates vis-à-vis US Dollar as at 31 March 2022 of each financial year are as follows:

Currency	31 March 2022	31 March 2021
Botswana Pula	11.6686	11.3766
European Union Euro	0.9422	0.8532
Great Britain Pound	0.8008	0.7281

2.12.2. Interest rate exposure

Exposure to interest rate movements arises in the normal course of the Secretariat's activities.

The Secretariat does not engage in speculative investment activities.

2.12.3. Credit risk exposure

Exposure to credit risk arises in the normal course of the SADC Secretariat's activities. The Secretariat attempts to minimise this exposure through utilisation of various collection instruments.

There is no significant concentration of credit in any instrument.

2.13. Employee benefits**2.13.1. Gratuity**

The Secretariat does not provide post-employment benefits for its employees other than Gratuity as specified below.

SADC members of staff earn 25% of their salary as gratuity. This is accrued monthly and charged against the annual surplus or deficit. The gratuity is invested in interest earning securities in accordance with regulation 51(2) of the SADC Secretariat Financial Regulations. The gratuity is paid to the members of staff at the end of the contract of employment. As such the amounts accrued to this account, approximate the fair value of the Secretariat's post-employment obligations.

2.13.2. Other employment benefits

The Secretariat has recognized liabilities for the following post-employment benefits, the value of which is based on the amount payable to each staff member at the reporting date.

Accumulated leave: staff members are eligible for 30 days' annual leave. Annual leave is a short-term employee benefit, as staff have the right to accumulate unused annual leave and receive payment in lieu thereof to the maximum of 60 days on separation from service and is treated as a current liability.

Home Leave: internationally recruited staff members are eligible for home leave for themselves and their dependents being a spouse and up to four dependent children to the country of their origin every second year.

2.14. Related parties

The Secretariat regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Secretariat, or vice versa. Members of key management are also regarded as related parties. Where transactions are undertaken with related parties and those transactions are not at arm's length or not in the ordinary course of business the transactions and resultant balances are disclosed in the related party note in the financial statements.

2.15. Impairment of non-cash generating assets

The Secretariat has determined that all of its non-financial assets are non-cash-generating assets and therefore applies the following principles with regards to impairment:

- i. The Secretariat assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Secretariat estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.
- ii. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.
- iii. In assessing value in use, the Secretariat has adopted the depreciation replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- iv. In determining fair value less costs to sell, the price of the assets in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the Secretariat determines fair value less cost to sell based on the best available information.
- v. For each asset, an assessment is made at each reporting date as to whether there is

any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Secretariat estimates the asset's recoverable service amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

3.0. Significant judgements

The preparation of the Secretariat's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. These are disclosed as contingent assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1. Operating lease commitments

The Secretariat has entered into operating leases allowing the Secretariat to utilise some properties, plant and equipment. The Secretariat has determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting a substantial portion of the economic life of the property, plant and equipment) that it does not acquire all the significant risks and rewards of ownership of these properties, plant and equipment and therefore accounts for the contracts as operating lease.

3.2. Impairment of non-financial assets – non-cash-generating assets

The Secretariat reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the Secretariat undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use of estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

3.3. Fair value estimation – financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. The judgement includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.4. Provisions

Provisions are raised and management determines estimated amounts, based on the available information.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money.

3.5. Held-to-maturity investments and loans and receivables

The Secretariat assesses its loans and receivables (including trade receivables) and its held-to-maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Secretariat evaluates the indicators present in the market to determine if those indicators are indicative of impairment in its loans and receivables or held-to-maturity investments.

3.6. Commitments

Commitments are future expenses to be incurred by the Secretariat with respect to open contracts which the Secretariat has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that are not delivered as at the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

4 Member states' contributions

	2022	2021
	USD	USD
Angola	3,132,433	3,142,589
Botswana	2,112,521	2,119,369
Comoros	1,933,367	1,939,635
Democratic Republic of Congo	2,389,072	2,396,818
Eswatini	1,968,716	1,975,099
Lesotho	1,948,833	1,955,151
Madagascar	2,065,043	2,071,738
Malawi	1,994,973	2,001,440
Mauritius	2,068,185	2,074,890
Mozambique	2,075,255	2,081,983
Namibia	2,068,139	2,074,844
Seychelles	104,661	105,000
South Africa	7,683,700	7,708,613
Tanzania	2,523,877	2,532,060
Zambia	2,184,890	2,191,973
Zimbabwe	2,164,834	2,171,852
Member State contribution recognized	38,418,499	38,543,054
Member States special projects (4.1)	17,927,354	6,793,871
Total	56,345,853	45,336,925

Annually, Member States make financial contributions to the Secretariat based upon a formula approved by council and agreed upon by Summit to meet budgetary resource requirements for the financial year. The total Member States Contribution of USD 38.4 million (2020/21: USD 38.5 million) excludes SADC House and HIV/AIDS Trust Fund contributions of USD 5.1 million (2020/21 USD 5 million) and USD 1.6 million (2020/21: USD 1.6 million) respectively, which are only recognised to revenue once utilised.

4.1 Member States special projects and other contributions

	2022	2021
	USD	USD
SADC House Project and transfer income	5,131,809	5,007,256
SADC HIV/AIDS Trust Fund	422,202	11,438
Withdrawals From Contingency Fund	119,982	-
International Conference on the Great Lakes Region	-	106,754
Madagascar Arrears Recovery	1,668,423	1,668,423
SADC Assistance to Mozambique	9,774,860	-
SADC Regional Logistics Depot Fund	745,296	-
SADC Anti-Corruption Strategic Action Plan	19,527	-
SEOM 5 years Ring Fencing Fund	45,256	-
Total	17,927,354	6,793,871

Included in Member States special projects contributions are recoveries of previously impaired receivables from Madagascar. A full list of special funds, inclusive of balances and movements during the year is presented in Note 24.

5 Other Income

	2022	2021
	USD	USD
Donations	99,831	28,950
Recoveries from staff costs	19,055	144,890
Direct funding to ICAO	85,726	7,180
Recoveries from Projects	319,966	496,827
Total	528,648	677,847

Project recoveries relate to the following projects Japanese Project, REPSSI, TADS, ADB shared water, Norway energy, RVAA and UNDP. These projects ended and the amounts relate to remnant funds transferred to Member States Funds.

An imputed rental of USD 30,976 has been included in these financial statements for Sebele offices based on rentals of similar properties within Gaborone. No estimated rentals have been imputed for Climate Centre offices in Village since the offices are shared with the Government and rentals for the offices could not be reliably determined.

6 ICPs' contributions

	2022	2021
	USD	USD
African Development Bank	788,142	1,098,182
African Union APSA III	365,633	231,302
China	86,500	89,985
European Union	17,985,544	8,431,348
German Technical Cooperation	218,719	512,380
Swedish International Development Agency	504	-
World Bank (DRR Capacity Enhancement)	67,464	1,184,798
Totals	19,512,506	11,547,995

Contributions from International Corporation Partners to the SADC Secretariat are recorded and recognised in the financial statements as revenue from non-exchange transactions.

7 Commission for overheads /institutional revenue

	2022	2021
	USD	USD
Institutional revenue	21,353	5,521
7% commission on overheads	558,642	301,077
Total other Income	579,995	306,598

8 Investment revenue

	2022	2021
	USD	USD
Interest received	154,406	110,330
Total investment revenue	154,406	110,330

9 Staff costs

	2022	2021
	USD	USD

Staff Operating Expenditures

Employee related costs - salaries and wages	6,728,620	5,413,596
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Salaries	6,672,570	5,384,614
Temporary staff salaries	12,215	16,111
Staff overtime	43,835	12,871

Employee related costs - contributions to pensions and medical aids

	316,001	344,062
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Medical aid	191,843	207,977
Group life insurance	124,158	136,085

Other allowances

	4,109,510	4,001,920
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Assignment allowance	278,098	269,390
Education allowance	457,608	392,028
Entertainment allowance	4,527	4,200
Utility allowance	442,555	386,839
Secondment Allowance	24,674	58,587
Acting allowance	21,121	14,199
Communication and relocation allowances	103,815	111,317
Staff passage	73,198	122,380
Settlement allowance	20,465	30,220
Housing allowance	1,326,265	1,304,473
Contract gratuity	1,357,184	1,308,287

Sub-Total	11,154,131	9,759,578
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Staff Costs related to Programme Expenses

	2022	2021
	USD	USD

Employee related costs - salaries and wages	5,106,036	4,931,038
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Salaries	5,098,148	4,925,004
Temporary staff salaries	7,888	6,034

Contributions to pensions and medical aids	260,534	107,393
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Medical aid	246,246	106,060
Group life insurance	14,288	1,333

Other allowances **5,644,580** **4,972,744**

Assignment allowance	387,200	344,802
Education allowance	877,741	710,658
Entertainment allowance	4,200	4,200
Utility allowance	573,114	523,547
Secondment allowance	300,898	224,213
Acting allowance	19,689	1,456
Communication and relocation allowances	151,823	45,451
Staff passage	118,361	195,996
Settlement allowance	31,740	30,220
Housing allowance	1,960,449	1,790,243
Contract gratuity	1,219,365	1,101,958

Sub-total **11,011,150** **10,011,175**

Employee Costs **22,165,281** **19,770,753**

Employee costs arise from the application of terms and conditions under which employees are contractually engaged by the SADC Secretariat. The SADC Council of Ministers under the provisions of the SADC Treaty (Article 2(1)) determines the terms and conditions of service of the staff of the Institutions of SADC. Under Article 14(5), Council is also responsible for establishing the structures of the Secretariat and the specifications, descriptions and grading of the jobs of staff of the Secretariat. In August 2006, Council approved that the staff benefits stipulated in the Terms and Conditions of Service be monetized.

10 General expenses	2022	2021
	USD	USD
Administration costs	243,762	549,990
Maintenance and repairs	215,830	190,995
Security	239,189	204,745
Consultancies	1,395,883	1,148,990
Utilities Cost	465,823	300,556
Recruitment Costs	680	194,964
Exhibitions and promotional materials	198,030	39,346
Staff Development and Professional Subscriptions	37,938	11,138
Insurance costs	75,207	149,216
Software licences	238,567	408,264
Vehicle running costs	14,767	15,509
Total general expenses	3,125,676	3,213,713