



**52ND PLENARY ASSEMBLY
1ST TO 11TH DECEMBER 2022
KINSHASA, THE DEMOCRATIC REPUBLIC OF CONGO (DRC)**

**EXECUTIVE COMMITTEE REPORT ON FINANCIAL MATTERS
(TREASURER'S REPORT)**

**PAPER 1
AUDITED FINANCIAL STATEMENTS (AFS) AS AT 31ST MARCH 2022**

**A. PAPER 1
AUDITED FINANCIAL STATEMENTS (AFS) AS AT 31ST MARCH
2022**

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1.0. AUDITED FINANCIAL STATEMENTS (AFS) AS AT 31ST MARCH 2022

The Audited Financial Statements (AFS) are attached as [Appendix 1](#).

1.1. Executive Committee's Responsibilities and Approval

1.1.1. The Executive Committee's responsibilities and approval requirement are outlined in detail in the AFS. Having confirmed and discharged its responsibilities, the EXCO is required to approve the AFS, which are to be signed on its behalf by the Treasurer and the President.

1.1.2. In approving the AFS, the EXCO is required to confirm the following:

i. Nature of business

The Forum was established for the purpose of strengthening capacity of the Southern African Development Community (SADC) by involving parliamentarians of SADC member states in activities that contribute to the well-being of SADC.

There have been no material changes to the nature of the Forum's business from the prior year.

ii. 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 Forum's Constitution. The accounting policies have been applied consistently ~~compared to the prior year~~.

Full details of the financial position, results of operations and cash flows of the Forum are set out in these annual financial statements.

iii. Property, plant and equipment

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

At 31 March 2022 the Forum's investment in property, plant and equipment amounted to N\$9,562,385 (2020: N\$ 8,288,373), of which N\$1,423,558 (2020: N\$8,236,178) was added in the current year through additions, details of which are provided at 1.3 below.

iv. Going concern

The Executive Committee is required to pronounce itself on the future of the institution in the following statement:

“The Executive Committee members believe that the Forum 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. The Executive Committee members have satisfied themselves that the Forum is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Executive Committee members 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 Forum.”

1.2. Auditor's Opinion

In the opinion of the Auditor, “the annual financial statements present fairly, in all material respects, the financial position of SADC Parliamentary Forum as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the SADC PF Constitution”.

1.3. Statement of Financial Position as at 31st March 2022

The following is worth noting:

1.3.1. Property, Plant and Equipment

- i. During the financial year 2021-2022, the Net Book Value (NBV) of Property, Plant and Equipment increased from N\$8,288,373 to N\$9,562,385. This increase in value was a result of the following:

	N\$
NBV as at 1st April 2021	8,288,373
Additions during the year:	
New Vehicle for SG (X7)	1,298,021
Office Equipment	10,300
IT Equipment	115,237
Less:	
Depreciation	-149,546
NBV as at 1st April 2022	9,562,385

- ii. SG Official Residence, 89 JH Ithana, Ludwigsdorf, Klein Windhoek:

The property’s book value as at 31st March 2022 stands at N\$7,733,958 (representing Buildings valued at N\$4,933,958 and Land at N\$2,800,000). In comparison, the property was valued at N\$7,814,971 (representing buildings valued at N\$5,014,971 and land valued at N\$2,800,000) at 31st March 2021. The buildings have been depreciated by N\$81,013.

- iii. Motor Vehicle

During the year 2021/22, the personal-to-holder vehicle of the Secretary General was procured for N\$1,298,021. The value as at 31st March 2022 is N\$1,276,388 after depreciation of N\$21,633.

- iv. Property at 66 Erosweg, Eros Park, Windhoek
During the financial year 2021/22, the value of the house was further reduced from N\$2,800,000 to N\$2,470,000 based on the market value (last sale offer received) of 8th July 2022. To comply with International Financial Reporting Standard (IFRS5), the house is now classified as 'Asset Held for sale' at a value of N\$2,470,000. In view of this, an impairment loss of N\$ 330,000 (2021: N\$ 1,012,817) on the measurement of the disposal group to fair value, less cost to sell, has been recognised in the Statement of Profit or Loss.
- v. Property, plant and equipment encumbered as security-
Nedbank Mortgage: The following assets have been encumbered as security for the secured long-term borrowings: Land and buildings N\$7,733,959. The loan is denominated in Namibian dollars (N\$), bears interest at 7,50% per annum, is secured over buildings of N\$ 4,933,959 and land of N\$ 2,800,000 and repayable in installments of 118 months.
- vi. Property, plant and equipment encumbered as security-
FNB Motor Vehicle Loan:
The following assets have been encumbered as security for the secured long-term borrowings: Motor Vehicles N\$1,276,388: The loan is denominated in Namibian dollars (N\$), bears interest at 9,50% per annum, is secured and repayable in 60 months.
- vii. Disposal of Motor Vehicle.
During the financial year 2021/2022, the Forum sold one of its vehicle Landcruiser (LC200 4.5 V8 VX Diesel) for the sum of N\$560,000. This vehicle was bought in October 2014 for the sum of N\$ 750,653 and had been fully depreciated.

1.3.2. Equity (Retained Income)

The Equity (Retained Income) increased from N\$ 7,824,498 as at 31st March 2021 to N\$ 11,188,607 as at 31st March 2022 due to an Operating Surplus of N\$3,364,109. The surplus is further detailed under "Statement of Financial Performance" at 1.4 below.

1.3.3. Going Concern

The Financial Position as at 31st March 2021 is healthy with equity of N\$11,188,607 represented by Total Assets of N\$48,290,119 and Total Liabilities of N\$37,101,512. There is no identified threat on the going concern status of the institution.

1.3.4. Restricted Funds

Included in the cash and cash equivalents is an amount of N\$22,340,457 (2021: N\$ 21,793,468) relating to bank accounts for external funding and for specific projects. The funds are held in

designated bank accounts to be used only for the purpose of financing specific projects.

1.4. Statement of Financial Performance for the Year Ended 31st March 2022

The following is worth noting:

- 1.4.1. The Audited Financial Statements as at 31st March 2022, record total Revenue of N\$38,883,123. Out of this amount, N\$21,478,050 (55%) was from Mandatory Annual Member Contributions, while N\$17,405,073 (45%) was grants received from cooperating partners. Additional Operating Income amounting to N\$338,882 was raised from Administration and Consultancy Income charged to partners. Investment Income totalled N\$162,477 while gain on disposal of assets amounted to N\$ 581,162. This brought the Total Revenue plus Income to N\$39,965,644.
- 1.4.2. In the Statement of Financial Performance, the Foreign Exchange losses incurred to an amount of N\$409,411 are set-off against the gain on disposal of assets amounting to N\$ 581,162, resulting in net operating gains of N\$171,751.
- 1.4.3. Total Operating Expenditure for the year was N\$35,747,142 compared to N\$23,959,094 in the previous financial year. The increase was due to increased expenditure under the SRHR Project due to an increase in implementation of activities.
- 1.4.4. The Operating Surplus was N\$3,646,614, while the Total Comprehensive Surplus for the year was N\$ 3,364,109 after adding investment income (N\$162,477) and deducting finance costs, (N\$444,982).

1.5. RECOMMENDATIONS FOR THE CONSIDERATION OF THE PLENARY ASSEMBLY

- 1.5.1. The Plenary Assembly is requested to consider and approve the Audited Financial Statements for the year ended 31st March 2022.**

2.0. Proposal to discontinue the consolidation of SADC PF Main Financial Statements with Donor Funded Financial Statements

2.1. Context

- 2.1.1. The Plenary Assembly is requested to consider the proposal to discontinue the consolidation of SADC PF Main Financial Statements with Donor Funded Financial Statements. The EXCO is advised that the

consolidation of the Financial Statements was a resolution of the Executive Committee in July 2012 (during the 30th Plenary Assembly in Maputo, Mozambique) and is not informed by standard accounting practice. This was meant to address the lack of information and reporting on grants and project funds at that time. This situation has since been addressed as the Treasurer's Report is now more comprehensive, with financial reports for donor funding and other external funding included.

2.1.2. Consolidated financial statements are financial statements that present the assets, liabilities, equity, income, expenses and cash flows of a parent and its subsidiaries as those of a single economic entity. Consolidated financial statements are required when an entity controls one or more other entities, usually with a controlling interest of at least 50%, including a controlling financial interest. For example, while the SRHR Project is a SADC PF owned and controlled project, more than 90% of its funding is from the Swedish, given as a grant whose use is restricted to the Grant Agreement.

2.1.3. The Plenary Assembly may wish to note that the accounts of the SRHR project, funded by the Swedish (Sida) are prepared and audited separately as per the project agreement. However, since the start of the project, the financial position of the SRHR project is also consolidated in the financial statements of the SADC Parliamentary Forum. However, it has been observed that this consolidation tends to distort the presentation of the financial statements of the SADC PF.

2.2. Problems arising from line consolidation of the SRHR accounts and other donor funds into the financial statements of the SADC PF include the following:

2.2.1. The accounts of the SRHR project are denominated in US dollars (US\$) while the accounts of SADC PF are in Namibian dollars (N\$). Although the computerized accounting system Sage 300 can cater for multicurrency and multi-company accounts, it does not automatically consolidate these two accounts in view of the different functional currencies. The consolidation must then be conducted manually exposing the financials to possible mistakes and manipulation.

2.2.2. Given the high fluctuation of the N\$ against US\$ during the year, consolidation of these two accounts gives rise to unrealized exchange gains or losses in the accounts of SADC PF. This may give a distorted financial result of the SADC PF. Foreign exchange losses amounting to N\$409,411 incurred this financial year are mainly attributed to the translation of the Sida US\$ transactions into N\$ at consolidation.

2.2.3. The amounts of SRHR grant received and spent in a year is relatively very high (about US\$1 million/year). Thus, consolidating these figures in the accounts of SADC PF tends to distort the financial statements.

For instance, for the year ended 31 March 2022, the bank balance of SADC PF was N\$ 13,486,547, however, the Financial Position of the SADC PF shows a bank balance of N\$ 31,910,522. This was because the bank balance of SRHR amounting to N\$ 18,423,975 was added to that of SADC PF. Similarly, the total Assets in the Balance Sheet amount to N\$48 million, and yet an amount of N\$22 million held in the bank is Restricted Funds, which belong to Sida. Although the Restricted Funds is reflected under Total Equity and Liabilities, the overall financial position can be misleading.

2.3. The above matter was discussed with the auditors and the following is being recommended:

2.3.1. that from the financial year 2022-2023, the accounts of the SRHR project and other donor accounts should not be consolidated in the financial statements of the SADC PF; In this regard, the financial statements of the SRHR project and that of SADC PF will be prepared and audited separately. This will apply to all other donor funded projects that require Audited Financial Statements.

2.3.2. All sets of Audited Financial Statements will be submitted to the EXCO annually, through the Finance Sub-Committee, for consideration, approval or noting, as the case may be.

2.4. With the above accounting treatments, the financial statements of the SADC PF will not be distorted and secondly, the fluctuation in the exchange rate between US\$ and N\$ will not affect the financial results of SADC PF.

2.5. RECOMMENDATIONS FOR THE CONSIDERATION OF THE PLENARY ASSEMBLY

The Plenary Assembly is requested to favourably consider the proposal to discontinue the consolidation of SADC PF Main Financial Statements with Donor Funded Financial Statements starting with the Financial Year ending 31st March 2023.

Hon. Darren Bergman
TREASURER