



Intergovernmental Authority on Development

Regional Pastoral Livelihoods Resilience Project (RPRLP) Grant number H919

**Report and Financial Statements for the year 1 January 2018
to 31 December 2018**

June 2019

This report contains 15 pages



Contents

1	Introduction	1
2	Statement of management responsibilities	4
3	Report of the Independent Auditors	5
4	Fund accountability statement for the period 1 January 2018 to 31 December 2018	7
5	Notes to the financial statements for the period 1 January 2018 to 31 December 2018	8
	Annex 2 – A reconciliation of receipts from the Bank	11
	Annex 3 – Summary of SOE withdrawal schedule, listing individual withdrawal applications	12

1 Introduction

1.1 Background of the Organization – Intergovernmental Authority on Development

The Intergovernmental Authority on Development (IGAD) is a regional establishment in the horn of Africa. It is one of the building blocks of the African Union and contributes to the continental development and economic integration agenda through a number of its programs undertaken by the three operational divisions of Economic cooperation, Peace and Security and Agriculture and Environmental Protection.

IGAD's mission is to assist and complement the efforts of the Member States to achieve increased cooperation on food security and environmental protection; promotion and maintenance of peace and security and humanitarian affairs; and economic cooperation and integration and reinforcement of the Minimum Integration Plan (MIP) approved by the member states early part of 2012.

IGAD is determined to face the challenge of self-improvement through a genuine institutional strengthening mechanism that will ultimately bring about tangible performance enhancement in the organization. This requires the concerted effort of the IGAD Secretariat, the Member States and Partners in Development to collectively facilitate the strengthening of IGAD's governance, management and operational capacity so that they may better fulfil their mandate and functions.

1.2 Project Background and Administration

In June 2014, the International Development Association (IDA), awarded IGAD US\$ 5,000,000 for the implementation of the IGAD Regional Pastoral Livelihoods Resilience Project (RPLRP) Grant No. H919 (the Project). The project's implementation period is five years from 1 January 2015 to 31 December 2019.

The Project was designed to offer an innovative, comprehensive, and flexible response to pastoralists' vulnerability to drought by delivering key regional public goods to enhance their livelihoods. The Project Development Objectives (PDO) are to enhance livelihood resilience of pastoral and agro-pastoral communities in cross-border drought prone areas of selected countries (Ethiopia, Kenya and Uganda) and improve the capacity of these countries' governments to respond promptly and effectively to an eligible crisis or emergency.

The project consists of the following parts:

- Part 1: Natural Resources Management
- Part 2: Market Access and Trade
- Part 3: Livelihood Support
- Part 4: Pastoral Risk Management and Contingent Emergency Response
- Part 5: Project Management and Institutional Support

1.3 Period

This report covers the period 1 January 2018 to 31 December 2018.



1.4 Scope and objective of the engagement

This report covers the audit of funds provided by the International Development Association (IDA) for the implementation of the Regional Pastoral Livelihoods Resilience Project (RPLRP) activities for the period 1 January 2018 to 31 December 2018.

The objective is to audit the financial report for the period 1 January 2018 to 31 December 2018 as submitted to IDA and to express an audit opinion according to ISA 800/805 on whether the financial report of Regional Pastoral Livelihoods Resilience Project (RPLRP) is in accordance with the World Bank's instruction for financial reporting as stipulated in the Financing Agreement between IGAD and International Development Association (IDA).

Our audit was conducted in accordance with International Standards on Auditing.



Project Management

Physical Office and Address

IGAD Secretariat, Djibouti
Avenue Georges Clemenceau
PO Box 2653
Djibouti

Auditors

KPMG Kenya
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612
00100 Nairobi GPO

Bankers

Bank of Africa Mer Rouge
PO Box 2653
Djibouti

NIC Bank
PO Box 49599 – 00100
Prestige Branch
Nairobi Kenya

2 Statement of project management responsibilities

Project management (Management) is responsible for the preparation of the financial statements of the *Regional Pastoral Livestock Resilience Project* (the Project) for the year 1 January 2018 to 31 December 2018 comprising the fund accountability statement and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, on the basis of accounting described in Note 5.1.

Management's responsibility includes: determining that the basis of accounting described in Note 5.1 is an acceptable basis for preparing the financial statements in the circumstances, preparation of the financial statements in accordance with accounting policies of the Project, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, whether due to fraud or error.

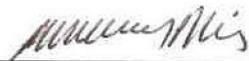
Management accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the accounting policies and requirements of the Project.

In addition, management is responsible for ensuring compliance with the terms of the Financing Agreement between IGAD and International Development Association (IDA) (the Agreement) with respect to use of funds provided under the Agreement and financial reporting in accordance with requirements of IDA.

Management is of the opinion that the special purpose financial statements of the project have been prepared, in all material respects, in accordance with the basis of accounting described in Note 5.1 and in accordance with requirements of the Financing Agreement between IGAD and IDA. Management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements of the project, as well as adequate systems of internal financial control.

Approval of the special purpose financial statements

The special purpose financial statements of the Project, as indicated above, were approved by Management on _____ and are signed on its behalf by:



H.E. Amb. Eng. Mahboub M. Maalim
Executive Secretary
IGAD



Josephat Onyari
Director Administration and Finance
IGAD



KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
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3 Report of the Independent Auditors' report to IGAD project management

Opinion

We have audited the special purpose financial statements of the *Regional Pastoral Livelihoods Resilience Project* (the Project) implemented by IGAD for the period 1 January 2018 to 31 December 2018, which comprise the fund accountability statement and notes to the special purpose financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the *Regional Pastoral Livelihoods Resilience Project* for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the basis of accounting set out in Note 5.1 and in conformity with the requirements of the financing agreement between IGAD and International Development Association (IDA) (the Agreement).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of IGAD in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of accounting and restriction on use and distribution

We draw attention to Note 5.1 to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements are prepared to assist IGAD project management comply with the financial reporting provisions of the Agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for IGAD and the World Bank and should not be used by or distributed to parties other than IGAD or the World Bank. Our opinion is not modified in respect of this matter.

Other Information

The Project management is responsible for the other information. The other information comprises the *Project Background and Administration*.

Our opinion on the financial statements of the Project does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Project, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Project or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



3 Report of the Independent Auditors' report to IGAD project management (Continued)

Management's responsibilities for the special purpose financial statements of the Project

As stated on page 4, Management is responsible for the preparation of the financial statements of the Project in accordance with the basis of accounting described in Note 5.1 and in conformity with the requirements of the Agreement, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the financial statements of the project

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.
- Obtain an understanding of internal control relevant to the project 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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 identify during our audit.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA John Ndunyu - P/2100.

KPMG Kenya

Date: *28 JUNE 2019*

4 Fund accountability statement for the period 1 January 2018 to 31 December 2018

	Note	Total Program Budget	2018 Budget US\$	Actual US\$
Income				
Opening balance	5.2		501,321	501,321
Period receipts	5.3		717,484	678,169
Interest income	5.4		-	2,231
			1,218,805	1,181,721
Expenditure				
Project expenditure	5.5	5,000,000	1,465,349	766,167
Total		5,000,000	1,465,349	766,167
Surplus				415,554
Represented by:				
Cash and bank balances	5.6			414,829
Receivables	5.7			725
				415,554

The financial statements of the project set out on pages 7 to 9 were approved by management on and are signed on its behalf by:



H.E. Amb. Eng. Mahboub M. Maalim
Executive Secretary
IGAD



Josephat Onyari
Director Administration and Finance
IGAD

The notes set out on pages 8 to 9 form an integral part of these financial statements.

5 Notes to the financial statements for the period 1 January 2018 to 31 December 2018

5.1 Basis of preparation

The financial statements have been prepared based on International Development Association's instructions for financial reporting stipulated in the Agreement between IGAD and IDA dated 6 June 2014. The main accounting policies relevant to the preparation of the financial statements are as follows:

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Income

Income is recognized when funds are received. Any unspent funds at the end of the project are refundable to the donor.

(c) Expenditure

Expenditure is accounted for on cash basis, modified to accrue for outstanding obligations, if any, at period end.

(d) Receivables

Receivables are recognized in the special purpose financial statements when cash payments are made to third parties as advances for project implementation. The balance at the year-end reflects advances that have not yet been accounted for at year end.

(e) Fixed assets

Assets purchased using project funds are expensed in full on the date of acquisition.

(f) Translation of foreign currency

Transactions in other foreign currencies are translated to US dollars at rates of exchange prevailing at the date of the transaction.

5.2 Opening balance

This relates to excess of income over expenditure for the period 1 January 2017 to 31 December 2017 and was the closing fund balance per the audit report for this period.

5.3 Period receipts

During the period, IGAD received project funds from IDA towards the implementation of the project activities as detailed below:

Date received	Loan/Grant Number	US\$
15 March 2018	APPLICATION NO.12	104,836
27 May 2018	APPLICATION NO.13	220,350
28 August 2018	APPLICATION NO.14	172,502
11 November 2018	APPLICATION NO.15	<u>180,481</u>
		<u>678,169</u>

5.4 Interest income

Relates to income earned from holding the project funds in an interest bearing account.



5.5 Project expenditure

	US\$
Part 1: Natural resource management	81,091
Part 2: Market access and trade	108,861
Part 3: Livelihood support	109,428
Part 4: Pastoral risk management	19,424
Part 5: Project management and institutional support	<u>447,363</u>
	<u>766,167</u>

5.6 Cash and Bank

Account	US\$
Cash & Bank-Nairobi USD account	397,559
Cash & Bank-Nairobi KES account	615
Cash & Bank-Djibouti account	<u>16,655</u>
	<u>414,829</u>

5.7 Receivables

	US\$
Receivable Other	<u>725</u>
	<u>725</u>

5.8 Currency

The financial statements of the project are presented in US dollars.



Annexes

Annex 1 – Statement of activity in the designated bank account for the year ended 31 December 2018

Account number: 01130680004

Account name: IGAD RPLRP WB Project (USD)

Bank: Bank of Africa (BOA) – Djibouti Branch

	Amount
	US\$
Opening balance as at 1 January 2018	500,933
Transfers from the donor directly to IGAD during the period 1 January 2018 to 31 December 2018	678,169
Interest income	<u>2,231</u>
Total	<u>1,181,333</u>
Add: Receivables for the year ended 31 December 2017	388
Less: Payments out of designated bank account	(766,167)
Receivables for the year ended 31 December 2018	<u>(725)</u>
Closing balance as at 31 December 2018	<u>414,829</u>



Annex 2 – A reconciliation of receipts from the Bank

	USD
Amounts disbursed by the bank	678,169
Amounts received by IGAD (through the special account)	<u>(678,169)</u>
Variance	_____ =



Annex 3 – Summary of SOE withdrawal schedule, listing individual withdrawal applications

#	Date of withdrawal application	Loan/Grant Number	Amount US\$
1	15 March 2018	APPLICATION NO.12	104,836
2	27 May 2018	APPLICATION NO.13	220,350
3	28 August 2018	APPLICATION NO.14	172,502
4	11 November 2018	APPLICATION NO.15	<u>180,481</u>
		Total	<u>678,169</u>



Annex 4 – Fixed Asset Register of the Project

There were no assets purchased by the project in the period under review.