Intergovernmental Authority on Development

Regional Pastoral Livelihoods Resilience Project (RPRLP) Grant number H919

Report and Financial Statements for the year 1 January 2016 to 31 December 2016

June 2017

This report contains 10 pages
Contents

Project Background and Administration 1
Statement of management responsibilities 3
Independent Auditors’ Report to Project Management 4
Fund accountability statement for the period 1 January 2016 to 31 December 2016 6
Notes to the financial statements for the period 1 January 2016 to 31 December 2016 7
Project Background and Administration

Organization

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.

The Project

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
Project Management

Executive Secretary
Ag. Director Administration and Finance
Regional Project Coordinator

H.E. Amb. Eng. Mahboub M. Maalim
Ali Daher
Dereje Wakjira

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
Statement of 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 2016 to 31 December 2016 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 1.

Management's responsibility includes: determining that the basis of accounting described in Note 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 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 financial statements of the project have been prepared, in all material respects, in accordance with the basis of accounting described in Note 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 financial statements

The financial statements of the Project, as indicated above, were approved by Management on 29 June 2017 and are signed on its behalf by:

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

Ali Daher
Ag. Director Administration and Finance
IGAD
Independent Auditors’ Report to Project Management

Opinion
We have audited the financial statements of the Regional Pastoral Livelihoods Resilience Project (the Project) which comprise the fund accountability statement for the year ended 31 December 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Regional Pastoral Livelihoods Resilience Project for the year ended 31 December 2016 are prepared, in all material respects, in accordance with the basis of accounting set out in Note 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 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist IGAD comply with the Agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for IGAD and IDA and should not be used by or distributed to parties other than IGAD or IDA. Our opinion is not modified in respect of this matter.

Other Information
Project management (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.

Management’s responsibilities for the financial statements of the Project
As stated in page 3, Management is responsible for the preparation of the financial statements of the Project in accordance with the basis of accounting described in Note 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.
Independent Auditors’ Report to Project Management (continued)

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

Our objectives are 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 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 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.

Date: 29 June 2017
### Fund accountability statement for the period 1 January 2016 to 31 December 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Budget US$</th>
<th>Actual US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>5.2</td>
<td>-</td>
</tr>
<tr>
<td>Period receipts</td>
<td>5.3</td>
<td>1,475,415</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project expenditure</td>
<td>5.4</td>
<td>1,499,650</td>
</tr>
<tr>
<td><strong>Surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Represented by:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Creditors and payables</td>
<td>5.6</td>
<td></td>
</tr>
</tbody>
</table>

The financial statements of the project set out on pages 6 to 8 were approved by management on 29 June 2017 and are signed on its behalf by:

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

Ali Daher  
**Ag. Director Administration and Finance**  
IGAD

The notes set out on pages 6 to 8 form an integral part of these financial statements.
Notes to the financial statements for the period 1 January 2016 to 31 December 2016

1.1 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.

1.2 Opening balance
This relates to excess of income over expenditure for the period 1 January 2015 to 31 December 2015 and was the closing fund balance per the audit report for this period.

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

<table>
<thead>
<tr>
<th>Date received</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 January 2016</td>
<td>236,057</td>
</tr>
<tr>
<td>8 February 2016</td>
<td>238,924</td>
</tr>
<tr>
<td>31 May 2016</td>
<td>101,622</td>
</tr>
<tr>
<td>2 June 2016</td>
<td>223,491</td>
</tr>
<tr>
<td>25 October 2016</td>
<td>425,050</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,225,144</strong></td>
</tr>
</tbody>
</table>
1.4 Project expenditure

<table>
<thead>
<tr>
<th>Part</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part 1: Natural resource management</td>
<td>70,738</td>
</tr>
<tr>
<td>Part 2: Market access and trade</td>
<td>129,873</td>
</tr>
<tr>
<td>Part 3: Livelihood support</td>
<td>68,097</td>
</tr>
<tr>
<td>Part 4: Pastoral risk management</td>
<td>137,042</td>
</tr>
<tr>
<td>Part 5: Project management and institutional support</td>
<td>503,475</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>909,225</strong></td>
</tr>
</tbody>
</table>

1.5 Receivables

<table>
<thead>
<tr>
<th>Part</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT Receivable</td>
<td>317</td>
</tr>
<tr>
<td>Advances</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,817</strong></td>
</tr>
</tbody>
</table>

1.6 Creditors and payables

<table>
<thead>
<tr>
<th>Part</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable to PASSHA</td>
<td>(309)</td>
</tr>
<tr>
<td>Other creditors</td>
<td>(40)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(349)</strong></td>
</tr>
</tbody>
</table>

1.7 Currency

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