Intergovernmental Authority on Development (IGAD)

Pastoralism and Stability in the Sahel and Horn of Africa (PASSHA) Project (PASSHA)
SPF Grant No.TF0A1108

Special purpose financial statements for the year ended 31 December 2016

KPMG Kenya

June 2017

This report contains 12 pages
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Background information

Organisation

The Intergovernmental Authority on Development (IGAD) is a regional establishment in the horn of Africa. It is one of the building blocks of 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 governance, management and operational capacity so that they may better fulfil their mandate and functions.

The Project

On 15 December 2015, the World Bank, acting as administrator of grants provided by various donors under the State-and-Peace-Building Fund, granted IGAD of an amount not to exceed US$ 1,250,000 for the implementation of the project entitled Pastoralism and Stability in the Sahel and Horn of Africa (PASSHA)SPF Grant No. TF0A1108 with an end date of 31 December 2016. The project was to be implemented in accordance with the terms and conditions set forth or referred to in the letter of agreement. On 22 December 2016, the World Bank extended the closing date of the grant to 31 December 2017.

The objective of the project is to enhance monitoring, evaluation systems and knowledge on the link between pastoralism development and stability for regional organizations and programs. This has been as a result of a rapid development of all kinds of trafficking, criminal activities, kidnapping and stealing of cattle and goods in the Northern parts of the Sahel and the Sahara.

The project is intended to support activities that will provide project teams and regional organizations with the practical knowledge, methodology, and toolkits that are expected to contribute to existing efforts at regional, national, and local level stability and peace in the regions, as well as monitor impacts of pastoral development interventions on conflict prevention and stability.
PROJECT MANAGEMENT

Executive Secretary: H.E. Amb. Eng. Mahboub M. Maalim
Ag. Director Administration and Finance: Ali Daher
Programme Coordinator: 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
PO Box 2653
Djibouti

NIC Bank
PO Box 49599 – 00100
Prestige Branch
Nairobi Kenya
Statement of management responsibilities

Project management is responsible for the preparation and presentation of the special purpose financial statements of the project entitled "Pastoralism and Stability in the Sahel and Horn of Africa (PASSHA) SPF Grant No. TF0A1108" (the Project) for the year ended 31 December 2016 comprising the fund accountability statement and notes to the special purpose financial statements, which include a summary of the significant accounting policies and other explanatory notes, on the basis of accounting described in Note 1, based on the Agreement between IGAD and World Bank dated 15 December 2015 and the subsequent amendments of 22 December 2016.

Management’s responsibility includes: determining that the basis of accounting described in Note 1 is an acceptable basis for preparing and presenting the special purpose financial statements in the circumstances, preparation and presentation of the special purpose 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 special purpose 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.

Management is of the opinion that the special purpose financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in Note 1. Management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the special purpose financial statements, as well as adequate systems of internal financial control.

In addition, management is responsible for ensuring compliance with the terms of the Agreement between IGAD and World Bank with respect to use of funds provided under the Agreement and financial reporting in accordance with requirements of World Bank.

Approval of the special purpose financial statements

The special purpose financial statements of the Project, as indicated above, were approved by Project 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 IGAD Project management

Opinion

We have audited the special purpose financial statements of the project entitled “Pastoralism and Stability in the Sahel and Horn of Africa (PASSHA) SPF Grant No. TF0A1108” (the Project) for the year ended 31 December 2016 set out on pages 7 to 10 which comprise the fund accountability statement for the year ended 31 December 2016, 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 project entitled “Pastoralism and Stability in the Sahel and Horn of Africa (PASSHA) SPF Grant No. TF0A1108” 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.

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 the 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 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 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 Project agreement with Word Bank for the project entitled “Pastoralism and Stability in the Sahel and Horn of Africa (PASSHA) SPF Grant No. TF0A1108”. Our report is intended solely for IGAD and the World Bank and should not be distributed to or used by other parties other than IGAD and World Bank. Our opinion is not modified in respect of this matter.

Other information

Project management is responsible for the other information. The other information comprises the Background Information and the Statement of Management Responsibilities on pages 1 to 3.
Independent Auditors' report to IGAD Project management (continued)

Other information (continued)

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

In connection with our audit of the special purpose financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the special purpose financial statements 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.

Responsibilities of project management for the special purpose financial statements

Project Management is responsible for the preparation of the special purpose financial statements in accordance with the basis of accounting described in Note 1, 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 special purpose financial statements

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 project's internal control.
Independent Auditors’ report to IGAD Project management (continued)

Auditors’ responsibilities for the audit of the special purpose financial statements (continued)

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with project management, 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 year ended 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>Project income</td>
<td>2</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>427</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td></td>
<td><strong>1,250,000</strong></td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project expenditure</td>
<td>3</td>
<td>1,250,000</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td></td>
<td><strong>1,250,000</strong></td>
</tr>
<tr>
<td><strong>Surplus</strong></td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

**Represented by:**
- Cash and bank balances 5 | 62,784 |
- Receivables 6 | 339 |
- Creditors and payables 7 | (6) | (63,117) |

The special purpose financial statements set out on pages 7 to 10 were approved by project management on 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 8 to 10 form an integral part of these special purpose financial statements.
Notes to the special purpose financial statements for the year ended 31 December 2016

1. **Basis of accounting**

   The special purpose financial statements have been prepared based on the Agreement between IGAD and World Bank dated 15 December 2015 and the subsequent amendment of 22 December 2016. The main accounting policies relevant to the preparation of the special purpose financial statements are as follows:

   a) **Accounting convention**

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

   b) **Income**

      Income is recognised 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 programme funds are expensed in full on the date of acquisition.

   f) **Translation of foreign currency**

      Transactions in other currencies are translated into US dollars at rates of exchange prevailing at the date of the transactions.
2. Project income

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

<table>
<thead>
<tr>
<th>Date received</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 May 2016</td>
<td>200,000</td>
</tr>
<tr>
<td>17 August 2016</td>
<td>82,215</td>
</tr>
<tr>
<td>19 October 2016</td>
<td>131,103</td>
</tr>
<tr>
<td>Total</td>
<td>413,318</td>
</tr>
</tbody>
</table>

3. Project expenditure

Component 1: Natural Resources Management 164,938
Component 2: Capacity building and trainings 115,290
Component 3: Project Management 70,400
Total 350,628

4. Surplus

The surplus of US$ 63,117 is to be carried forward of implementation of project activities during the year 2017, in accordance with project extension agreement between IGAD and World Bank.

5. Cash and bank

Bank of Africa (US dollar account) 2,517
NIC Bank (KShs account) 363
NIC Bank (US dollar account) 59,904
Total 62,784

6. Receivables

Receiveable – RPLRP project 308
Receiveable - Djibouti Government (VAT) 31
Total 339
Notes to the special purpose financial statements for the year ended 31 December 2016 (Continued)

7. Creditors and payables
   RPLRP

8. Currency
   The special purpose financial statements are presented in US dollars.