



Intergovernmental Authority on Development (IGAD)

Development Response to Displacement Impacts Project in the Horn of Africa (DRDIP Phase II)

Report and financial statements for the year ended 31 December 2018

June 2019

This report contains 15 pages



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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 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.

1.2 Project Background and Administration

Phase II of the Development Response to Displacement Impacts Project in the Horn of Africa (DRDIP) is the second phase of DRDIP, which was approved on April 2017 to address the spillover effects of conflict and forced displacement for three refugee-hosting countries of Djibouti, Ethiopia and Uganda. Kenya has joined the DRDIP through a Series of Project (SoP) window that allows other countries within the Horn of Africa region to opt into the DRDIP at a later date. The total cost of the project is \$103 million financed by an International Development Agency (IDA) credit of \$100 to Kenya and an IDA Grant of \$3 million to the Intergovernmental Development Authority (IGAD).

The project is fully aligned with the World Bank Group's Kenya Country Partnership Strategy (CPS) and also supports the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity. DRDIP became operational in December 2017 although the agreement was signed on 23 May 2017. The project's implementation period is five years effective from 1 August 2017 to 29 April 2022.

The main objective of the project is to provide a local government-led response to address impacts of forced displacement and to utilize a community-driven development approach that supports communities and their grassroots institutions to spearhead their socioeconomic development in partnership with the government. The project consists of the following Components:

- Part 1: Social and Economic Investments
- Part 2: Sustainable Environmental Management
- Part 3: Livelihoods Program
- Part 4: Project Management, and Monitoring and Evaluation



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 Development Response to Displacement Impacts Project in the Horn of Africa (DRDIP Phase II) Project 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 Development Response to Displacement Impacts Project in the Horn of Africa (DRDIP Phase I) Project 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

Executive Secretary
Finance and Administration Director
Director for Health and Social Development
Senior Programme Coordinator

H.E. Amb. Eng. Mahboub M. Maalim
Josephat Onyari
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Bankers

EXIM Bank Djibouti
PO Box MO 4455 - Batiment Ougoul
Avenue Clemenceau
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2 Statement of project management responsibilities

Project management (Management) is responsible for the preparation of the financial statements of the Development Response to Displacement Impacts Project in the Horn of Africa [DRDIP II] (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 of the Project 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 special purpose financial statements of the Project, 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 grant agreement between IGAD and the World Bank (the Agreement) with respect to use of funds provided under the Agreement and financial reporting in accordance with requirements of World Bank.

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 5.1 and in accordance with the requirements of the Agreement. Management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Approval of the special purpose financial statements of the project

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



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3 Independent Auditors' Report to IGAD Project management

Opinion

We have audited the special purpose financial statements of the *Development Response to Displacement Impacts Project in the Horn of Africa [DRDIP II]* (the Project) implemented by IGAD for the period 1 January 2018 to 31 December 2018, which comprise the fund accountability statement, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the *Development Response to Displacement Impacts Project in the Horn of Africa [DRDIP II]* 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 grant agreement between IGAD and the World Bank (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 grant 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

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.



3 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 special purpose 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 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 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.

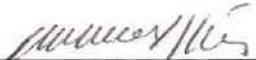
U Paul Kenya

Date: *28 JUNE 2019*

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

	Note	Budget US\$	Actual US\$
Income			
Opening balance	5.2	297,350	297,350
Project income	5.3	69,278	69,278
Other income	5.4	-	1,580
Total		<u>366,628</u>	<u>368,208</u>
Expenditure			
Project expenditure	5.5	<u>262,395</u>	<u>130,138</u>
Total		<u>262,395</u>	<u>130,138</u>
Surplus	5.6		<u>238,070</u>
Represented by:			
Cash at bank	5.7		<u>238,070</u>
			<u>238,070</u>

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 of the Project have been prepared based on World Bank's instructions for financial reporting stipulated in the Grant Agreement between IGAD and World Bank dated 23 May 2017. The main accounting policies relevant to the preparation of the financial statements of the project are as follows:

(a) Accounting convention

The financial statements of the Project 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 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 Project income

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

Date received	Loan/Grant Number	Amount US\$
23 June 2018	IGAD/DRDIP II/WA 2	18,943
4 December 2018	IGAD/DRDIP II/WA 3A	<u>50,335</u>
Total		<u>69,278</u>



5.4 Project expenditure

US\$

Stage 1: Rapid assessment of capacities, systems, processes in support of return and reintegration quick mapping and profiling of key actors.	15,000
Stage 2: Effective leadership of the Republic of Somalia in the planning and coordination of displacement-responsive in places of return and on addressing displacement challenges	931
Monitoring and evaluation	13,746
Operational costs	<u>100,461</u>
Total	<u>130,138</u>

5.5 Other income

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

5.6 Surplus

The surplus of US\$ 238,070 is to be used in 2019 in accordance with Project Agreement between IGAD and World Bank.

5.7 Cash and bank balances

US\$

Designated Account, Exim Bank Djibouti (USD account)	<u>238,070</u>
	<u>238,070</u>

5.8 Currency

The financial statements of the Project are prepared in US dollars.



Annex 1 – Statement of activity in the designated bank account for the period 1 January 2018 to 31 December 2018

Account number: 0010004272

Account name: IGAD DRDIP II USD ACCOUNT

Bank: Exim Bank Djibouti

	Amount US\$
Opening balance as at 1 January 2018	297,350
Transfers from the donor directly to IGAD during the period 1 January 2018 to 31 December 2018	69,278
Interest income	1,580
Transfer from IGAD (co-financing)	—
Total	<u>368,208</u>
Less: Payments out of designated bank account	<u>(130,138)</u>
Closing balance as at 31 December 2017	<u>238,070</u>



Annex 2 – A reconciliation of receipts from the Bank

	USD
Amounts received by IGAD (through the special account)	69,278
Amounts disbursed by the bank	<u>69,278</u>
Variance	<u> -</u>



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

#	Date of withdrawal application	Loan/Grant Number	Amount US\$
1	23 June 2018	IGAD/DRDIP II/WA 2	18,943
2	4 December 2018	IGAD/DRDIP II/WA 3A	<u>50,335</u>
		Total	<u>69,278</u>

Annex 4 – Fixed asset register of the project

Asset Number	Asset description	Purchase Date	Serial number	Asset amount in USD
IGAD/DRDIP II/ IT /1	HP Elitebook 820	02/01/2018	5CG7441YD6	1,523
IGAD/DRDIP II/ IT /2	HP Elitebook 820	02/01/2018	5CG7441X3Z	1,523
IGAD/DRDIP II/ IT /3	HP Elitebook 820	02/01/2018	5CG7441WVR	1,523
IGAD/DRDIP II/ IT /4	Ultraslim Docking station	02/01/2018	5CG717ZGG6	228
IGAD/DRDIP II/ IT /5	Ultraslim Docking station	02/01/2018	5CG717ZGMG	228
IGAD/DRDIP II/ IT /6	LED Backlit LCD Monitor	02/01/2018		168
IGAD/DRDIP II/ IT /7	23-Inch LED Backlit monitor	02/01/2018		300
			Total	5,493