



# Intergovernmental Authority on Development (IGAD)

**Building Resilience to Disasters through Risk  
Management and Climate Change Adaptation (DRM)  
Project (Grant No. TF0A1090)**

**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

Building Resilience to Disasters through Risk Management (DRM) and Climate Change Adaptation (CCA) project (DRM Project) became operational in 2016 although the agreement was signed on 18 November 2015. The project's implementation period is four years from 1 November 2015 to 31 August 2019. The primary objective of the project is to strengthen the capacity of IGAD in providing policy advice and support to its member states on disaster and climate risk management and promoting resilient development.

The project consists of the following Components:

- Component 1: Strengthening IGAD capacity to lead regional DRM and CCA agenda and of IGAD members to implement DRM and CCA interventions to improve resilience to natural hazards.
- Component 2: Strengthening Disaster risk management and Climate Change Adaptation Coordination Capacity in the IGAD Region.
- Component 3: Strengthening technical and implementation capacity of DRM unit.

The period covered by this report is from 1 January 2018 to 31 December 2018.

## 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 Building Resilience to Disasters through Risk Management and Climate Change Adaptation (DRM) 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 Building Resilience to Disasters through Risk Management and Climate Change Adaptation (DRM) 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  
Director Administration and Finance  
ICPAC Director  
Programme Manager

H.E. Amb. Eng. Mahboub M. Maalim  
Josephat Onyari  
Dr Guleid Artan  
Keflemariam Sebhatu

### **Physical office and address**

C/O Kenya Meteorological Department  
Dagoretti Corner, Ngong Road  
PO Box 10304-00100  
Nairobi  
Kenya

### **Auditors**

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

### **Bankers**

Co Operative bank of Kenya  
PO Box 195 555– 00202  
NBC Branch  
Nairobi  
Kenya

## 2 Statement of project management responsibilities

Project management (Management) is responsible for the preparation of the financial statements of the Building Resilience to Disasters through Risk Management and Climate Change Adaptation (DRM) 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 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.

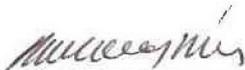
Management accepts responsibility for the financial statements of the Project, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the accounting policies and requirements of the Project.

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 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 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 special purpose 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



**KPMG Kenya**  
Certified Public Accountants  
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### 3 Independent Auditors' Report to IGAD Project management

#### **Opinion**

We have audited the special purpose financial statements of the *Building Resilience to Disasters through Risk Management and Climate Change Adaptation (DRM) 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 *Building Resilience to Disasters through Risk Management and Climate Change Adaptation 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 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 of the special purpose financial statements which describes the basis of accounting. The special purpose financial statements are prepared to assist project management of IGAD 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 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.



### 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 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 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 Ndunyū – P/2100.*

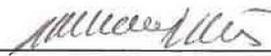
*U. Ndunyū*

Date: *28 JUNE 2019*

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

|                          | Note | 2018 Budget<br>US\$     | 2018<br>Actual<br>US\$   |
|--------------------------|------|-------------------------|--------------------------|
| <b>Income</b>            |      |                         |                          |
| Opening balance          | 5.2  | -                       | 117,717                  |
| Project income           | 5.3  | <u>2,018,897</u>        | <u>1,345,221</u>         |
| <b>Total Income</b>      |      | <b><u>2,018,897</u></b> | <b><u>1,462,938</u></b>  |
| <b>Expenditure</b>       |      |                         |                          |
| Project expenditure      | 5.4  | <u>2,018,897</u>        | <u>1,537,771</u>         |
| <b>Total expenditure</b> |      | <b><u>2,018,897</u></b> | <b><u>1,537,771</u></b>  |
| <b>Deficit</b>           | 5.5  | <u>-</u>                | <b>( <u>74,833</u> )</b> |
| <b>Represented by:</b>   |      |                         |                          |
| Cash and bank balances   | 5.6  | -                       | 18,027                   |
| Receivables              | 5.7  | -                       | 4,111                    |
| Creditors and payables   | 5.8  | <u>-</u>                | <b>( <u>96,971</u> )</b> |
|                          |      | <u>-</u>                | <b>( <u>74,833</u> )</b> |

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 18 November 2015. 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 Period receipts

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

| Date received    | Borrower Reference | Beneficiary Name | Beneficiary Account | Amount US\$             |
|------------------|--------------------|------------------|---------------------|-------------------------|
| 22 February 2018 | WA 11              | IGAD - ICPAC     | 02128075401200      | 179,975                 |
| 6 April 2018     | WA 13              | IGAD - ICPAC     | 02128075401200      | 100,000                 |
| 26 April 2018    | WA 14              | KRCS             | 01020130222215      | 100,000                 |
| 3 May 2018       | WA 16              | IGAD - ICPAC     | 02128075401200      | 201,227                 |
| 14 June 2018     | WA 18              | IGAD - ICPAC     | 02128075401200      | 138,151                 |
| 23 July 2018     | WA 20              | IGAD - ICPAC     | 02128075401200      | 245,438                 |
| 24 August 2018   | WA 22              | IGAD - ICPAC     | 02128075401200      | 209,115                 |
| 2 November 2018  | WA 24              | IGAD - ICPAC     | 02128075401200      | <u>171,315</u>          |
|                  |                    |                  |                     | <b><u>1,345,221</u></b> |



## 5.4 Project expenditure

| Expenditure categorized by project components   | US\$                    |
|---|-------------------------|
| Component 1: Strengthening capacity of IGAD in DRM and CCA agenda to improve resilience to natural hazards                  | 452,162                 |
| Component 2: Strengthening Disaster Risk Management and Climate Change Adaptation Coordination Capacity in the IGAD region. | 636,569                 |
| Component 3: Project Administration costs   | 417,952                 |
| Administrative costs 7%   | <u>31,088</u>           |
| <b>Total expenditure</b>  | <b><u>1,537,771</u></b> |

## 5.5 Deficit

The deficit for the period relates to deficit of income over expenditure for the year ended 31 December 2018. Project management indicated that they received money from world bank in different tranches in 2019.

## 5.6 Cash and bank balances

|                                       | US\$                 |
|---------------------------------------|----------------------|
| Co-operative Bank (US dollar account) | 16,849               |
| Co-operative Bank (KShs account)      | <u>1,178</u>         |
|                                       | <b><u>18,027</u></b> |

## 5.7 Receivables

|  | Amount<br>US\$      |
|--|---------------------|
| Mission advances                                       | 3,794               |
| Receivable from implementing partner (Kenya Red Cross) | <u>317</u>          |
| <b>Total</b>   | <b><u>4,111</u></b> |

## 5.8 Payables

|                             | Amount<br>US\$       |
|-----------------------------|----------------------|
| Payables and other accruals | 96,971               |
| <b>Total</b>                | <b><u>96,971</u></b> |

## 5.9 Currency

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



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

Account number: 02128075401200

Account name: ICPAC DRM ACCOUNT (USD)

Bank: Co-operative Bank NBC Branch

|  | <b>Amount<br/>US\$</b>  |
|--|-------------------------|
| Opening balance as at 1 January 2018   | 112,846                 |
| Transfers from the donor directly to IGAD during the period 1 January 2018 to 31 December 2018 | <u>1,245,221</u>        |
| <b>Total</b>   | <b><u>1,358,067</u></b> |
| Add: Payments to KRCS partner  | 100,000                 |
| Payables for the year ended 31 December 2018   | 96,971                  |
| Receivables for the year ended 31 December 2017  | 4,871                   |
| Less: Payments out of designated bank account  | (1,537,771)             |
| Receivables for the year ended 31 December 2018  | <u>(4,111)</u>          |
| <b>Closing balance as at 31 December 2018</b>  | <b><u>18,027</u></b>    |



## Annex 2 – A reconciliation of receipts from the Bank

|  | USD                       |
|--|---------------------------|
| Amounts disbursed by the bank                          | 1,345,221                 |
| Amounts received by IGAD (through the special account) | (1,245,221)               |
| Payments to KRCS partner                               | <u>( 100,000)</u>         |
| <b>Variance</b>  | <u><u>          -</u></u> |



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

| <b>#</b> | <b>Date of withdrawal application</b> | <b>Loan/Grant Number</b> | <b>Amount US\$</b>      |
|----------|---------------------------------------|--------------------------|-------------------------|
| 1        | 22 February 2018                      | IGAD ICPAC – WA 11       | 179,975                 |
| 2        | 6 April 2018                          | IGAD ICPAC – WA 13       | 100,000                 |
| 3        | 26 April 2018                         | KRCS – WA 14             | 100,000                 |
| 4        | 3 May 2018                            | IGAD ICPAC – WA 16       | 201,228                 |
| 5        | 14 June 2018                          | IGAD ICPAC – WA 18       | 138,151                 |
| 6        | 23 July 2018                          | IGAD ICPAC – WA 20       | 245,438                 |
| 7        | 24 August 2018                        | IGAD ICPAC – WA 22       | 209,115                 |
| 8        | 2 November 2018                       | IGAD ICPAC – WA 24       | <u>171,315</u>          |
|          |                                       | <b>Total</b>             | <b><u>1,345,221</u></b> |

Appendices

**Annex 4 – Fixed Asset Register of the Project**

| Serial No.  | Identification Number / Tagging Code | Category                 | Description of item          | Unit | Qty | Date of Acquisition | Cost price (USD) | Custodian           |
|-------------|--------------------------------------|--------------------------|------------------------------|------|-----|---------------------|------------------|---------------------|
| L876350045  | DRM/OE/001                           | Office Equipment         | KYOCERA - TASKalfa 305 fci   | 1    | 1   | 23/08/2016          | 4,241            | Accountant          |
| L1HF57G00DJ | DRM/CA/001                           | Computer and Accessories | Lenovo T440p Laptop          | Pc   | 1   | 27/10/2016          | 1,800            | Program Coordinator |
| L1HF57G02Y8 | DRM/CA/002                           | Computer and Accessories | Lenovo T440p Laptop          | PC   | 1   | 27/10/2016          | 1,800            | Accountant          |
| L1HF57G034T | DRM/CA/003                           | Computer and Accessories | Lenovo T440p Laptop          | pc   | 1   | 27/10/2016          | 1,800            | Senior DRM Expert   |
| L1HF57G04GV | DRM/CA/004                           | Computer and Accessories | Lenovo T440p Laptop          | pc   | 1   | 27/10/2016          | 1,800            | Procurement Officer |
| L1HF57G057T | DRM/CA/005                           | Computer and Accessories | Lenovo T440p Laptop          | pc   | 1   | 27/10/2016          | 1,800            | M/E Officer         |
| CZC62899R7  | DRM/CA/006                           | Computer and Accessories | HP Desktop Elite Desk        | pc   | 1   | 30/09/2016          | 1,866            | Admin Assistant     |
|             | DRM/OE/002                           | Office Equipment         | Projector                    | Pc   | 1   | 18/05/2017          | 2,548            | IT Dept             |
|             | DRM/CA/007                           | Computer and Accessories | HP Desktop Proliant ML10Gen9 | Pc   | 1   | 18/05/2017          | 3,000            | Accountant          |
|             |                                      | Software                 | Scenario Manager             |      | 1   |                     | 2,460            | IT Department       |