

EAST AFRICAN COMMUNITY

AUDIT COMMISSION



**REPORT OF THE AUDIT COMMISSION ON THE FINANCIAL STATEMENTS FOR THE EAST
AFRICAN COMMUNITY-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION
PROJECT (EAC-FSDRP) FOR THE YEAR ENDED 30 JUNE 2019**

11TH DECEMBER 2019

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

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1.0 STATEMENT OF PURPOSE

1.1 Introduction

The financial Sector Development and Regionalization Project is an East African Community regional project supported by the World Bank. The purpose of the project is to support the development of the financial sector integration through the establishment of a single market in financial services among EAC Partner States.

The first phase of the project became effective on 20th June 2011 with a total Grant of \$16 million. In September 2016, the World Bank approved additional financing of \$ 10.5 million to support the project for three years to September 2019.

The original grant was structured into six components while the additional financing merged the components to four. These are:

- a) Financial Inclusion and Strengthening of Market Participants;
- b) Harmonization of Financial Laws and Regulations;
- c) Institution Building and
- d) Project Management

Project Goal

The project goal is to support the broadening and deepening of the financial sector through the establishment of a single market in financial services among EAC Partner States with a view to making a wide range of financial products and services available to all at competitive prices

Project Objectives

The development Objective is to establish the foundation for financial sector integration among EAC Partner States. The higher level objective of the program is to support the broadening and deepening of the financial sector through the establishment of a single market in financial services among EAC Partner States, with a view of making a wide range of financial products and services available to all at competitive prices

1.2 Human Resource

As at 30th June 2019, the FSDRP had the following human resource capacity:-

EAC- FSDRP	30/6/2019	30/6/2018
Project Staff	11	12
Subtotal	11	12

1.3 The Budget

The Budget of the EAC - Financial Sector Development and Regionalization Project for the financial year 2018/19 was USD5, 118,198

1.4 Achievements during the year

The following are the Project's achievements during 2018/19:

- Financial Education strategy developed and approved by Council
- The draft EAC regional Payment System roadmap developed
- Insurance certification implementation strategy developed and approved by Council
- EAC guidelines on consumer protection for the pension sector developed and adopted by Council
- EAC principles for regulation and supervision of the pension sector developed and submitted to the sectoral council on legal and judicial affairs for legal input
- EAC microfinance policy and implementation strategy developed
- EAC Banking Certification Policy and Implementation Strategy developed;
- The EAC Secretariat developed and presented the revised draft EAC Insurance Bill to Capital Market, Insurance and Pensions Committee (CMIPC)
- The Project supported capacity building for Burundi's Capital market through training on Securities; investment advisory services in securities; investment and fund management; corporate finance, investment banking; trading and settlement of securities; trustee services; custodial services; underwriting services; and Credit rating services

2.0 CORPORATE GOVERNANCE STATEMENT

The implementation of the project activities is vested with the Steering and Executive Committees. The FSDRP Steering Committee is responsible for providing Policy and strategic oversight to the project, while the Executive Committee is responsible for overseeing project operations. Meetings of the two committees will continue to regularly consider budgetary strategy, assess project outcomes, monitor risks, make policy and resourcing decisions, and review requests for changes in project scope.

3.0 RISK MANAGEMENT AND INTERNAL CONTROL

3.1 Overview of EAC's risk management framework

The East African Community (EAC) is responsible for the risk management and internal control system of the project. EAC is committed to a process of risk management that is aligned to the principles of sound corporate governance recognizing that the management of risk is an important strategy for the achievement of the EAC Mission and supporting objectives. The project management is task to ensure that the adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations

- The safeguarding of the project assets
- Compliance with signed grant agreement and other applicable laws and regulations
- Reliability of accounting records
- Responsible behavior towards all stakeholders

3.2 Approach to Risk Management

A description of EAC's approach to risk management covering a summary of the overall methodology and the management of individual types of risks is included in the EAC Risk Management Framework, Policy and Strategy (2011) and expounded as below.

The EAC's risk management framework is based on a well-established governance process, with different lines of defense and relies both on individual responsibility and collective oversight, supported by a comprehensive reporting and escalation process.

The EAC's internal audit function independently audits the adequacy and effectiveness of the EAC's risk management framework. The head of Internal Audit reports and provides independent assurance on the same to the Audit and Risk Committee and has unrestricted access to the Secretary General and the chairman of the Audit and Risk Committee.

a) Operational risk

Operational risk is the potential for loss resulting from the inadequacy of, or a failure in internal processes, people, systems or external events. The Project recognizes the significance of operational risk, and the fact that it is inherent in all business units.

b) Occupational health and safety

The health and safety of our employees, our partners and other stakeholders continues to be a priority. The Project seeks to effectively identify, reduce or control accidents or injuries to employees, contractors and clients. The Project continues to focus on ensuring compliance with current legal and regulatory framework and ensuring that occupational health and safety procedures are closely linked to the operational needs of the business.

c) Reputational risk

Safeguarding the Project's reputation is of paramount importance to its continued operations and is the responsibility of every member of staff. Reputational risks can arise from social, ethical or environmental issues, or as a consequence of operational risk events.

The Community's strong reputation is dependent upon the way in which it conducts its business, but it can also be affected by the way in which its clients, to whom it provides services, conduct themselves.

Effective management of all operating activities is required to establish a strong internal control framework to minimize the risk of operational and financial failure and to ensure that a full assessment of reputational implications is made before strategic decisions are taken.

4.0 STATEMENT OF THE SECRETARY GENERAL'S RESPONSIBILITIES

The Treaty for the Establishment of the East African Community and the Financial Rules and Regulations require the Secretary General to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Community. These annual financial statements have been prepared in accordance with **International Public Sector Accounting Standards**, under the **Accrual Basis of Accounting**.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates. They have been presented to ensure comparability with the EAC annual financial statements of previous periods and with financial statements of other entities.

The statements have been prepared as general-purpose financial statements intended to provide information about the financial position, financial performance, and cash flows of the EAC-FSDRP that is useful to a wide range of users.

The Secretary General is responsible for establishing and maintaining a system of effective internal control designed to provide reasonable assurance that the transactions recorded in the books of accounts and reported in these annual financial statements are within the statutory authority and reflect with reasonable accuracy the receipt and use of public financial resources by the EAC-FSDRP.

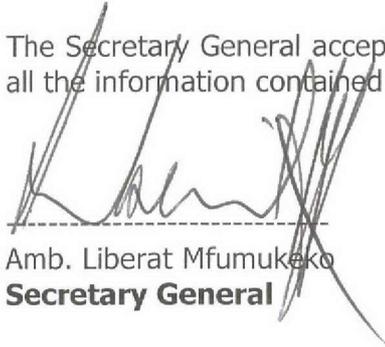
The Secretary General is responsible for and acknowledge the ultimately responsibility for the system of internal financial control established by the EAC and place considerable importance on maintaining a strong control environment. To enable the Secretary General to meet these responsibilities, the Secretary General sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. To ensure that these controls are monitored throughout the EAC and all employees are required to maintain the highest ethical standards in ensuring the EAC business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the EAC is on identifying, assessing, managing and monitoring all known forms of risk across the Community. While operating risks can be fully eliminated, the Community endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Secretary General is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. To the best of my knowledge, the system of internal control has operated adequately throughout the reporting period.

The financial statements set out on the pages below which have been prepared on a Going Concern Basis, were approved by the Secretary General on the date indicated below.

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

The Secretary General accepts responsibility for the integrity of the financial statements and all the information contained therein for the period under review.



Amb. Liberat Mfumukeko
Secretary General



Juvenal Ndimurirwo (ACCA)
Director Finance

REPORT OF THE AUDIT COMMISSION ON THE FINANCIAL STATEMENTS OF THE EAST AFRICAN COMMUNITY-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE YEAR ENDED 30TH JUNE 2019

The Chairperson,
Council of Ministers
East African Community

Unqualified Opinion

We have audited the financial statements of the East African Community Financial Sector Development and Regionalization Project set out on pages 14 to 28, which comprise the statement of financial position as at 30 June 2019, and the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of East African Community Financial Sector Development and Regionalization Project as at 30 June 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Treaty for Establishment of the East African Community, 1999 (as amended) and EAC Financial Rules and Regulations, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the East African Community Financial Sector Development and Regionalization Project in accordance with the ethical requirements of International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants and Article 134(4) of the Treaty for Establishment of the East African Community, 1999 (as amended) and we have fulfilled our ethical responsibilities in accordance with these requirements and the ISAs. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matter disclosed in the statement of purpose on page 5 of the financial statements.

• **Delays in the Implementation of Capital Markets Infrastructure (CMI)**

Whereas the first phase of the project became effective on 20th June 2011 with a total Grant of \$16 million. In September 2016, the World Bank approved additional financing of \$ 10.5 million to support the project for three years to September 2019.

However, we noted that the project has not been implemented as per agreed timeline as the installation of the Capital Markets Infrastructure System has not been completed by the time of audit in November 2019 due to delays by the contractor despite funds being available to supply and install the system.

The delays in the implementation of the CMI system is casting doubt on the operationalization of the system. The system infrastructures are at risk of getting obsolete due to significant passage of time taken without putting the system to intended use. Service delivery to the community has been delayed.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards and Regulations 78 and 79 of the East African Community Financial Rules and Regulations, 2012, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the East African Community-Financial Sector Development and Regionalization Project’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management intend to cease operations of the East African Community Financial Sector Development and Regionalization Project, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the East African Community-Financial Sector Development and Regionalization Project’s financial reporting process.

Audit Commission’s Responsibilities for the Audit of the Financial Statements

The audit 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 auditor’s report that includes our opinion in accordance with the provisions of Article 134(2) of the Treaty for Establishment of the East African Community, 1999 (as amended). 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 judgement and maintain professional scepticism 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 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 East African Community Financial Sector Development and Regionalization Project`s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management` use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the East African Community Financial Sector Development and Regionalization Project`s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor`s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the East African Community-Financial Sector Development and Regionalization Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Community to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Article 134(2) of the Treaty for Establishment of the East African Community, 1999 (as amended), we report based on the audit that any contributions received or revenue collected by the East African Community Financial Sector Development and Regionalization Project have been allocated and distributed in accordance with this Treaty.

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

.....
Mr. John F. S. Muwanga
AUDITOR GENERAL OF THE
REPUBLIC OF UGANDA

Date 11/12/2019

.....
Mr. Charles E. Kichere
CONTROLLER AND AUDITOR
GENERAL OF THE UNITED
REPUBLIC OF TANZANIA

Date 11/12/2019

.....
Mr.
AUDITOR GENERAL OF
THE REPUBLIC OF KENYA

Date.....

.....
Mr. Obadiah R. Biraro
AUDITOR GENERAL OF **THE**
REPUBLIC OF RWANDA

Date.....

.....
Ms. Generose Kiyago
STATE INSPECTOR GENERAL
OF THE REPUBLIC OF BURUNDI

Date 11/12/19

.....
Amb Steven K. Wundu
AUDITOR GENERAL OF **THE**
REPUBLIC OF SOUTH SUDAN

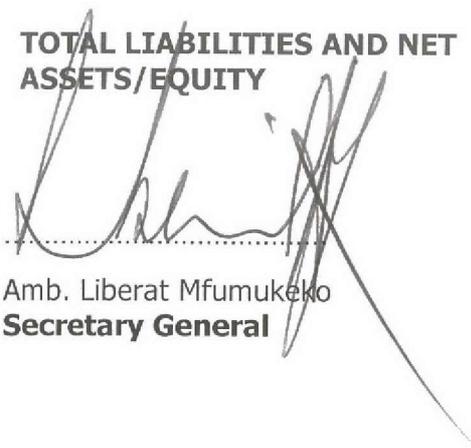
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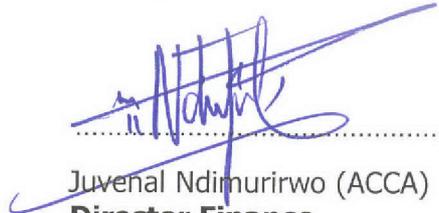
FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

5.0 FINANCIAL STATEMENTS FOR THE EAC- FSDRP

**EAC- FSDRP
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

ASSETS	NOTES	2018/19	2017/18
		USD	USD
CURRENT ASSETS			
Cash and Cash Equivalents	1	481,361	415,121
Receivables	2	97,161	66,404
TOTAL CURRENT ASSETS		578,522	481,525
NON CURRENT ASSETS			
Property, Plant and Equipment	3	8,743	59,856
Intangible Assets	5	0	777,247
Work in Progress	4	1,219,054	0
TOTAL NON CURRENT ASSETS		1,227,797	837,103
TOTAL ASSETS		1,806,320	1,318,628
LIABILITIES AND NET ASSETS/EQUITY			
CURRENT LIABILITIES			
Payables	6	162,592	75,959
TOTAL CURRENT LIABILITIES		162,592	75,959
TOTAL LIABILITIES		162,592	75,959
Total Net Assets/Equity		1,643,728	1,242,669
TOTAL LIABILITIES AND NET ASSETS/EQUITY		1,806,320	1,318,628


 Amb. Liberat Mfumukeko
Secretary General


 Juvenal Ndimurirwo (ACCA)
Director Finance

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

**EAC- FSDR PROJECT
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

REVENUE		2018/19	2017/18
Revenue from non-Exchange Transactions	NOTES	USD	USD
Special funds from Development Partners	6	3,127,510	2,479,226
Other income		940	
Total Revenue		3,128,450	2,479,226
EXPENSES			
Salaries, Wages and Employee Benefits	8	958,000	908,129
Administrative, Meetings & Consultancy Expenses	9	2,164,871	1,527,477
Finance Cost	9	751	762
Depreciation and amortization Expenses	11	4,828	42,857
TOTAL		3,128,450	2,479,226
SURPLUS / (DEFICIT) FOR THE PERIOD		-	-

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

**EAC- FSDR PROJECT
STATEMENT OF CHANGES IN NET ASSETS/EQUITY AT 30 JUNE 2019**

Description	Notes	Capital Contributi	Accumulat	Total Net
		on / Grant	ed Surplus	Assets / Equity
		USD	USD	USD
At 1 July 2017		879,961	(326,013)	550,948
Prior year adjustment		0	(63,003)	(63,003)
Surplus/deficit for the year		(42,857)	797,580	754,722
As at 30 June 2018		837,103	405,564	1,242,667
As at 1 July 2018		837,103	405,564	1,242,667
Transfer to WB – FSDRP 1		0.00	(60,007)	(60,007)
Prior year adjustment		194,750	148,205	342,955
Surplus / (deficit) for the year		(4,828)	122,951	118,110
At 30 June 2019		1,027,025	616,702	1,643,727

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

Description	Note	2018/19 USD	2017/18 USD
Cash flows from operating activities			
Surplus / (Deficit) at the end of the year		118,110	754,722
<i>Adjustment for:</i>			
Depreciation and Amortization	11	4,828	42,857
Profit on disposal		13	
Changes in working Capital			
(Increase) / Decrease in Receivable		(30,757)	(40,179)
Increase / (Decrease) in Other Current liabilities		26,626	(417,809)
Net Cash flows from operating activities		118,820	339,591
Cash flow from investing activities			
Acquisition of fixed assets		(52,580)	0.00
Cash generated from investing activities		(52,580)	0.00
Net increase in cash and cash equivalents		66,240	339,591
Cash and cash equivalents at beginning of period		415,121	75,530
Cash and cash equivalents at end of period		481,361	415,121

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

**EAC- FSDR PROJECT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019**

Description	Budgeted Amounts in USD		Actual Amounts in USD	Difference: Final Budget and Actual (in USD)	Explanation of variances
	Original	Final			
REVENUE					
Special funds from Development Partners	4,847,240	5,118,198	3,245,620	1,872,578	Funds are release by World Bank based on the monthly Withdrawal Applications submitted by the project and the initial deposit upon effectiveness of the project and not based on the budget estimate
Other Revenue			953	(953)	
Total Revenue	4,847,240	5,118,198	3,246,573	1,871,625	
EXPENSES					
Salaries, Wages and Employee Benefits	972,000	972,000	958,000	14,000	The variance was as a result of resignation by one of the staff two months before the end of the financial period
Administrative, meetings & consultancy Expenses	3,875,240	4,146,198,	2,164,871	1,981,327	Delay in the implementation of the capital market infrastructure activities, pension study and financial education related activities
Financial costs			751	(751)	
TOTAL	4,847,240	5,118,198	3,123,622	1,994,576	
SURPLUS / (DEFICIT) FOR THE PERIOD	0	0	122,951		

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

STATEMENT OF SPECIAL ACCOUNT ACTIVITY FOR THE PERIOD ENDED 30TH JUNE 2019 NOTES TO THE FINANCIAL STATEMENTS

Description	Note	2018/19 USD	CUMMULATIVE USD
Opening balance as at 1 st July 2018		511,115.17	511,115.17
ADD:			
Total amount Deposited by World Bank		3,245,619.91	3,756,735.08
DEDUCT			
Total amount withdrawn		3,220,505.22	(3,220,505.22)
Closing Bank Balance as at 30th June 2019 as per Bank Statement			536,229.86
Less unpresented cheques			54,868.37
Closing Bank Balance as at 30th June 2019 as per cash book			481,361.49

6.0 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

6.1 Basis of Accounting

The accompanying financial statements have been presented on an accrual basis of accounting while the budget has been prepared using cash basis of accounting.

Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.

Accrual accounting allows for revenue to be recognized when earned and expenses to be recognized when incurred. Budgetary accounting allows for compliance with the requirements for and controls over the use of Partner States Approved Budgeted funds.

6.2 Basis of Preparation

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB).

When the IPSASB does not prescribe any specific standard, IFRSs and IASs are applied.

The financial statements have been prepared on a going concern basis.

The measurement base applied is historical cost.

The accounting policies have been applied consistently throughout the period. The principal accounting policies adopted are set out below.

6.3 Adoption of new and revised standards

From July 2018 to 30 June 2019, there was no new IPSAS standard having an impact on these financial statements of the project

7.0 KEY JUDGEMENTS AND SOURCES OF ESTIMATION

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses in conformity with IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors.

The key judgements management made in preparing the financial statements are as follows:

- The lives of intangible assets and property, plant and equipment are at least that set out in notes number 5.5 and 5.6.
- Key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the period of revision and future periods.

8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Donations and Grants

The financial statements in conformity with IPSAS 23 – Revenue from Non-Exchange Transactions, require management to recognize liabilities from transfers with restrictions and/or conditions over the period of which economic benefits will be received from such transfers, with disclosure of such restricted contributions from Development Partners.

Most of the assistance given to EAC- FSDRP receives funds from World Bank which is considered as restricted contributions.

Restricted contributions are recognized as Revenue over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

On the Financial Statements for projects, receipts to financial annual budget are recognized as revenue for the year, and then Expenses are deducted. The surplus to the donor, which is Net Asset/equity for the Project, is thereafter disclosed on the Statement of Financial Performance as “attributable to Development Partners”, reported as deferred revenue on the Statement of Financial Position and adjusted from Net cash flow from operating activities on the Cash flow statement.

Grants related to assets are presented in the statement of financial position as deferred revenue, which is recognized as revenue on a systematic and rational basis over the useful life of the asset.

b. Foreign Exchange rates

The financial statements are prepared in conformity with IPSAS 4 – The Effects of Changes in Foreign Exchange Rates which requires management to disclose effects of foreign currency transactions in their financial statements.

In accordance with IPSAS 4 and related definition, the Presentation Currency of EAC, the currency in which its financial statements are prepared, is the United States Dollar. The United States Dollar is also the operating currency of EAC-FSDRP

The Functional Currency (ies) of EAC, the currency (ies) of the primary economic environment in which an entity operates – a country in which an entity primarily generates and expends cash is (are) the United States Dollar and the following currencies – Burundian Francs, Kenyan Shilling, Rwandan Francs, South Sudan pound,

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

Tanzanian shilling and the Ugandan Shilling, for the six (6) EAC Partners States of Republic of Burundi, Republic of Kenya, Republic of Rwanda, Republic of South Sudan, United Republic of Tanzania and the Republic of Uganda respectively.

EAC- FSDRP has its Presentation currency, the United States Dollar, as its functional currency and hence uses the following procedure to translate its foreign currency transactions into the Presentation currency for reporting purpose –

- 1) monetary assets/liabilities are translated at current exchange rate
- 2) non-monetary assets/liabilities measured at historical cost are translated at historical exchange rate
- 3) non-monetary assets/liabilities measured at current value are translated at the exchange rate at the date when the current value was determined
- 4) Owners' interest accounts are translated at historical exchange rate
- 5) Revenues/expenses other than those expenses related to non-monetary items (as in (i) (b) above) are translated at the exchange rate that existed when transactions took place (for practical reasons, average rates may be use)
- 6) Expenses related to non-monetary assets, such as depreciation (fixed assets) and amortization (intangible assets) are translated at the exchange rate used to translate the related assets.

Both realised and unrealised gains and losses resulting from the settlement of such transactions, and from the retranslation at the reporting date of assets and liabilities denominated in foreign currencies, are recognised in the Statement of Financial Performance.

The exchange rates used for the following reporting dates are as follow:

Currency	30/6/2019	30/6/2018
1 USD/KES (Kenya Shillings)	101.02	100.50
1 USD/TZS (Tanzania Shillings)	2,277	2,255
1 USD/UGX (Uganda Shillings)	3,750	3,828
1 USD/BIF (Burundi Francs)	1,825	1,765
1 USD/RWF (Rwanda Francs)	890	855

Total amount of loss on foreign exchange was debited to the Statement of Financial performance.

c. Property, Plant and Equipment

Property, Plant and equipment are carried in the Statement of Financial Position at their historical cost.

Expenditure incurred to replace a component of item of property, plant and equipment is accounted for separately and capitalized while the major replaced component is derecognized. All other expenditure items which do not meet recognition criteria are recognized in the statement of Financial Performance as expenses as they are incurred.

EAC- FSDRP derecognises items of Property, plant and equipment and/or any significant part of an asset upon disposal or when no economic benefits or service potential is expected from its continuing use. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognised.

d. Depreciation

The financial statements in conformity with IPSAS 1 – Presentation of Financial Statement and IPSAS 17 – Property, Plant and Equipment recognize depreciation in the Statement of Financial Performance. Management charges depreciation to the Statement of Financial Performance on a straight-line basis to write off the cost of property, plant and equipment to their residual values over their expected useful lives.

Depreciation for Property, Plant and Equipment purchased during the year is apportioned proportionately to the remaining period of the year. Property, plant and equipment acquired during the year is depreciated from the date when it is available for use and cease to be depreciated at earlier of the date that the asset is derecognized.

Annual depreciation rates applied are as follows:

	FY18/19	FY17/18
Computer equipment	33.33%	33.33%
Telecommunication equipment	33.33%	33.33%
Office equipment	25.00%	25.00%
Office furniture	12.50%	12.50%

e. Impairment of tangible and intangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the Statement of Financial Performance in the year concerned.

f. Intangible Assets

Intangible assets relate to computer software. Software is amortized at 20% per annum on a straight-line basis if in use. Generally, costs associated with maintaining computer software programs are recognised as expenses when incurred. The intangible asset of the project were in use during the year under review since Partner States are yet to link to the system.

g. Taxation

Article 4 Section (1) subsection (d) of the Headquarters Agreement between East African Community and the United Republic of Tanzania states that: "The Secretariat, its property, assets, income and transactions shall be exempt from all direct taxation including sales tax and from Customs Duties and prohibitions, restrictions on imports and exports in respect of articles imported or exported by Secretariat for its official use.

The Secretariat shall also be exempt from any obligation relating to payments, withholding or collection of any tax or duty provided that such assets and other property shall not be sold within the United Republic of Tanzania except in accordance with conditions agreed to with the Government".

The EAC- FSDRP activities comply with the Headquarters agreement. The Grant agreement considers all expenditures incurred including taxes as eligible for accountability of the Grant purposes

h. Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

i. Presentation of Budget Information

The financial statements in conformity with IPSAS 24 requires management of a public sector entity to show comparison of budget amounts arising from execution of the budget to be included in the financial statements of the entity which are required to, or elect to, make publicly available their approved budget for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between budget and actual amounts.

The EAC- FSDRP Budget was approved on cash basis, with classification by nature, for a period of one year, i.e. 1st July 2018 to 30th June 2019.

EAC- FSDR Project prepares its financial statements clearly indicating the actual expenditure in comparison with the approved budgetary provisions and in so doing fully complies with this Standard.

j. Related Parties

The financial statements in conformity with IPSAS 20 requires EAC- FSDRP to show the aggregate remuneration of key management personnel and the number of individuals, determined on full time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class and the total amount of all other remuneration and compensation provided to key management personnel and close family members itemized separately.

During the year to 30th June 2019, the remuneration paid to Professional experts was US\$. 958,000,

k. Financial Risks

EAC-FSDRP is exposed to a variety of financial risks, including market risk (foreign exchange and price), liquidity and credit risks. EAC-FSDRP does not make use of financial derivatives to hedge its risk exposures.

l. Foreign-exchange risk

EAC- FSDRP receives donor grants in US Dollar and is thus not exposed to foreign-exchange risk arising from fluctuations in currency rates.

m. Liquidity risk

EAC- FSDRP may not negotiate and use uncommitted short term bank credit facilities in the event of liquidity requirements. It can only seek assistance from the EAC Secretariat.

n. Provisions, Contingent Liabilities and contingent Assets

Provisions are constituted when EAC- FSDRP recognises a liability arising from a past event, for which it will probably have to bear the cost. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the date of the Statement of Financial Position.

There were neither contingent liabilities nor contingent assets as at 30th June 2019.

o. Related-Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. In the case of EAC- FSDRP related parties have been taken to be:-

- i. key Project management experts, and close members of the family of these key management experts,
- ii. Key EAC management including the members of Executive and Steering Committees.

There was no material transactions with related parties during the financial year ended 30 June 2019.

p. Events After The Reporting Period

There were no events after the reporting date that warrants disclosure in the financial statements.

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

9.0 ARITHMETICAL NOTES TO THE ACCOUNTS

Note #	PARTICULARS	2018/2019 (USD)	2017/2018 (USD)
1	CASH AND CASH EQUIVALENTS		
	WB-FSDRP	481,362	415,121
2	RECEIVABLES		
	VAT Claims: EAC- FSDRP is a tax-exempted entity. Where goods and services are invoiced including tax, an Application for Tax Refund is filed with the relevant Revenue authority	95,319	47,502
	EAC Secretariat	953	0.00
	Imprest to be accounted	888	18,902
		97,161	66,404

Note #	PARTICULARS	2018/2019 (USD)	2017/2018 (USD)			
3	Property, plant and Equipment (United States dollars)					
	Description Cost:	Computer Equipment	Communication Equipment	Office Equipment	Office Furniture	Total
	As 1 July 2018	307,533	32,790	20,471,	40,407	401,200
	Additions	0	428	1,919	370	2,346
	Disposal/Adjustment	249,564		428	0	250,361
	As at 30 June 2019	59,460	33,218	20,043	40,037	152,758
	Accumulated Depreciation:					
	As 1 July 2018	274,766	17,164	16,774	32,641	341,344
	Depreciation for the year		0	475	4,353	4,828
	Disposal/Adjustment	(222,344)	16,036	16,521	2,734	(326,809)

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

Note #	PARTICULARS			2018/2019 (USD)	2017/2018 (USD)
	As at 30 June 2019	52,422	33,199	21,767	36,626
	Net carrying amount:				
	As at 30 June 2019	7,038	18	(1,724)	3,411
					8,743

Note #	PARTICULARS	2018/2019 (USD)	2017/2018 (USD)
4	Work in progress (United States dollars)		
		US\$	US\$

Cost:

As 1 July 2018		0	0
Additions/ Adjustment		1,219,054	0
Disposal		0	0

As at 30 June 2019		1,219,054	1,219,054
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Accumulated amortization:

As 1 July 2018		0	0
Amortization for the year		0	0
Adjustments to accumulated amortization		0	0

As at 30 June 2019		0	0
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Net carrying amount:

As at 30 June 2019		1,219,054	1,219,054
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FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

Note #	PARTICULARS	2018/2019 (USD)	2017/2018 (USD)
5	PAYABLES		
	Charleston travel Ltd	8,187	3,830
	Next Couriers & Logistics		390
	RwandAir Express	4,719	1,291
	UTB 2004 Ltd	55,097	48,352
	KPMG Tanzania	94,344	5,736
	Reimbursable expenses	246	8,230
	SUB TOTAL	162,592	75,959
6	SPECIAL FUNDS FROM DEVELOPMENT PARTNERS		
	These are revenues from Non Exchange transactions		
	Amount released from deferred income	3,127,510	1,046,587
	Depreciation recycled from deferred income	4,828	82,216
	SUB TOTAL	3,132,338	1,128,803
7	SALARIES		
	Salaries	958,000	908,129
	SUB TOTAL	958,000	908,129
8	ADMINISTRATIVE, MEETINGS & CONSULTANCY EXPENSES		
	Production of workshop materials	2,699	0.00
	Advertising	828	0.00
	Leased Communication lines	0.00	56,604
	Maintenance and repairs	32,957	0.00
	Conference facilities	241,511	140,412
	Air tickets staff and delegates	380,294	277,958
	DSA Facilitation – Staff & delegates	1,108,771	1,052,503
	Contracted professional Services, Consultancy	397,810	0.00
	SUB -TOTAL	2,164,871	1,527,477

FINANCIAL STATEMENTS FOR THE EAC-FINANCIAL SECTOR DEVELOPMENT AND REGIONALIZATION PROJECT (EAC-FSDRP) FOR THE PERIOD ENDED 30 JUNE 2019

Note #	PARTICULARS	2018/2019 (USD)	2017/2018 (USD)
9	FINANCE COST		
	Bank charges	751	762
	SUB-TOTAL	751	762
10	DEPRECIATION AND AMORTIZATION EXPENSES		
	Computer Equipment		57,509
	Telecommunication Equipment		
	Office Equipment	475	-15418
	Office furniture	4,353	-3,038
	SUB TOTAL	4,828	42,857