Common Market for Eastern and Southern Africa (COMESA) Regional Integration and Support Programme 3 (RISP 3)

Financial statements
for the 9 months ended 30 September 2017

COMESA-Regional Integration and Support Programme 3 (RISP 3)

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COMESA-Regional Integration and Support Programme 3 (RISP 3)

Programme implementation report

for the 9 months period ended 30 September 2017

1. Programme overview

Regional Integration and Support Programme (RISP 3) was initially a 3-year programme whose implementation was planned to span from 22 December 2013 to 21 December 2017 as part of the European Union (EU) support to the economic integration agenda in the Eastern and Southern Africa and Indian Ocean (ESA-IO) region. Arising from the RISP 3 mid-term review which was completed in March 2017, a no-cost extension was recommended and later granted by the European Union, thereby extending the programme for 9 months until 30th September 2017. The support through RISP 3 is consistent with the European Union development policies, as stated in the "European Consensus on Development" (2005), "Agenda for Change" (2011), the European Union Aid for Trade Strategy (2007), the Joint Africa-EU Strategy (2007) and its Action Plans, especially their provisions regarding regional integration, world markets and the link between trade and development. The Regional Integration Support Programme (RISP 3) is intended to contribute to the Eastern and Southern Africa and Indian Ocean (ESA-IO) region's integration process, by assisting the Regional Organisations to fulfil their mandate and supporting their respective programmes to pursue the objective of regional integration. At the COMESA level, RISP 3 interventions are aligned to the COMESA Medium Term Strategic Plan (MTSP) for the period 2010-2016 and its successor Medium Term Strategic Plan (MTSP) for 2017-2020.

2. Programme objectives

The overall objective of RISP 3 is: ***"to contribute to deepened integration and competitiveness of the COMESA region".***

The specific objective is: "***Regional trade and investment climate are improved through enhanced implementation of COMESA treaty provisions; summit and ministerial decisions at the national level".***

The programme has a total budget of Euro 7.4 million and has 6 Results as highlighted below:

Result 1: The effective implementation of the COMESA internal market is accelerated;

Result 2: Regional economic partnership agreement negotiations on outstanding issues make significant progress;

Result 3: Increased number of effective clusters in the COMESA Region;

Result 4: The COMESA Secretariat and other COMESA Institutions are more effective and efficient;

Result 5: Technical Cooperation facility (TCF); and

Result 6: Programme Management, Audit, Evaluation and Visibility.

The Technical Cooperation Facility (TCF) benefits Members States directly in the areas of SME development and implementing COMESA treaty provisions and council decisions.

3. Results overview

By the end of the programme in 2017, Euro 6,883,578 had been spent giving an absorption rate of 93% of the programme budget. This also represents 99.5% of the funds received. All Result Areas recorded an absorption rate above 80%.

A number of changes took place during the implementation of the programme and these led to the change in the breakdown of the budget per Result Area. The changes did not however affect the overall budget. The table below shows the original budget per Result as well as the final budget following the various amendments and revisions which were undertaken during the implementation of the programme. All revisions were made in line with the provisions in the riders and all necessary approvals were sought and provided.

	Original Budget	**Percentage**	**Final revised budget**	**Percentage**
Result 1: Internal Market	1,961,115	27%	2,514,173	34%
Result 2: Economic Partnership Agreements	1,075,615	15%	315,752	4%
Result 3: Clusters	168,423	2%	225,722	3%
Result 4: COMESA Capacity	1,004,154	14%	890,749	12%
Result 5:Technical Cooperation Facility	1,900,000	25%	1,900,000	26%
Result 6: Management Coordination and Monitoring	904,863	12%	1,136,753	15%
Audit	46,154	1%	46,154	1%
Evaluation	92,308	1%	92,308	1%
Visibility	100,000	1%	131,022	2%
Contingency	147,368	2%	147,367	2%
	7,400,000	**100%**	**7,400,000**	**100%**

The main changes in the budget allocations across Result Areas were due to the implementation of the recommendations of the RISP 3 Mid Term Review which specified that the implementation of Economic Partnership Agreements (EPAs) and Cluster components of the programme be removed from the programme. While the cluster programme (Result 3) had depleted and slightly exceeded its original budget, result 2 (EPAs) still had remaining funds which were reallocated mostly to Result Area 1.

The slight increase in the Programme Management budget was due to the salary component to cover staff costs during the extension of the programme from January to September 2017. The extension of the programme by six months, from January to June 2017 was part of the recommendations of the mid-term review while the extension for the period July to September 2017 was given to enable COMESA finalise a few activities that still required time to be completed in the areas of Proficiency Testing, the Enterprise Resource Planning IT System (ERP) as well as Trade and Customs. The amounts for the Technical Cooperation Facility (TCF) and contingency remained the same.

Additional activities were also introduced during the programme. These were outside the description of the action but were added to support complimentary implementation of Result 1.

One of the areas that was introduced was intended to support implementation of the Regional Customs Transit Guarantee (RCTG). The activities included the Overhaul of the RCTG Instruments (Operations Manual, Inter-Surety agreement and the RCTG Agreement). The programme also supported the procurement of the server for the redesigned RCTG, testing and rollout of the new system as well as the support to fund the 8th meeting of the Management Committee of the RCTG. This support to RCTG which amounted to Euro 92,000 was done with funds that were reallocated from Economic Partnership Agreements (EPAs) and was included under Result 1 of the programme.

3 Results overview *(Continued)*

Another intervention that was introduced under Result 1 was the support to Science, Technology and Innovation (STI). Euro 290,500 was reallocated to support the COMESA STI initiative. The planned activities included an Executive Course on Innovation for Development, launch and promotion of COMESA Innovation awards, holding a joint STI and Industry Technical Committee and Ministerial Meeting as well as finalization of the COMESA Training Curriculum on Regional Integration.

4. Summary of achievement of results by Result Area/Sub-Result Area

A number of achievements were registered during the year under review and these included the following:

- *Result 1: The effective implementation of the COMESA Internal Market is accelerated*

(a) Instruments underpinning the COMESA Customs Union (CU) are finalized and domesticated at National Level

(i) On Customs Management Regulation (CMR), member states aligned their customs laws in average 98.33 % to Customs Management Regulation with nine (9) Member Stats achieving 100% alignment.

(ii) On Common Tariff Nomenclature (CTN), eighteen (18) member states aligned their tariff nomenclature to the COMESA Common Tariff Nomenclature representing an average of 69.1%.

(iii) On the Common External Tariff (CET), eighteen (18) member states aligned their tariff to Common External Tariff representing an average of 34.0%.

(b) Harmonized statistics are available for monitoring the development of the COMESA internal market and for further policy developments

In 2017, the programme continued to support COMESA member states to domesticate the prior approved statistical policies at country level as well as the introduction of new statistical interventions in agriculture, environment and industrial statistics. Under the Programme, the statistics unit focused on ensuring continuous availability of timely, accurate and reliable statistics to monitor the progress of regional integration and also to support informed decision-making.

(c) Reported non-tariff barriers are resolved

The programme supported analytical work and facilitation to member states to resolve Non-Tariff Barriers (NTBs) as well as capacity building on the adopted NTB Regulations. The Secretariat continuously worked with the member states to resolve the NTBs and put in place measures that discourage member states from imposing new ones. Through bilateral consultative meetings, Trade and Customs meetings, NTB Focal Points Meetings, and interventions by the COMESA Secretariat, 10 out of the 13 reported NTBs were resolved, registering an achievement rate of 77%.

(d) Regional and international trade is facilitated through increased domestication and implementation of regional standards/SPS measures and testing schemes

In 2017, the programme supported member states to participate in the regional proficiency testing scheme for aflatoxin analysis particularly for member states that trade largely in maize and maize products. Although the initial target was to support 5 member states and 11 Laboratories, by the end of the programme, 13 laboratories in 6 Member States (Kenya, Malawi, Rwanda, Uganda, Zambia and Zimbabwe) were participating thereby exceeding the target.

- *Result 4: The COMESA Secretariat and other COMESA Institutions are more effective and efficient in the Areas of M&E, Risk Management and Information Systems*

  The Enterprise Resource Planning System (ERP) was piloted and the Human Resource/Payroll module (Smart HR) became fully functional. The system has been used to process staff salaries since April 2017. More modules (Procurement, Project Accounting and Financials) were planned to be added in 2017 to ensure that the final objective of having one comprehensive and integrated computerized system for COMESA was achieved.

  All COMESA Secretariat Units and Divisions were sensitized on the risk management policy as well as risk identification and assessment. Risk registers which will be manually updated were developed for the COMESA divisions.

- *Result 5: Technical Cooperation Facility (TCF)*

  Out of the 17 projects funded under the Technical Cooperation Facility (TCF), 15 were completed of which the following were completed in 2017:

  - Development of a Trade in Services and Investment Strategy for Swaziland – after engaging a consultant in 2017 to develop the, a sensitization meeting with key stakeholders together with 5 sector focus group discussions were undertaken and the strategy was validated and handed over to the country in July 2017.
  - Export and Import Price Index for Sudan- domestication of council decision on statistical development data collected was finalised for Export and Import Price Index (XMPI). A list of commodities has been submitted and shared to Sudan. Data analysis commenced in May 2017 and the dissemination of the data to the Sudanese Statistics office took place in July 2017.
  - Malawi Textile Incubation Centre- in a bid to revamp her Textile industry, the project in Malawi focused on the installation of value addition equipment and formation of the textile and clothing for Small and Medium Enterprise cluster. The overall objective of the project was to enhance competitiveness of Micro-Small- and Medium sized enterprises (MSMEs) through sector cluster development in order to promote innovations and competitiveness of the sub sector. An incubation centre was established, fully equipped with state of the art equipment and the cluster formed. Capacity building was undertaken to establish a common understanding of SMEs in tailoring business in order to resolve the challenges that the industry faces. A total of 135 SMEs (65% female) registered in the cluster programme under the project. In order to ensure suitability of the programme, an incubation mentor was recruited to mentor all the new SMEs registering in the programme. In addition, a business plan was developed with a focus of imparting knowledge to SMEs on market analysis, products, services and management of the incubation centre. The incubation centre was launched and officially opened by the Minister of Trades for Malawi in 2017.

- *Result 6: Programme Management, Audit, Evaluation and Visibility*

The RISP 3 Coordination Unit, headed by the Programme Coordinator, has been in place since 22nd December 2013, comprising of the Programme Coordinator, Finance Expert, Monitoring and Evaluation Expert, TCF Administrator, Finance Assistant and Administrative Support. The Unit is responsible for the day-to-day management and coordination of the programme.

Continuous programme management support was provided throughout 2017 to ensure smooth running of operations. Among the key achievements were the following:

- Implementation of the Technical Cooperation Facility (TCF): This involved publishing calls for proposals, receiving and reviewing submissions from Member States and technical support to implementation of the TCF projects.
- Completion of the RISP 3 mid-term review: The mid-term review was completed in March 2017. All recommendations that relate to RISP 3 were implemented. Key among them were the removal of Result 2 Economic Partnership Agreement (EPAs) and Result 3 (clusters) from the programme and the no-cost extension of the programme to 30th September 2017. The recommendations that were relating to the 11th EDF Programming were put into consideration during the design process.
- Work plans and reporting (narrative and financial for 2016 and 2017) were submitted for approval and approvals was given during the year.
- Support to the Zambia Tanzania and Kenya (ZTK) inter-power connector project was done focusing mainly on funds replenishment and reviewing progress reports, both narrative and financial as well as the work plans.

In addition, assistance was provided in the Coordination of the 11th EDF programming: This was a continuous process throughout the year. It involved supporting the overall coordination of the EA-ESA-IO Regional Indicative Programme through the High-Level Group and in particular the project identification and formulation process under the 3 objectives of the COMESA sub-envelope. During the period a Technical Cooperation Facility (The COMESA 11th EDF TCF) was concluded and the agreement was signed on 8th August 2017.

By order of the Secretary General
Chileshe Mpundu Kapwepwe

Date:……………………….2019

COMESA-Regional Integration and Support Programme 3 (RISP 3)

Statement of responsibility in respect of the preparation of financial statements

In accordance with the COMESA financial rules and regulation, the Secretary General is responsible for the preparation and fair presentation of the COMESA-Regional Integration and Support Programme 3 (RISP 3) financial statements, comprising the statement of financial position as at 30 September 2017, statement of income and expenditure and statement of cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the basis of accounting described in note 2, and the requirements of the COMESA financial rules and regulations and the contribution agreement between COMESA and the European Union Commission.

The Secretary General is also responsible for such internal control as she determines are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Secretary General has made an assessment of the COMESA-Regional Integration and Support Programme 3's (RISP 3) ability to continue as a going concern and has reason to believe the Programme will not be a going concern in the foreseeable future as explained in note 2 to the financial Statements.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of COMESA-Regional Integration and Support Programme 3 (RISP 3), as identified in the first paragraph, were approved by the Secretary General on …………………............................. 2019 and are signed by:

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Chileshe Mpundu Kapwepwe
Secretary General

Independent auditor’s report

To the members of COMESA- Regional Integration Support Programme 3 (RISP 3)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of COMESA- Regional Integration Support Programme 3 (RISP 3) Lusaka (“the Programme”), which comprise the statement of financial position as at 30 September 2017, and the statement of income and expenditure and statement of cash flows for the period then ended, and notes to the financial statements, including 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 COMESA- Regional Integration Support Programme 3 (RISP 3) as at 30 September 2017 and its financial performance and statement of cash flows for the period then ended in accordance with the basis of accounting described in note 2, and the requirements of the COMESA financial rules and regulation and the Contribution Agreement between COMESA and European Union Commission.

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 the Programme in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction of Use and Distribution

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Programme to comply with the financial reporting requirements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Programme and should not be used by or distributed to parties other than COMESA and the European Union. Our opinion is not modified in respect of this matter.

Other information

The Secretary General is responsible for the other information. The other information comprises the Programme Coordinator’s Report, the statement of Secretary General’s responsibility in respect of the preparation of financial statements and supplementary information. Other information does not include the financial statements and our auditor’s report thereon.

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

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

KPMG

Responsibilities of the Secretary General for the financial statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in note 2, and the requirements of the COMESA rules and regulations and the Contribution Agreement between COMESA and the European Union Commission, and for such internal control as the Secretary General 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, the Secretary General is responsible for assessing the Programme'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 Secretary General either intends to liquidate the Programme or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the 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 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 Programme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Programme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Programme 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit**.**

KPMG Chartered Accountants **2019**

Cheelo Hamuwele **AUD/F001044**
Partner

COMESA-Regional Integration and Support Programme 3 (RISP 3)

Statements of financial position

As at 30 September 2017

in Euro

	Note	**9 months to Sept 2017**	12 months to Dec 2016
Assets			
Current assets			
Receivables	*5*	**3,877**	3,563
Amount due from related parties	*6*	**43,310**	346,156
Cash and cash equivalents	*7*	**155,871**	554,116
Total assets		**203,058**	903,835
Liabilities			
Current liabilities			
Payables	*8*	**161,868**	113,895
Amounts due to related parties	*6*	**41,190**	31,851
Deferred income	*9*	**-**	758,089
Total liabilities		**203,058**	903,835

These financial statements were approved by the Secretary General on…………….........................2019 and are signed by:

.... **…......................................**

Secretary General *Director- Budget and Finance*

The notes on pages 13 to 19 are an integral part of these financial statements.

COMESA-Regional Integration and Support Programme 3 (RISP 3)

Statement of income and expenditure

For the 9 months period ended 30 September 2017

in Euro

	Note	**9 months to Sept 2017**	12 months to Dec 2016
Income			
Grant received from European Union	*4*	**1,357,184**	1,963,986
Expenditure			
Result 1: The effective implementation of the COMESA Internal Market is accelerated		**(413,293)**	(558,870)
Result 4: The COMESA Secretariat and other COMESA Institutions are more effective and efficient		**(137,173)**	(35,390)
Result 5: Technical Cooperation Facility (TCF)		**(556,191)**	(921,582)
Result 6: Programme Management, Audit, Evaluation and Visibility		**(250,527)**	(448,144)
Total expenditure	*10*	**(1,357,184)**	(1,963,986)
Surplus for the period		**-**	-

The notes on pages 13 to 19 are an integral part of these financial statements.

COMESA- Regional Integration and Support Programme 3 (RISP 3)

Statements of cash flows

For the 9 months period ended 30 September 2017

in Euro

	Notes	**9 months to Sept 2017**	9 months to Dec 2016
Cash flows from operating activities			
Surplus for the period		**-**	-
Changes in:			
- Amounts due from related parties		**302,846**	(342,529)
- Amounts due to related parties		**9,339**	(88,790)
- Receivables		**(314)**	(122,118)
- Payables		**47,973**	16,823
- Deferred income		**(758,089)**	(1,042,854)
Net cash used in operating activities		**(398,245)**	(1,579,468)
Net decrease in cash and cash equivalents		**(398,245)**	(1,579,468)
Cash and cash equivalent at beginning of the period/year		**554,116**	2,133,584
Cash and cash equivalent at period/year end	*7*	**155,871**	554,116

The notes on pages 13 to 19 are an integral part of these financial statements.

COMESA- Regional Integration and Support Programme 3 (RISP 3)

Notes to the financial statements
for the 9 months period ended 30 September 2017

1 Reporting Programme

COMESA Regional Integration and Support Programme 3 (RISP 3) ("the Programme") is domiciled in Zambia. The address of its registered office is COMESA Secretariat, Ben Bella Road, P. O Box 30051, Lusaka, Zambia. RISP 3 is funded under the contribution agreement between COMESA and European Union Commission which was signed in December 2013. RISP 3 was initially a 3-year programme whose implementation was planned to span from 22 December 2013 to 21 December 2016 as part of the EU support to the economic integration agenda in the ESA-IO region. Arising from the RISP 3 mid-term review which was completed in March 2017, a no-cost extension was recommended and later granted by the EU, thereby extending the programme until 30th Septmber, 2017. The Programme is funded through the Regional Indicative Programme of the 10th European Development Fund (EDF), which encapsulates the economic integration agenda in the Eastern and Southern Africa and Indian Ocean region. The programme's overall objective is to contribute to deepened integration and competitiveness of the COMESA region, while concurrently contributing towards the specific goal of improving the regional trade and investment climate through enhanced domestication and implementation of COMESA Treaty provisions and Summit and Ministerial Decisions at the national level.

The purpose of the Programme:

- To define a legal framework of cooperation between the parties in the joint implementation of the Regional Integration Support Programme Continuation whose objectives and expected results are described in the RISP 3 Continuation Contribution Agreement;

- To uphold principles of good governance transparency, integrity and accountability in the implementation of the Regional Integration Support Programme Continuation by the parties;

- To establish the appropriate mechanism to ensure that planning, monitoring and reporting standards that are applied in the joint implementation of the programme adequately address the principles of relevance, effectiveness, efficiency and sustainability embedded in the Region Integration support Programme Continuation Contribution Agreement; and

- To define an adequate verification mechanism to ensure that the actions are implemented according to the Contribution Agreement.

RISP 3 has a funding volume of Euro 7.4 Million for a three-year period, covering six Result Areas listed below:

Result 1: The effective implementation of the COMESA Internal Market is accelerated.

Result 2: Regional Economic Partnership Agreement (EPA) negotiations on outstanding issues make significant progress;

Result 3: Increased number of effective clusters in the COMESA Region;

Result 4: The COMESA Secretariat and other COMESA Institutions are more effective and efficient;

Result 5: Technical Cooperation facility (TCF);

Result 6: Programme Management, Audit, Evaluation and Visibility.

in Euro

2 Basis of preparation and policies

The financial statements have been prepared on a modified cash basis in accordance with the requirements of COMESA financial rules and regulations and the Contribution Agreement between COMESA and the European Union Commission.

Going Concern

In accordance with her responsibilities, the Secretary General has considered the appropriateness of the going concern basis for the preparation of the financial statements. RISP 3 was initially a 3-year programme whose implementation was planned to span from 1 January 2014 to 30 September 2017. However, arising from the RISP 3 mid-term review which was completed in March 2017, a no-cost extension was recommended and granted by the EU, thereby extending the programme for nine months to 30th September, 2017. The programme will therefore not be a going concern in the year ahead.

3 Functional and presentation currency

These financial statements are presented in EURO (EUR), as required by the Contribution Agreement between COMESA and the European Union Commission.

4 Income

	9 months period to Sept 2017	12 months Period to Dec 2016
Transfer from deferred income (notes 9)	**1,357,184**	1,963,986

5 Receivables

	2017	2016
Employee salary advances and loans	**1,108**	1,026
Imprest	**1,378**	1,935
Unused Tickets	**1,391**	602
	3,877	3,563

6 Amounts due from related parties

COMESA Competition Commission	**865**	2,109
RISP2 Continuation	**574**	340,574
RISM	**29**	29
COMESA 11th EDF Project	**6,338**	2,843
Hub & Spoke	**-**	601
European Union	**35,504**	-
	43,310	346,156

Amounts due to related parties

COMESA Secretariat	**37,469**	12,027
COMESA 11 EDF Project	**1,781**	-
USAID Project	**215**	-
Hub and SPOKE	**601**	18,700
Regional Multi-Disciplinary Centre of Excellence	**1,124**	1,124
	41,190	31,851

COMESA- Regional Integration and Support Programme 3 (RISP 3)

Notes to the financial statements *(continued)*
for the 9 months period ended 30 September 2017

in Euro

7 Cash and cash equivalents

	2017	2016
Standard Chartered Bank EURO	-	451
Standard Chartered Bank USD	-	17,631
Standard Chartered Bank ZMW	-	18,080
Stanbic RISP3 Euro	**155,871**	517,954
	155,871	**554,116**

8 Payables

Airlines	**55,240**	7,650
Accrued expenses and Sundry Creditors	**26,530**	78,150
Provision for audit fees	-	3,908
Imprest	-	548
Consultants	**78,358**	20,979
Staff creditors	**1,740**	2,660
	161,868	113,895

9 Deferred income

Balance as at 1 January	**758,089**	1,800,943
Grant received during the year	**563,590**	921,132
Funds from COMESA Secretariat	**35,505**	-
Transfer to income (note 4)	**(1,357,184)**	(1,963,986)
Balance at 31 December	-	758,089

10 Programme expenditure

	9 months period to Sept 2017	12 months Period to Dec 2016
Meetings and workshops	**338,457**	347,225
Production of publication	**2,131**	48,990
Consultancy trade and customs	**82,289**	185,739
Travel expenses-official	-	66,157
General non established staff	**9,487**	130,454
Training in member states	**23,603**	26,526
Training	-	7,084
IT Infrastructure	**104,083**	-
Professional non-established staff	**270,224**	256,838
TCF Support	**507,894**	807,116
Telephone , fax & Emails	**32**	-
Bank charges	-	8,552
Audit fees	**17,477**	3,818
Office supplies	-	493
Consultancy- All	-	71,720
Office equipment	**1,507**	3,274
	1,357,184	1,963,98

11 Capital commitments

There were no material capital commitments at 30 September 2017 (31 December 2016: nil).

12 Contingent Liabilities

There were no material contingent liabilities at 30 September 2017 (31 December 2016: nil).

13 Subsequent events

There were no subsequent events requiring disclosure or adjustment to these financial statements as the programme ended on 30 September 2017.

14 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Set out below is an index of significant accounting policies, the details which are available on the pages that follow:

a) Income recognition
b) Deferred income
c) Expenditure
d) Foreign currency
e) Income tax
f) Financial instruments
g) Related party transactions

(a) Income recognition

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it recognised as income in equal amounts over the expected useful life of the related asset.

(b) Deferred income

Deferred income are grants received from European Union which have not been utilised in the period. Income is only recognised when related expenditure for which the grant was obtained has been incurred.

(c) Expenditure

Programme expenditure is recorded when all the necessary conditions for the grant with regard to expenditure are met or when there is reasonable assurance that the project will comply with the conditions attaching to the grant with regard to expenditure.

(d) Foreign currency

The financial statements are prepared in Euro (EUR). Funds received are converted from Euro to local currency at the spot rate (initial rate) of the month the disbursement was received. The local currency balance carried forward is converted to Euro using the initial rate.

Expenditure incurred in local currency is converted to Euro at the initial rate

(e) Income tax

The programme is exempt from income tax under paragraph 4b of Part II of the Second Schedule to the Income Tax Act 1966 (as amended), Cap 323 of the Laws of Zambia.

14 Significant accounting policies *(continued)*

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts as the effect of imputing interest is considered to be insignificant.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as significant financial difficulties of the debtor) that the Project will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Other payables

Other payables are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition."

Financial liabilities

Derecognition of financial liabilities

The Project derecognises financial liabilities when, and only when, the Project's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss

14 Significant accounting policies *(continued)*

h) Related party transactions

Related parties are defined as those parties that directly or indirectly through one or more intermediaries, the party that:

(i) controls, is controlled by, or is under common control with, the entity; and

(ii) has an interest in the entity that gives it significant influence over the entity.

All dealings with related parties are transacted on an arm's length basis and accordingly included in income statement

Appendix I

COMESA-Regional Integration and Support Programme 3 (RISP 3)

Comparison of budgeted to actual expenditure per activity

For the 9 months period ended 30 September 2017

Result 1: The effective implementation of the COMESA Internal Market is accelerated.

Budget line	Budget EUR	Actual EUR	Variance EUR	Utilisation %
Meetings and workshops	357,223	**328,873**	28,350	92%
Production of publication	5,000	**2,131**	2,869	43%
Consultancy trade and customs	90,000	**82,289**	7,711	92%
	452,223	**413,293**	38,930	92%

Result 4: The COMESA Secretariat and other COMESA Institutions are more effective and efficient

Budget line	Budget EUR	Actual EUR	Variance EUR	Utilisation %
General non established staff	10,000	**9,487**	513	95%
Training in member states	35,357	**23,603**	11,754	67%
IT Infrastructure	165,179	**104,083**	61,096	63%
	210,536	**137,173**	73,363	66%

Result 5: Technical Cooperation facility (TCF).

	Budget EUR	Actual EUR	Variance EUR	Utilisation %
Professional non-established staff	58,393	**48,297**	10,096	83%
TCF Support	506,029	**507,894**	(1,865)	101%
	564,422	**556,191**	8,231	99%

Result 6: Programme Management, Audit, Evaluation and Visibility

Budget line	Budget EUR	Actual EUR	Variance EUR	Utilisation %
Meetings and workshops	13,697	**9,584**	4,113	70%
Professional non-established staff	176,250	**221,927**	(45,677)	126%
Telephone , fax & Emails		**32**	(32)	-
Bank charges	17,857	**17,477**	380	98%
Office equipment		**1,507**	(1,507)	-
	207,804	250,527	(42,723)	121%
Grand total	**1,434,985**	**1,357,184**	**77,288**	**95%**