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**AUDIT SERVICES
CORPORATION**

MINISTRY OF WATER AND ENERGY

HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE

PROJECT P-174867

IDA GRANT NUMBER E012-ET

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2024



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Office of the Federal Auditor General
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIANCE PROJECT
IDA-GRANT NUMBER E012-ET**

We have audited the financial statements of Ministry of Water and Energy, Horn of Africa Ground Water for Climate Resilience Project, financed under IDA Grant No.E012-ET, which comprise the balance sheet as at 7 July 2024, and the statement of sources and uses of funds and a Designated Account statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Ministry of Water and Energy is responsible for the preparation and fair presentation of these financial statements in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting and for such internal control as the Ministry determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET (continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ministry of Water and Energy, Horn of Africa Ground Water for Climate Resilience Project, IDA Grant No.E012-ET, as at 7 July 2024 and of its sources and uses of funds for the year then ended, in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on modified cash basis of accounting.

Report on Other Requirements

As required by the terms of reference for external audit of the Project, we report that, to the extent we can assess:

- all World Bank Financing has been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
- Goods, works and services financed have been procured in accordance with the relevant financing agreement including specific provisions of the World Bank Procurement Policies and Procedures;
- All necessary supporting documents, records, and accounts have been maintained in respect of all Project activities, including expenditures reported using Interim Unaudited Financial Statements (IFRs) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- Designated Account has been maintained in accordance with the provisions of the relevant financing agreement and funds disbursed out of the Accounts were used only for the purposes intended in the financing agreement;
- National laws and regulations have been complied with, and that the financial and accounting procedures approved for the Project (e.g. operational manual, financial management manual, etc.) were followed and used;



**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET (continued)**

- Financial performance of the project is satisfactory;
- Assets procured from project funds exist and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement;
- Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Accounts. These should be separately noted in the audit report.
- with respect to Interim Financial Report submitted during the year ended 7 July 2024 and listed on page 9, in our opinion:
 - a) the statements, together with the procedures and internal controls involved in their preparation, can be relied upon to support the relevant withdrawals;
 - b) adequate supporting documentation has been maintained to support claims to the IDA for reimbursements of expenditures incurred; and
 - c) which expenditures are eligible for financing IDA Grant No.P-174867.

Audit Services Corporation
3 December 2024

INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIANCE PROJECT
 IDA-GRANT NUMBER E012-ET
 STATEMENT OF SOURCES AND USES OF FUNDS
 FOR THE YEAR ENDED 7 JULY 2024

	Note	Ethiopian Birr	Cumulative From 2 August 2022 To 7 July 2024 Ethiopian Birr	2023 Ethiopian Birr
FINANCING				
Grant from IDA				
Initial deposit to Designated Account		-	159,541,969	159,541,969
IDA remittance		663,038,764	663,038,764	
Gain on foreign exchange		<u>22,597,806</u>	<u>27,107,840</u>	<u>4,510,034</u>
TOTAL FINANCING		<u>685,636,570</u>	<u>849,688,573</u>	<u>164,052,003</u>
PROJECT EXPENDITURE				
Works and Goods		54,678,405	60,370,445	5,692,040
Consultants' services	6	26,563,062	29,454,301	2,891,239
Training		16,934,988	18,186,867	1,251,879
Operating costs	7	<u>9,775,200</u>	<u>11,065,629</u>	<u>1,290,429</u>
TOTAL PROJECT EXPENDITURE		<u>107,951,655</u>	<u>119,077,242</u>	<u>11,125,587</u>
EXCESS OF FINANCING OVER EXPENDITURE		<u>577,684,915</u>	<u>730,611,331</u>	<u>152,926,416</u>

INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIANCE PROJECT
 IDA-GRANT NUMBER E012-ET
 BALANCE SHEET
 AS AT 7 JULY 2024

	Note	Ethiopian Birr	2023 Ethiopian Birr
<u>ASSETS</u>			
Cash and bank balances	3	600,849,234	152,418,710
Debtors	4	<u>131,156,512</u>	<u>586,334</u>
		732,005,746	153,005,044
CURRENT LIABILITIES			
Accounts payable	5	<u>1,394,415</u>	<u>78,628</u>
NET CURRENT ASSETS		<u>730,611,331</u>	<u>152,926,416</u>
<u>REPRESENTED BY</u>			
ACCUMULATED FUND		<u>730,611,331</u>	<u>152,926,416</u>

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET
DESIGNATED ACCOUNT STATEMENT**

For year ended	7 July 2024
Account number	0100151300178
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Currency	USD

	USD	Equivalent in Ethiopian Birr
Balance at 8 July 2023	2,595,455.41	141,807,638.24
Add: Replenishment from IDA	11,890,649.22	663,807,638.24
Refund from training	<u>7,660.00</u>	<u>431,853.95</u>
	<u>14,493,764.64</u>	<u>805,278,256.31</u>
Less payments		
Transfer	5,755,837.31	326,799,448.87
Training	179,340.39	10,103,759.92
Bank service charge	<u>57,558.37</u>	<u>3,267,994.32</u>
	<u>5,992,736.07</u>	<u>340,171,203.11</u>
	8,501,028.57	465,107,053.21
Add: Gain on foreign exchange	<u>-</u>	<u>22,597,805.96</u>
Ending balance 7 July 2024	<u>8,501,028.57</u>	<u>487,704,859.17</u>

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUNDWATER FOR CLIMATE RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

Horn of Africa Groundwater for Resilience project (P 174867) is newly initiated project of the sector; Horn of Africa Groundwater for Resilience Project is designed to increase the sustainable access and management of groundwater in the Horn of Africa. Total Project cost of US\$ 210 million is allocated to be disbursed over a period of six years (2022-2028). The project is financed from two financing windows: national IDA allocation and regional IDA allocation. The national IDA amount is expected to constitute 1/3 of the project cost, triggering the mobilization of 2/3 from the regional IDA allocation (140 million regional IDA allocations and 70 million national IDA ALLOCATIONS).

This project supports 55 project Woredas with medium scale rural piped water supply, four Woredas with small scale irrigation schemes and 67 Woredas with GW potential assessment activities. The project will benefit an estimated 1.48 million people living in selected drought prone and water stressed areas, which most of them are close to borders of the neighbouring countries.

The project development objective is "to increase the sustainable access and management of Groundwater in Horn of Africa's borderlands". The project is expected to strengthen the ability of vulnerable communities, many of them living in the fragile borderlands, to better prepare for and respond to climatic shocks and other stressors, increasing their resilience and potentially contributing to the reduction of forced displacement and potential conflicts.

This project is proposed to have the following four components.

Component	Total (in USD million)
1. GW potential Assessment and Infrastructure Development for Inclusive Community-level Use	191.00
2. Strengthening groundwater institutions and information	8.00
3. Project management, Knowledge, and operational support	11.00
Total	210.00

**INDEPENDENT AUDITOR'S REPORT ON THE
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HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET
NOTES TO THE FINANCIAL STATEMENTS**

The Development partner is WB (IDA) that is involved in financing this project. The institutional arrangements for the project will build on existing structures. Ministry of Water PMCU is responsible for the overall project implementation; besides the Ministry of Water and Energy (MoWE-PMCU) will be responsible for the financial management aspects of the project. MOWE Water Supply Project Implementation Team (PIT) and MILL PIT will be involved in respective areas in managing the project.

The accounting period covered for the audit is 12 months following the government fiscal year ending on July 7. The Audit will be completed on an annual basis following the normal government fiscal/accounting year.

Detailed information on the project including implementation arrangements is provided in the program Appraisal Document (PAD) and Program Operational Manual (POM)

The Project became operational on 2 August 2022 and would be closed on 31 December 2028.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

b) Currency

These financial statements are presented in Ethiopian Birr. Transactions in foreign currencies are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Cash balances denominated in foreign currencies are translated into Birr at the exchange rates ruling at the balance sheet date.

INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET
NOTES TO THE FINANCIAL STATEMENTS

3. CASH AND BANK BALANCES

	Ethiopian Birr	2023 Ethiopian Birr
National Bank of Ethiopia		
USD Designated Account No.0100151300178	487,704,859	141,807,638
Birr account Account No. 0100151040395	108,526,457	10,611,072
Birr account Account No. 0102791040004	<u>4,617,918</u>	<u>—</u>
	<u>600,849,234</u>	<u>152,418,710</u>

4. DEBTORS

	Ethiopian Birr	2023 Ethiopian Birr
Advances to		
Flood management	734,762	579,145
Contractors	130,262,870	
Consultants	80,851	
Ethio telecom	-	1,400
Staff receivable	<u>78,030</u>	<u>5,789</u>
	<u>131,156,513</u>	<u>586,334</u>

5. CREDITORS

	Ethiopian Birr	2023 Ethiopian Birr
Payable to staff	46,040	16,151
Tax payable	<u>1,348,375</u>	<u>62,477</u>
	<u>1,394,415</u>	<u>78,628</u>

INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIANCE PROJECT
IDA-GRANT NUMBER E012-ET
NOTES TO THE FINANCIAL STATEMENTS

6. ACCUMULATED FUND

	Ethiopian Birr
Balance at 7 July 2023	152,926,416
Add: excess of financing over expenditure	<u>577,684,915</u>
Balance at 7 July 2024	<u>730,611,331</u>

7. WORKS AND GOODS

	Ethiopian Birr	2023 Ethiopian Birr
Motor bikes	47,829,100	-
Office machine and equipment	<u>6,849,305</u>	<u>5,692,040</u>
	<u>54,678,405</u>	<u>5,692,040</u>

8. CONSULTANCY

	Ethiopian Birr	2023 Ethiopian Birr
Professional fee	24,360,221	2,141,000
Staff salary	1,987,819	673,652
Pension contribution	<u>215,022</u>	<u>76,587</u>
	<u>26,563,062</u>	<u>2,891,239</u>

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIANCE PROJECT
IDA-GRANT NUMBER E012-ET
NOTES TO THE FINANCIAL STATEMENTS**

9. OPERATING COST

	Ethiopian Birr	2023 Ethiopian Birr
Fuel and lubricant	1,232,845	159,066
Per diem	2,793,797	582,077
Transport fee	510,750	8,941
Printing and stationery	445,556	-
Entertainment	139,338	39,260
Maintenance of vehicle	-	250
Rent	952,890	
Advertising expense	254,625	167,079
Bank charge	3,278,586	222,895
Telephone	106,080	110,860
Miscellaneous	<u>60,733</u>	-
	<u>9,775,200</u>	<u>1,290,428</u>

10. DATE OF AUTHORIZATION

The State Minister of the Ministry authorized the issue of these financial statements on 3 December 2024.

INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 INTERIM FINANCIAL REPORT SUBMITTED DURING
 THE YEAR ENDED 7 JULY 2024

Expenditure component No	Quarter 1 Birr	Quarter 2 Birr	Quarter 3 Birr	Quarter 4 Birr	Total Birr
1	-	-	-	47,829,100	47,829,100
3	<u>4,803,670</u>	<u>14,255,714</u>	<u>22,756,550</u>	<u>18,306,621</u>	<u>60,122,555</u>
Total	<u>4,803,670</u>	<u>14,255,714</u>	<u>22,756,550</u>	<u>66,135,721</u>	<u>107,951,655</u>

INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR CLIMATE RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 LIST OF FIXED ASSETS

Description of Item	Qty	Cost Amount
Heavy duty photocopy machine	2	2,081,040
Laptops Computers (13"-14")	8	1,554,800
Laptops Computers (17"-18")	1	224,250
Tables with style uspen	4	733,700
Color all in one printer	2	414,000
LCD Projector	1	101,200
Laptops Computers (13"-14")	3	583,050
Laptops Computers (Core 15)	10	1,472,000
Laptops Computers (Core 17)	6	1,080,330
Motor Bikes	110	47,829,100
Laptops Computers, core i7 intel with bag, pen and USB	11	2,106,225
Desktop Computers	4	756,700
Multifunctional printers	4	1,108,600
LaserJet Printer	1	155,250
Inkjet Printer	1	170,200
		60,370,445