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AUDIT SERVICES
CORPORATION

MINISTRY OF WATER AND ENERGY
SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
IDA CREDIT NOS. 60070-ET AND 60080-ET
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2022



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**The Federal Democratic Republic of Ethiopia
Audit Services Corporation**

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY**

We have audited the financial statements of Ministry of Water and Energy, Second Urban Water Supply and Sanitation Project financed by the International Development Association (IDA) Credit No. IDA 60070 ET, IDA 60080 ET and COFN No. C1860, which comprises the balance sheet as at 7 July 2022 and the statement of sources and uses of funds and designated account statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Project management's Responsibility for the Financial Statements

The Project Management of the Ministry of Water and Energy, Second Urban Water Supply and Sanitation Project is responsible for the preparation of financial statements that give a true and fair view in accordance with the modified cash basis of accounting described in note 2 to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 (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, Second Urban Water Supply and Sanitation Project financed under IDA Credit No. 60070-ET, 60080-ET and C1860 as at 7 July 2022 and of its sources and uses of funds for the year then ended in accordance with the modified cash basis of accounting.

Report on Other Requirements

In our opinion,

- during the year all the external funds have been used in accordance with the conditions of the relevant financing agreement and only for the purposes for which the financing was provided;
- goods, works and services financed have been provided in accordance with the relevant financing agreement and disbursement letters;
- all necessary supporting documents, records and accounts have been maintained in respect of all Project activities;
- the Designated Account has been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreements;
- the funds disbursed covered expenditures that are eligible for financing under IDA Credit No. 60070-ET, 60080-ET and C1860;
- there was a clear linkage between the books of account and the financial statements;
- Assets procured from project funds and there is verifiable ownership by the implementing

Agency and beneficiaries

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**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY (Continued)**

with respect to the statement of expenditure submitted during the year ended 7 July 2022 and shown on page 9, in our opinion,

- a) the statement, together with the procedures and internal controls involved in its preparation, can be relied upon to support the relevant withdrawals;
- b) adequate supporting documentation has been maintained to support claims to IDA for reimbursements of expenditures incurred; and
- c) which expenditures are eligible for financing under IDA Credit No. 60070-ET, 60080-ET and C1860.

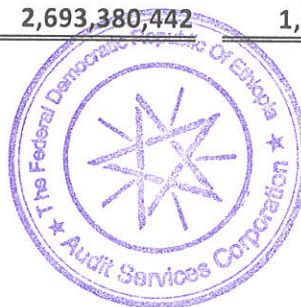
Audit Services Corporation

06 January 2023



MINISTRY OF WATER AND ENERGY
 SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
 IDA 60070 ET, IDA 60080 ET AND COFN No. C1860
 BALANCE SHEET
 AS AT 7 JULY 2022

			2021
	Notes	Ethiopian Birr	Ethiopian Birr
<u>Assets</u>			
Cash and bank balances	3	1,154,032,710	674,532,745
Debtors	4	<u>1,631,259,305</u>	<u>1,154,149,163</u>
		<u>2,785,292,016</u>	<u>1,828,681,908</u>
<u>CURRENT LIABILITIES</u>			
Creditors	5	60,562,502	61,120,560
Tax payable		<u>31,349,072</u>	<u>15,724,037</u>
		<u>91,911,574</u>	<u>76,844,598</u>
NET CURRENT ASSETS		<u>2,693,380,441</u>	<u>1,751,837,311</u>
<u>REPRESENTED BY</u>			
ACCUMULATED FUND	6	<u>2,693,380,442</u>	<u>1,751,837,311</u>



Ministry of Water and Energy

SECOND URBAN WATER SUPPLY AND SANITATION PROJECT

IDA 60070 ET, IDA 60080 ET and COFN No. C1860

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED 7 July 2022

	Notes	<u>Ethiopian Birr</u>	<u>Cumulative from May</u> <u>1, 2018 to July 7,</u> <u>2022</u>	<u>Balance at 7 July</u> <u>2021</u>
FINANCING				
Credits and Grants from IDA				
Carry forward from Urban Water Supply and Sanitation project, IDA-4292			59,081,034	
Initial deposit to Designated Account-IDA			735,029,100	
Initial deposit to Designated Account-AFD		136,968,895	136,968,895	
IFR based Refund-IDA		1,732,559,568	3,696,185,772	870,591,581
Direct payments or Special Comm.		36,491,496	36,491,495.77	-
		1,906,019,959	4,663,756,297	870,591,581
Contribution from Towns and Municipalities			185,090,651	
Gain on foreign exchange		5,244,761	360,710,523	189,411,782
Other Income		70,233,661	133,202,740	1,004,000
		75,478,422.17	679,003,914	190,415,782
TOTAL FINANCING		1,981,498,381	5,342,760,211	1,061,007,363
PROJECT EXPENDITURE				
Works and Goods		813,671,843	2,148,530,529	520,901,999
Consultancies' services		125,960,567	263,082,452	93,782,511
Training		14,146,757	36,248,264	7,312,116
Operating Costs	7	86,176,083	201,518,525	45,536,116
TOTAL PROJECT EXPENDITURE		1,039,955,250	2,649,379,770	667,532,742
EXCESS OF FINANCING OVER EXPENDITURE		941,543,131	2,693,380,441.35	393,474,621



MINISTRY OF WATER AND ENERGY
 SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
 IDA 60070 ET, IDA 60080 ET AND COFN No. C1860
STATEMENT OF DESIGNATED ACCOUNT -USD
FOR THE YEAR ENDED 7 July 2022

Account Number:	102001300003		
Depository Bank:	National Bank of Ethiopia		
Address:	Addis Ababa, Ethiopia		
Related Credit:	IDA-60070, and 60080-ET		
Currency:	<u>USD</u>		<u>Equivalent in Birr</u>
Opening Bank Balance	7,945,023	-	348,255,768
Fund Received from IDA	35,531,356		1,732,559,568
Fund Available for use	43,476,379	-	2,080,815,336
Less: Transfer to Birr Account	12,000,000		575,662,400
Transfer to Utilities and RWBs	14,077,211		692,481,282
Bank Charge and Expense	421,049		21,356,363
Advance to consultant	4,848,688		232,214,875
Total	31,346,948	-	1,521,714,919
			559,100,417
Gain on Foreign Exchange			71,990,234
Balance as at 7 July 2022	12,129,431	-	631,090,651



MINISTRY OF WATER AND ENERGY
SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
IDA 60070 ET, IDA 60080 ET AND COFN No. C1860
STATEMENT OF DESIGNATED ACCOUNT -EURO
FOR THE YEAR ENDED 7 July 2022

Account Number: 0102561300003

Depository Bank: National Bank of Ethiopia

Address: Addis Ababa, Ethiopia

Related Credit: IDA-60070, and 60080-ET

Currency:	<u>EURO</u>	<u>Equivalent in Birr</u>
Opening Bank Balance	-	-
Fund Received from AFD	2,414,161.39	136,968,894.96
Fund Available for use	2,414,161.39	136,968,894.96
Less: Transfer to Birr Account	2,400,000.00	134,437,760.00
Transfer to Utilities and RWBs	-	-
Bank Charge and Expense	9,000.00	500,296.10
Advance to consultant		
Total	2,409,000.00	134,938,056.10
		2,030,838.86
Less :Loss on Foreign Exchange		(1,756,573.43)
Balance as at 7 July 2022	5,161.39	274,265.43



MINISTRY OF WATER AND ENERGY
URBAN WATER SUPPLY AND SANITATION PROJECT
IDA 60070 ET, IDA 60080 ET and COFN No.C1860
NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

The Project Development Objective (PDO) is to increase access to enhanced water supply and sanitation services in an operationally efficient manner in Addis Ababa and selected secondary cities. The project comprises three components:-

Component 1: Addis Ababa sanitation and water supply services improvement

Component 2: Sanitation and water supply services improvement in secondary cities; and

Component 3: Project management and institutional strengthening (Federal and Regional level)

The project is financed through IDA Credit 6007-ET, IDA Credit 6008-ET and COFN No. C1860, Regular Credit, Scale-up Facility and Grant signed between the Government of the Federal Democratic Republic of Ethiopia and International Development Association (IDA) on 7 April 2017.

The project has also secured additional Grant finance through COFN No. C1860, signed between the Government of the Federal Democratic Republic of Ethiopia and Agence Francaise De Development on 16 November 2020.

The project become operational on May 2018 and would be closed on 7 July 2024.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

b) Currency

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



MINISTRY OF WATER AND ENERGY
 SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
 IDA 60070 ET, IDA 60080 ET and COFN No. C1860
 NOTES TO THE FINANCIAL STATEMENTS

3. CASH AND BANK BALANCES

	Ethiopian Birr	2021 Ethiopian Birr
National Bank of Ethiopia USD Designated Account No.0102001300003	631,090,651	348,255,768.14
National Bank of Ethiopia Euro Designated Account No. 0102001300003	274,265.43	-
National Bank of Ethiopia Birr Account	103,763,626.67	15,368,290.43
Commercial Bank of Ethiopia various branches	418,860,144	310,885,949.55
Cash on hand	44,024	22,737.26
	<u>1,154,032,710</u>	<u>674,532,745</u>

4. Debtors

Advance to:

Suppliers	1,331,367,778	1,006,303,856
Contractors	233,052,643	112,423,224
Consultants	27,116,209	25,100,431
Purchaser	632,055	650,252
Staff	1,880,706	849,388
Sundry	37,209,915	8,822,012
	<u>1,631,259,305</u>	<u>1,154,149,163</u>

5. Creditors

Retention	33,866,808	18,973,747
Value added tax	28,161,278	12,926,701
Withholding taxes	2,503,720	2,067,805
Income tax	326,806	466,999
Pension contribution	357,268	262,533
Sundry	26,695,694	42,146,813
	<u>91,911,574</u>	<u>76,844,598</u>



MINISTRY OF WATER AND ENERGY
URBAN WATER SUPPLY AND SANITATION PROJECT
IDA 60070 ET, IDA 60080 ET and COFN No. C1860
NOTES TO THE FINANCIAL STATEMENTS

6. ACCUMULATED FUND

	Ethiopian Birr
Balance at 7 July 2021	1,751,837,311
Add: Excess of financing over expenditure	941,543,131
Balance at 7 July 2022	<u>2,693,380,442</u>

7. OPERATING COST

	Cumulative from 1 May 2018 to 7 July 2022	2021
	Ethiopian Birr	Ethiopian Birr
Salaries	19,262,795	20,027,182
Printing and Stationery	1,183,518	931,941
Vehicle running	4,032,340	2,450,410
Travel and Perdiem	21,383,027	14,928,432
Entertainment	277,228	658,188
Repair and Maintenance	4,567,866	2,232,670
Utilities	654,710	494,053
Auxiliary expense	568,779	367,713
Rent	500	1,296,725
Fees and charges	34,063,292	1,983,136
Advertisement	182,029	165,668
	86,176,083	45,536,116

8. DATE OF AUTHORIZATION

The State Minister of Water and Energy authorized the issue of these financial statement on 06 January 2023



MINISTRY OF WATER AND ENERGY
SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
IDA 60070 ET, IDA 60080 ET and COFN No. C1860
INTERIM FINANCIAL REPORTS EXPENSE SUBMITTED DURING THE YEAR ENDED 7 JULY 2022

Expenditure component	Quarter 1 Birr	Quarter 2 Birr	Quarter 3 Birr	Quarter 4 Birr	Total Birr
1	74,514,074.07	138,979,649.21	85,863,571.09	213,237,668.56	512,594,962.93
2A	54,319,153.28	71,849,216.50	103,354,580.77	79,467,517.22	308,990,467.77
2B	9,525,015.78	19,022,419.35	60,638,269.57	97,995,113.61	187,180,818.31
3	5,740,859.21	4,577,538.96	5,960,833.74	14,908,269.00	31,187,500.91
Total	144,099,102.34	234,428,824.02	255,817,255.17	405,608,568.39	1,039,953,749.92



MINISTRY OF WATER AND ENERGY
SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
IDA 60070 ET, IDA 60080 ET and COFN No. C1860
INTERIM FINANCIAL REPORTS ADVANCE TO DESIGNATED ACCOUNT FOR THE YEAR ENDED 7 JULY 2022

Financing Source	Reference	Date	Ethiopian Birr	USD	Euro	Exchange rate used
IDA 60070 ET	SUWSSP 021	22/9/2021	740,558,317.54	16,114,122.03		45.9571
COFN No. C1861	COFN-C1860-001	1/3/2022	136,968,894.96		2,414,161.39	56.7356
IDA 60070 ET	SUWSSP 030	6/4/2022	992,001,250.32	19,417,234.15		51.0887
Total			1,869,528,462.82	5,764,599.01	2,414,161.39	

MINISTRY OF WATER AND ENERGY
SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
IDA 60070 ET, IDA 60080 ET and COFN No. C1860
PAYMENT THROUGH DIRECT PAYMENT

Financing Source	Reference	Date	Ethiopian Birr	USD	Euro	Exchange rate used
IDA 60070 ET	SUWSSP 023	17/9/2021	36,491,495.77	795,559.00		45.8690
Total			36,491,495.77	5,764,599.01	-	

