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Office of the Federal Auditor General
Audit Service Corporation

ቁጥር ASC/935/01/2025
Ref.
ቀን 02 JAN. 2025
Date

The Minister
Ministry of Water and Energy
Addis Ababa

Dear Sir,

We have pleasure in enclosing a copy of the independent auditor's report and the management letter of Second Urban Water Supply and Sanitation Project, IDA Credit Nos. 60080-ET, 60070-ET, 75320-ET and Grant No. COFN C1860 for the year ended 7 July 2024.

Yours faithfully,

Gashe Yemane Desta (FCCA)
Director General

The Federal Democratic Republic of Ethiopia ★ Audit Services Corporation ★

cc: Ministry of Water and Energy
Sanitation Infrastructure Lead Executive Office
Addis Ababa (with five copies of of the independent auditor's report and five copies of the management letter)

Office of the Federal Auditor General

Ministry of Finance

Addis Ababa (with a copy, each, of the management letter and independent auditor's report)

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Office of the Federal Auditor General
Audit Services Corporation

31 December 2024

The Minister
Ministry of Water and Energy
Addis Ababa

Dear Sir,

MINISTRY OF WATER AND ENERGY
SECOND URBAN WATER SUPPLY AND SANITATION PROJECT
IDA CREDIT NOs.60070-ET, 60080-ET,75320-ET AND COFN GRANT NO.C1860
MANAGEMENT LETTER
FOR THE YEARENDED 7 JULY 2024

INTRODUCTION

We have pleasure in submitting our findings and recommendations on weaknesses in internal control and other matters which came to our attention during the audit of the accounts of Ministry of Water and Energy, Second Urban Water Supply and Sanitation Project (hereinafter referred to as the Project) for the year ended 7 July 2024.

As part of our audit we have visited the following

- Ministry of Water and Energy
- Addis Ababa Water and Sewerages Authority - Water and Sanitation Infrastructure Development Division
- Amhara National Regional State

It must be appreciated that the matters dealt within this report came to our attention during the conduct of our normal audit procedures which are designed primarily with a view to the expression of our opinion on the financial statements of the Project and, therefore, our examination cannot be expected to disclose all possible weaknesses in internal control and to uncover all other findings which a more extensive special examination might reveal.

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FIXED ASSETS

Finding

1.1. The fixed assets register presented to us for our review was not updated to date for the procurements of 25 units of vacuum trucks by the Ministry of Water and Energy and 90 units of vacuum trucks of different capacity by Addis Ababa Water and Sewerage Authority. This is due to failure in monitoring the completeness of the project's records timely. We were, therefore, unable to ascertain the physical existences of the assets owned by the Ministry.

Management Responses

The project has maintained a register book for fixed assets procured and used by the project implementing units. The project does not need to maintain a register book for those assets which has already transferred to utilities and not at the project management disposal or use. Once the asset is given to the units, it is their mandate to manage and control it in line with their working procedures.

Recommendation

Management should introduce a sound property managements control system which should ensure that the register for all fixed assets items procured by the Project are updated at all times and reconciled to the fixed assets count at regular intervals.

DEBTORS

Finding

2.1 Included in debtors are long outstanding balances amounting to Birr 8,855,240 (both local and foreign), which remained un-cleared for more than a year and most of which were not cleared subsequently either. This was caused due to contractual issues under court cases and delayed consultancy payments for different reasons.

Under normal circumstances settlement/collection of debtors shall not exceed a time frame of one year. Delayed collection/settlements increase the risk of fund utilization which in turn undermines the achievement of project objectives.

Management Responses

Part of the outstanding balances has been cleared in subsequent fiscal year and the project will exert its maximum effort to settle advances within reasonable time.

Recommendation

We strongly recommend that these balances are looked in to and that efforts be made by management to collect / clear these amounts as early as possible.

RECEIPTS AND EXPENDITURES

Finding

3.1 The Loan from IDA amounting to Birr 5,684,109,810 and Grant from AFD amounting to Birr 284,733,920 which were obtained during the year under audit were not evidenced by official cash receipts vouchers. Furthermore, donor confirmations were not received to date. This happened due to error in applying wrong module-General Journal module rather than using receipt module to record these transactions at the time of receipt using the IFMIS system. Consequently, we were not able to ascertain the completeness of the funds received during the reporting period.

Management Responses

Finding accepted. The project will take all the necessary cautions in applying proper vouchers to all transactions of the project and avoid such anomalies in the future.

Recommendation

All fund receipts need to be evidenced by cash receipts vouchers. Furthermore, donor confirmations should be secured for the funds released during the reporting period. Alternatively, the Project should contact the World Bank to have access to the client connections for future periods.

GENERAL

Finding

4.1 In some instances, payment vouchers and their supporting documents were not stamped as having been "PAID".

Management Responses

Management has taken note of the recommendation. The project will apply PAID stamp to all payment vouchers and relevant supporting documents to ensure avoidance of representation for payments at some future date.

Recommendations

All payment vouchers and the supporting documents thereto should be stamped "PAID" in order to preclude re-use of the documents for payment.

CONCLUSION

We would like to express our appreciation to the management and staff of the Project for the assistance and courtesy extended to our representatives during the course of our audit.

We have discussed this report with the management of the Project, who, in general, accept our findings and recommendations. We shall, however, be pleased to provide any further explanations that may be required.

Yours faithfully,

Audit Services Corporation