



በኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ
የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM PHASE I**

We have audited the accompanying financial statements of One WASH National Program of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed under IDA Credit No.53860-ET, ADF Loan No. 2100150031945 and 2100150037344, ADF Grant No. 2100155034517, DFID Grant No. 203766, Finland and UNICEF Grants, which comprise the balance sheet as at 7 July 2021 and the statement of sources and uses of funds and the designated account statements for the year then ended and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

The Ministry of Finance 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 it 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.

Ase



**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM PHASE I (continued)**

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

Basis for Qualified Opinion

1. Included in debtors is a long outstanding balance of Birr 396,611,322 that have been outstanding at 7 July 2021 and for which we obtained no sufficient and appropriate audit evidence that they are fully enforceable and collectible, in light of the closing date of the Program which is 7 July 2021.
2. Included in account payables are amounts of approximately Birr 348,697,571 that have been outstanding at 7 July 2021. We obtained no satisfactory explanation for the reason that they had not been settled. Consequently, we were unable to satisfy ourselves that they still represent genuine liabilities.
3. The fund utilization by the Regional States and executing agencies was not satisfactory, considering the closing date of the Program which is 7 July 2021. As a result there is unutilized fund of Birr 231,743,696 at the end of the year.

Opinion

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion paragraph*, the financial statements give a true and fair view of the financial position of One WASH National Program Phase I of the Federal Democratic Republic of Ethiopia, Ministry of Finance, Financed under IDA Credit No. 53860-ET, ADF Loan No. 2100150031945 and 2100150037344, ADF Grant No. 2100155034517, DFID Grant No.203766, Finland and UNICEF Grants as at 7 July 2021 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 a modified cash basis of accounting.

Reports on other requirements (continued)

As required by the Loan and Grant Agreements, we report that, to the extent we can assess:

- during the year all project funds have been used in accordance with the conditions of the relevant financing agreements and only for the purposes for which the financing were provided;

ASC



**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM PHASE I (continued)**

Reports on other requirements (continued)

- counter-part funds have been provided and used in accordance with the 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 agreements and disbursement letters;
- all necessary supporting documents, records and accounts have been maintained in respect of all Project's activities;
- the funds disbursed covered expenditures that are eligible for financing under IDA Credit No. 53860-ET, ADF Loan No. 2100150031945 and 210050031945, ADF Grant No. 2100155034517, DFID Grant No. 203766, FINLAND and UNICEF Grants;
- there was a clear linkage between the books of accounts and the financial statements;
- our examination revealed no weaknesses or irregularities in the systems of internal controls over financial expenditure other than those mentioned in the management letter;
- designated accounts have been maintained in accordance with the provisions of the financing agreements and funds disbursed out of the said accounts were used only for the purpose intended in the financing agreement; and
- with respect to IFR based withdrawal applications submitted during the year ended 7 July 2021 and listed on page 16, in our opinion:
 - a) the reports 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 the expenditures incurred; and said expenditures are eligible for financing under IDA Credit No. 53860-ET, ADF Loan No. 2100150031945 and 210050037344, ADF Grant No. 2100155034517, DFID Grant No. 203766, Finland and UNICEF Grants; and
 - c) Ineligible expenditures which were identified had been reimbursed either to the Designated Accounts and or the donor partners.

Audit Services Corporation

5 January 2022



MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
BALANCE SHEET
AS AT 7 JULY 2021

	Notes	Birr	2020 Birr
CURRENT ASSETS			
Debtors	3	396,611,322	769,481,190
Cash and bank balances	4	<u>183,829,945</u>	<u>790,286,585</u>
		580,441,267	1,559,767,775
CURRENT LIABILITIES			
Creditors	5	<u>348,697,571</u>	<u>535,367,113</u>
NET CURRENT ASSETS		<u>231,743,696</u>	<u>1,024,400,662</u>
REPRESENTED BY			
ACCUMULATED FUND	6	<u>231,743,696</u>	<u>1,024,400,662</u>



MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2021

	Year ended 7 July 2021 Ethiopian Birr	Cumulative From 8 July 2014 To 7 July 2021 Ethiopian Birr	Year ended 7 July 2020 Ethiopian Birr
FINANCING			
Credit from IDA Q8850 PPA	-	114,619,248	-
IDA Credit 53860 ET	10,731,077	4,550,397,180	858,063,694
DFID Assistance	-	2,169,287,128	-
ADF	-	2,277,736,607	262,928,241
UNICEF Assistance	-	100,631,193	-
Finland Assistance	-	61,737,752	-
Community contribution	188,200,222	1,203,885,451	386,296,648
Gain on foreign exchange	<u>66,457,696</u>	<u>189,645,707</u>	<u>73,527,438</u>
	<u>265,388,995</u>	<u>10,667,940,266</u>	<u>1,580,816,021</u>
PROJECT EXPENDITURE			
Works	991,285,089	8,034,420,324	942,733,028
Goods	5,259,486	539,531,776	28,878,997
Consultancy services	40,190,288	645,248,642	109,805,202
Training	5,798,611	541,183,240	24,692,626
Operating costs	<u>15,512,487</u>	<u>675,812,588</u>	<u>91,677,307</u>
	<u>1,058,045,961</u>	<u>10,436,196,570</u>	<u>1,197,787,160</u>
(DEFICIT) EXCESS OF FINANCING OVER EXPENDITURE	<u>(792,656,966)</u>	<u>231,743,696</u>	<u>383,028,861</u>



**MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
DESIGNATED ACCOUNT STATEMENT**

For year ended 7 July 2021
 Account number 01001013/000479
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related credit IDA Credit No. 53860 ET
 Currency USD

	USD	Ethiopian Birr
Beginning balance – 7 July 2020	4,368,017.91	153,062,773.20
Add: IDA Grant during the year	<u>248,436.77</u>	<u>10,731,077.22</u>
	4,616,454.68	163,793,850.42
Less: Transfer to Birr account	3,115,000.00	119,849,421.50
Transfer to MoWIE	<u>731,000.00</u>	<u>29,790,223.70</u>
	<u>3,846,000.00</u>	<u>149,639,645.20</u>
	770,454.68	14,154,205.22
Gain on foreign exchange	=	<u>19,617,288.86</u>
Ending balance -7 July 2021	<u>770,454.68</u>	<u>33,771,494.08</u>



MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
DESIGNATED ACCOUNT STATEMENT

For year ended 7 July 2021
 Account number 01001013/00502
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related Credit and Grant ADF Loan No. 2100150031945 and
 2100150037344 and ADF Grant No.
 2100155034517
 Currency USD

	USD	Ethiopian Birr
Beginning balance – 7 July 2020	2,885,956.73	101,128,829.95
Less: Transfer to Birr account	<u>2,885,000.00</u>	<u>117,402,478.50</u>
	956.73	(16,273,648.55)
Gain on foreign exchange	<u>-</u>	<u>16,315,585.09</u>
Ending balance -7 July 2021	<u>956.73</u>	<u>41,936.54</u>



MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
SCHEDULE OF MOVEMENTS IN THE BIRR ACCOUNT

For year ended	7 JULY 2021
Account number	01001010/40662
Account Name	One WASH National WASH Program
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Currency	Ethiopian Birr
	Ethiopian Birr
Beginning balance -7 July 2020	202,411,584
Transfer from IDA	119,849,422
Transfer from ADF	<u>117,402,479</u>
	439,663,484
Less: Transfer to Program implementers	
Oromia	161,150,859
MoWIE	26,643,412
WRDF	241,474,382
MoF	<u>1,400,000</u>
Total Transfer	430,668,653
Bank charge	<u>593,130</u>
Total Transfer and bank service charge	<u>431,261,783</u>
Ending balance 7 July 2021	<u>8,401,701</u>



MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

The objective of the Project is to increase access to improved water supply and sanitation services for residents in participating woredas, towns and communities in the territory of the Recipient. The project consists of the following parts:

Part 1: Rural Water Supply, Sanitation and Hygiene

- Construction and rehabilitation of community water supply schemes in participating woredas and towns.
- Construction and rehabilitation of water and sanitation facilities in school and health facilities in participating woredas and communities.
- Promotion of improved hygiene and sanitation practices in participating communities.
- Capacity building to strengthen and sustain the capacity of participating woredas to effectively plan, implement and manage their water supply, sanitation and hygiene facilities.
- Capacity building to strengthen and sustain the capacity of participating woredas to effectively operate their water supply and sanitation facilities.
- Capacity building for respective water, health and education regional bureaus and woreda offices to create a critical mass of well trained and skilled facilitators to mobilize communities for behavior change and demand creation to sustain changes.

Part 2: Urban Water Supply, Sanitation and Hygiene

- Rehabilitation and reconstruction of urban water production, treatment and distribution systems.
- Preparation of a Nation Urban Sanitation Strategy, supporting studies on urban sanitation and priority sanitation investments in participating towns.
- Activities to strengthen the capacity of participating water boards/committees and operators to effectively manage their water supply and sanitation facilities.

Part 3: Program Management and Capacity Building

- Building the capacity of woreda/zonal/regional staff in surface and groundwater assessment, groundwater knowledge and sitting, distribution network design, environmental and social safeguards, water resources management.
- Building the capacity of woreda/zonal/regional collection and MIS/database.
- Building the capacity of woreda/zonal/regional accounts in financial management.
- Building the capacity of woreda/zonal/regional contractors and artisans in construction methods.



MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PROJECT INFORMATION (continued)

Part 3: Program Management and Capacity Building (continued)

- Building the capacity of zonal PMUS, WWTs and TWUs in contract management and supervision.
- Building the capacity of WASHCOs, men, women and youth artisans, HEWs and HAD including follow-up activities.
- Strengthening the capacity of established Water Boards in Category III towns in: business planning, asset management, planning, monitoring operations, and oversight of Program implementation.
- Train TWUs in routine O&M, asset and financial management, customer relations, reducing UAW, etc.
- Preparation of standard bidding/contract management/supervisor documents.
- Establishment of sub-regional operation and maintenance units and supply chain outlets.
- Documentation and scaling up of pilot/demonstration activities.
- Support 16 TEVETCs/HSCs to offer WASH courses.
- Establish health clubs in schools.
- Procure vehicles and vacuum trucks/carts, tool sets, office equipment, water quality testing equipment.

The Project is mainly financed by IDA credit No. 53860-ET, ADF Loan No. 2100150031945 and 2100150037344, ADF Grant No. 2100150034517, and DFID Grant No. 203766, Finland Grant and UNICEF Grant. The Project closing date is 7 July 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

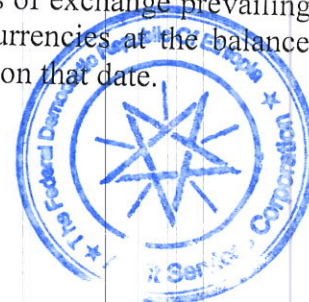
The principal accounting policies adopted by the Program, which are consistent with those applied in the prior year, are stated below.

a) Basis of preparation

These financial statements have been prepared in accordance with the Ethiopian Government's Manual of the Federal Accounting System based on a modified cash basis of 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 dates of the transactions. Balances in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing on that date.



MINISTRY OF FINANCE
 ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
 NOTES TO THE FINANCIAL STATEMENTS (continued)

3 ADVANCES

	Birr	2020 Birr
Advance payment to:		
Letter of credit	115,177,052	15,988,237
Contractors	71,903,702	232,250,431
Suppliers	562,396	89,842
Consultants	131,097	1,042,015
Purchase advance to staff	282,395	3,061,969
Other advances within government	203,205,816	506,862,717
Others	5,348,864	10,185,979
	<u>396,611,322</u>	<u>769,481,190</u>

4 CASH AND BANK BALANCES

	Birr	2020 Birr
USD Special account No 1001012/00479	33,771,494	153,062,773
USD Special account No 1001012/00502	41,937	101,128,830
Ethiopian Birr Designated Account	8,401,701	202,411,584
Other Birr Account	141,590,351	333,142,357
Cash on hand	24,462	541,041
	<u>183,829,945</u>	<u>790,286,585</u>

5 ACCOUNTS PAYABLE

	Birr	2020 Birr
Retentions	66,241,371	63,367,099
Other payable within government	216,806,557	382,178,563
Others	65,649,643	89,821,451
	<u>348,697,571</u>	<u>535,367,113</u>



MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 ACCUMULATED FUND

	Ethiopian Birr
Balance at 7 July 2020	1,024,400,662
(Dificit) Excess of financing over expenditure	<u>(792,656,966)</u>
Balance at 7 July 2021	<u>231,743,696</u>

7 DATE OF AUTHORIZATION

Channel One Programs Coordinating Directorate Director of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 5 January 2022.

