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AUDIT SERVICE CORPORATION

MINISTRY OF FINANCE
COMMUNITY-LED ACCELERATED WASH PROGRAM
PHASE IV(COWASH IV)
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2025

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF MINISTRY OF FINANCE
COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)
FINANCED UNDER FINLAND GOVERNMENT GRANT**

Opinion

We have audited the accompanying financial statements of Community-Led Accelerated Wash Phase IV (COWASH IV) of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed under the Finish Government Grant, which comprise the balance sheet as at 07 July 2025 and the statement of sources and uses of funds for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Community-Led Accelerated Wash Phase IV (COWASH IV) of the Federal Democratic Republic of Ethiopia, Ministry of Finance as at 07 July 2025 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 described in notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). We are independent of the audited entity / Ministry of Finance and its sub implementers in accordance with the relevant ethical requirements relating to the audit, and have fulfilled the auditor's other ethical responsibilities in accordance with these requirements as per the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

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

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**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)
FINANCED UNDER FINLAND GOVERNMENT GRANT (continued)**

Responsibilities of Management 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 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 Responsibilities for the Audit of the Financial Statements

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.

Reports on other requirements

As required by the Cooperation Agreement of the Grant Financing and the terms of reference provided to us, we report that, to the extent we can assess:

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

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- 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 The Finland Government Grant ;
- 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
- We have checked that assets procured from the project / grant funds exist and there is a verifiable ownership by the implementing agencies and/ or beneficiary in line with the Program Document.
- with respect to IFR based withdrawal applications submitted during the period ended from 8 July 2023 to 7 July 2025 and listed on page 13, 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 Finland Government Grant; and
 - c) Ineligible expenditures which were identified had been reimbursed either to the Designated Accounts and or the donor partners.

Andi Services Corporation

Date 3 January 2026

MINISTRY OF FINANCE

COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)

FINANCED UNDER FINLAND GOVERNMENT GRANT

BALANCE SHEET

AS AT 7 JULY 2025

ASSETS

Notes

Birr

2024

Birr

CURRENT ASSETS

Advance	3	4,647,839.57	9,503,055.89
Cash and bank balances	4	88,606,256.69	216,433,812.10
			225,936,867.99

Current Liabilities

Accounts Payables	5	3,113,120.26	4,021,681.74
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NET CURRENT ASSETS

90,140,976.00

221,915,186.00

REPRESENTED BY

Fund Balance	<u>90,140,976.00</u>	<u>221,915,186.00</u>
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**MINISTRY OF FINANCE
COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)
FINANCED UNDER FINLAND GOVERNMENT GRANT
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2025**

**MINISTRY OF FINANCE
 COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)
 FINANCED UNDER FINLAND GOVERNMENT GRANT
 DESIGNATED ACCOUNT STATEMENT**

For the year ended 7 July 2025
Account number 100101300603
Depository bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Related Grant Finland Government Grant - Project No 23816922
Currency USD

	<u>USD</u>	<u>BIRR</u>
Ending balance - 7 July 2024	2,861,080.71	164,140,486.44
Finland Government -Grant Deposits:	<u>0.00</u>	<u>0.00</u>
Available Fund	2,861,080.71	164,140,486.44
Less: Transfer to the projects' Designated Birr accout	<u>2,588,500.00</u>	<u>294,495,974.05</u>
	272,580.71	(130,355,487.61)
Gain on foreign exchange	<u>0.00</u>	<u>167,275,018.33</u>
Ending balance - 7 July 2025	<u>272,580.71</u>	<u>36,919,530.72</u>

MINISTRY OF FINANCE**COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)****FINANCED UNDER FINLAND GOVERNMENT GRANT****SCHEDULE OF MOVEMENTS IN THE BIRR ACCOUNT**

For the year ended	7 July 2025
Account number	0100101040728
Account Name	MOF-COWASH Program Phase IV
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Currency	Ethiopian Birr
Ending balance -7 July 2024	<u>Birr</u> <u>2,449,393.39</u>
Transfer from the designated USD currency	
NBE account	<u>291,551,014.31</u> 294,000,407.70
Less:Funds transfer to the program Implementers and banks' service changes	
Amhara N.Regional State	73,039,714.00
OromyiaN.Regional State	68,516,829.00
BenishgulN.Regional State	20,070,232.00
South Ethiopia	20,755,064.00
SIDAMA.Regional State	27,069,783.00
MoF-Project & Progtam Coordinating	5,750,000.00
SWE.Regional State	13,569,309.00
Tigray N.Regional State	34,602,628.00
MoWE	1,102,294.00
Central Ethiopia Region	<u>29,444,961.00</u>
	293,920,814.00
Bank Service Changes	<u>800.00</u>
Total Transfer & Bank Service Changes	<u>293,921,614.00</u>
Ending balance -7 July 2025	<u>78,793.70</u>

MINISTRY OF FINANCE

COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)

FINANCED UNDER FINLAND GOVERNMENT GRANT

NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

The Community-led Accelerated WASH Project, Phase IV (COWASH IV) is a bilateral initiative between the Governments of Finland and Ethiopia which is being conducted under the umbrella of the One WASH National Program and represents continuation of the successful long-term Finnish WASH support to Ethiopia. In support to the Project The Government of the Republic of Finland has signed a Cooperation Agreement with The Federal Democratic Republic of Ethiopia on the 19th of November 2020.

As was outlined in the Agreement the total contribution of Finland to the implementation of the Programme in 2021 - 2024, on a grant basis and subject to annual parliamentary approval in Finland, shall be a maximum of eighteen millions four hundred thousand Euros (EUR 18,400,000).

Ethiopia shall cover the costs amounting approximately to seven hundred fifty seven millions and five hundred seventy five thousand Birr (Birr 757,575,000) which in Euros equals twenty millions four hundred and seventy five thousands Euros, (20,475,000 EUR}, as a contribution to the implementation of the pregame as specified in the Programme Document. Moreover the community contribution is estimated as seventy seven millions seven hundred thousand Birr (ETB 77,700,000) equivalent to approximately two million and one hundred thousand Euros (2,100,000 EUR) and all financial and other resources required for the implementation of the program exceeding the Finnish contribution shall be provided by Ethiopia.

The Finnish contribution is channeled through the Ministry of Finance and as Technical Assistance. For the purposes specified in the Programme Document, of the total Finnish contribution, a maximum amount of four million and one hundred ninety six thousand Euros (4,196,000 EUR) shall be channeled through the Technical Assistance Provider and a maximum amount of fourteen million two hundred and four thousand Euros (14,204,000 EUR) shall be disbursed through Ministry of Finance and is this disbursement part of the grant that subject to the Audit.

The Finland government funds are intended for **capacity building, investment in institutional water supply and operational costs** main categories of the project.

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 country. And achieving an increased and sustained coverage of safe water supply, sanitation and hygiene in the rural areas of Ethiopia..

Its overarching goal is to improve public health and well-being, social development and climate resilience in the communities of the project area that covers 104 Woredas in 34 zones of seven Ethiopian Administrative Regions (Amhara, Benishangul-Gumuz, Oromia, Sidama, Southern Nations Nationalities and Peoples, South-west Ethiopia Peoples, Central Ethiopia and Tigray).

The Cooperation Agreement shall enter into force on the 20th day after its signature and the Program duration is 4 four years from the start of the Implementation.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Program 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

COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)

FINANCED UNDER FINLAND GOVERNMENT GRANT

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 ADVANCES

	<u>Birr</u>	<u>2024</u> <u>Birr</u>
Advance payment to:Contractors	2,498,231.23	1,467,568.12
Advance payment to suppliers	0.00	1,950,000.00
Other advance to staff	1,340,517.11	1,794,190.41
Other advances within government	792,492.91	3,551,002.98
Suspense	0.00	16,896.69
Others	<u>16,598.32</u>	<u>723,397.89</u>
	<u>4,647,839.57</u>	<u>9,503,056.09</u>

4 CASH AND BANK BALANCES

	<u>Birr</u>	<u>2024</u> <u>Birr</u>
Cash on Hands -Regional Bureau & Weredas	255,498.88	242,666.71
Projects' Designated USD bank account	36,919,530.72	164,140,486.14
Projects' Designated Birr bank account	78,793.70	2,449,393.59
USD Currency bank account of MoWE	10,335,527.28	4,189,200.27
MoF - Administration	1,478,560.74	
Cash at Bank Regions	<u>39,538,345</u>	<u>45,412,065.49</u>
	<u>88,606,256.69</u>	<u>216,433,812.20</u>

5 ACCOUNTS PAYABLE

	<u>Birr</u>	<u>2023</u> <u>Birr</u>
Retentions	763,236.98	360,010.22
Pension contributions	-	27,338.58
Payables to Regional State	-	41,628.30
Other payroll deduction	-	3,867.77
Withholding tax	-	3,633.04
VAT Payables	-	72,106.83
Other payable within government	2,349,883.28	2,465,115.11
Others	-	1,047,981.89
	<u>3,113,120.26</u>	<u>4,021,681.74</u>

**MINISTRY OF FINANCE
 COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)
 FINANCED UNDER FINLAND GOVERNMENT GRANT
 NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7 GAIN ON FOREIGN CURRENCY EXCHANGE
 RATE FLACTUATION**

	<u>Birr</u>	<u>2024</u>
	<u>Birr</u>	<u>Birr</u>
Ministry of Finance	167,275,018.33	1,572,534.80
Ministry of Water and Energy	<u>5,700,993.52</u>	<u>183,417.90</u>
	<u>172,976,011.85</u>	<u>1,755,952.70</u>

8 ACCUMULATED FUND BALANCE

	<u>Birr</u>
Opening fund balance - 7 July 2024	221,915,186.00
EXCESS OF SOURCES OVER USES for the year	<u>(131,774,210.00)</u>
	<u>90,140,976</u>

9 DATE OF AUTHORIZATION

Head of Channel One Programs Coordinating Departement of the Federal Democratic Republic of Ethiopia ,Ministry of Finance authorized the issue of these financial statements on 2 January 2026.

**MINISTRY OF FINANCE
COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)
FINANCED UNDER FINLAND GOVERNMENT GRANT
GRANT DISBURSEMENTS SCHEULE**

For Requests Made During The Periods From 1 November 2021 to 9 May 2023

<u>Remittance</u>	<u>Amount</u>	<u>Amount</u>	<u>Equivalent in</u>	
<u>Details</u>	<u>Disbursed</u>	<u>Disbursed</u>	<u>Ethiopian</u>	
<u>Date</u>	<u>Number</u>	<u>EURO</u>	<u>USD</u>	
			<u>Birr</u>	
30.11.2022	UH-2022-074854	N/A	564,925	29,960,176

For Requests Made During The Year Ended 7 July 2024

<u>Remittance</u>	<u>Amount</u>	<u>Amount</u>	<u>Equivalent in</u>	
<u>Details</u>	<u>Disbursed</u>	<u>Disbursed</u>	<u>Ethiopian</u>	
<u>Date</u>	<u>Number</u>	<u>EURO</u>	<u>USD</u>	
			<u>Birr</u>	
05.08.2023	Not availed	2,831,916	3,108,030	170,452,730
22.02.2024	Not availed	534,979	577,509	32,568,184
18.08.2024	Not availed	204,085	217,146	12,334,387
03.07.2024	Not availed	2,563,660	2,748,244	157,622,790
			<u>6,650,929</u>	<u>372,978,091</u>

MINISTRY OF FINANCE

COMMUNITY-LED ACCELERATED WASH, PHASE IV (COWASH IV)

FINANCED UNDER FINLAND GOVERNMENT GRANT

RECONCILIATION OF QUARTERLY INTERIM FINANCIAL REPORTS (IFR) WITH THE YEAR END
STATEMENTS OF SOURCES AND USES OF FUNDS AND BALANCE SHEET

SOURCES	Cumulative For The Periods From				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
	Birr	Birr	Birr	Birr	
Opening fund balance - 7 July 2024					221,915,186
Add:- Prior year Adjustments					(2,190.00)
Adjusted opening fund balance					<u>221,912,996</u>
Finland Government Grant Deposits in to the Projects' Designated bank					
Direct payment					
The unutilized ending fund balance of the prior COWASH Phase III project of:-Amhara R.S					
<u>159,151,686</u>	<u>10,225,115</u>		<u>1,699,440</u>	<u>1,899,772</u>	<u>172,976,012</u>
<u>159,151,686</u>	<u>10,225,115</u>		<u>1,699,440</u>	<u>1,899,772</u>	<u>172,976,012</u>
Total SOURCES					<u>394,889,008</u>
Total Sources including opening fund balance					
USES					
Investment -Cost Category 1	2,649,281	9,452,408	29,456,360	58,097,977	99,656,026
Capacity Building - Cost Category -2	18,068,029	18,336,989	30,806,142	54,033,299	121,244,459
Operation Costs - Cost Category -3	<u>16,434,897</u>	<u>21,634,813</u>	<u>21,045,140</u>	<u>24,732,697</u>	<u>83,847,547</u>
<u>37,152,207</u>	<u>49,424,210</u>	<u>81,307,642</u>	<u>136,863,973</u>	<u>304,748,032</u>	<u>90,140,976</u>
EXCESS (DEFICIENCY) OF SOURCES OVER USES					
Cash and Bank balances					88,606,257
Advance and Prepayments					4,647,839
Accounts Payables					(3,113,120)
Fund Balance - 7 July 2025					<u>90,140,976</u>