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AUDIT SERVICES
CORPORATION

MINISTRY OF FINANCE

ONE WASH NATIONAL PROGRAM PHASE I

IDA CREDIT NUMBER 53860-ET, ADF LOAN No.2100150031945 AND
2100150037344, ADF GRANT No.2100155034517, DFID GRANT No.203766,
FINLAND GRANT AND UNICEF GRANT

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2020



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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 2020, 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.

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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 long outstanding balance of Birr 222,827,658 that have been outstanding for more than two years and for which we obtained no sufficient and appropriate audit evidence that they are fully enforceable and collectible, particularly considering the closing date of the Program which is 7 July 2021 . In consequence, we were unable to satisfy ourselves that any adjustments might have been found necessary in respect of debtors shown on the balance sheet at Birr 769,481,190.
2. Included in account payables are amounts of approximately Birr 300,397,661 that have been outstanding for over two years and 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.

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 2020 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

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;
- 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;

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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)

- 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 2020 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

8 January 2021

MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
BALANCE SHEET
AS AT 7 JULY 2020

	Notes	Birr	2019 Birr
CURRENT ASSETS			
Debtors	3	769,481,190	758,605,758
Cash and bank balances	4	<u>790,286,585</u>	<u>666,238,785</u>
CURRENT LIABILITIES			
Creditors	5	1,559,767,775 <u>535,367,113</u>	1,424,844,543 <u>783,472,742</u>
NET CURRENT ASSETS		<u>1,024,400,662</u>	<u>641,371,801</u>
REPRESENTED BY			
ACCUMULATED FUND	6	<u>1,024,400,662</u>	<u>641,371,801</u>

**MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2020**

	Note	Year ended 7 July 2020	Ethiopian Birr	Cumulative From	Year ended 7 July 2019	Ethiopian Birr
				8 July 2014 To 7 July 2020		
FINANCING						
Credit from IDA Q8850 PPA						
IDA Credit 53860 ET			858,063,694	114,619,248		
DFID Assistance				4,539,666,103	738,586,293	
ADF				2,169,287,128	279,169,420	
UNICEF Assistance			262,928,241	2,277,736,607	427,281,000	
Finland Assistance				100,631,193	12,952,503	
Community contribution				61,737,752	32,079,931	
Gain on foreign exchange			386,296,648	1,015,685,229	109,761,096	
			<u>73,527,438</u>	<u>123,188,011</u>	<u>13,838,669</u>	
				<u>1,580,816,021</u>	<u>10,402,551,271</u>	<u>1,613,668,913</u>
PROJECT EXPENDITURE						
Works						
Goods			942,733,028	7,043,135,235	2,166,961,602	
Consultancy services			28,878,997	534,272,290	84,699,164	
Training			109,805,202	605,058,354	130,975,343	
Operating costs			24,692,626	535,384,629	149,396,573	
			<u>91,677,307</u>	<u>660,300,101</u>	<u>216,925,289</u>	
			<u>1,197,787,160</u>	<u>9,378,150,609</u>	<u>2,748,957,971</u>	
EXCESS/(DEFICIT) OF FINANCING OVER EXPENDITURE						
				<u>383,028,861</u>	<u>1,024,400,662</u>	<u>(1,135,289,058)</u>

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

For year ended 7 July 2020
 Account number 01001013/000479
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related credit IDA Credit No. 53860 ET
 Currency USD

Beginning balance – 7 July 2019
 Add: IDA Grant during the year
 Less: Transfer to Birr account
 Transfer to MoWIE
 Gain on foreign exchange
 Ending balance -7 July 2020

	USD	Ethiopian Birr
	3,961.03	114,619.93
Add: IDA Grant during the year	<u>28,255,095.49</u>	<u>858,063,693.47</u>
	28,259,056.52	858,178,313.40
Less: Transfer to Birr account	13,000,000.00	391,985,300.00
Transfer to MoWIE	<u>10,891,038.61</u>	<u>347,708,315.32</u>
	<u>23,891,038.61</u>	<u>739,693,615.32</u>
	4,368,017.91	118,484,698.08
	-	34,578,075.12
	<u>4,368,017.91</u>	<u>153,062,773.20</u>

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

For year ended 7 July 2020
Account number 01001013/00493
Depository bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Related Grant DFID Grant No. 203766
Currency USD

	USD	Ethiopian Birr
Beginning balance – 7 July 2019	7,152.32	206,966.84
Less: Transfer to Birr account	<u>7,152.32</u>	<u>227,771.59</u>
Add: Gain on foreign exchange	-	(20,804.75)
Ending balance -7 July 2020	<u>NIL</u>	<u>20,804.75</u>
		<u>NIL</u>

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

For year ended 7 July 2020
 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 2019	59,407.03	1,719,055.29
Add: IDA Grant during the year	<u>7,826,549.70</u>	<u>262,928,241.24</u>
	7,885,956.73	264,647,296.53
Less: Transfer to Birr account	<u>5,000,000.00</u>	<u>173,966,500.00</u>
Gain on foreign exchange	2,885,956.73	90,680,796.53
	=	<u>10,448,033.42</u>
Ending balance -7 July 2020	<u>2,885,956.73</u>	<u>101,128,829.95</u>

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

For year ended 7 July 2020
 Account number 01001013/00507
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related Grant UNICEF Grant
 Currency USD

	USD	Ethiopian Birr
Beginning balance - 7 July 2019	4,889.63	141,490.73
Less: Transfer to Birr account	<u>4,889.63</u>	<u>155,713.69</u>
Gain on foreign exchange	-	(14,222.96)
	-	<u>14,222.96</u>
Ending balance -7 July 2019	<u>NIL</u>	<u>NIL</u>

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

For year ended 7 July 2020
 Account number 01001013/00543
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related Grant FINLAND Grant
 Currency USD

	USD	Ethiopian Birr
Beginning balance - 7 July 2019	19,545.73	565,592.83
Less: Transfer to Birr account	<u>19,545.73</u>	<u>622,447.45</u>
Gain on foreign exchange	-	(56,854.62)
Ending balance - 7 July 2020	<u>NIL</u>	<u>NIL</u>

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

For year ended	7 JULY 2020
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 2019	2,051,162
Transfer from IDA	391,985,300
Transfer from DFID	227,771
Transfer from ADF	173,966,500
Transfer from UNICEF	155,714
Transfer from Finland	<u>622,447</u>
	<u>569,008,894</u>
Less: Transfer to Program implementers	
Afar	81,310,086
Oromia	100,000,000
Somalia	15,924,183
MoWIE	60,000,000
WRDF	105,754,667
MoF	<u>2,190,980</u>
Total Transfer	365,179,916
Bank charge	<u>1,417,394</u>
Total Transfer and bank service charge	<u>366,597,310</u>
Ending balance 7 July 2020	<u>202,411,584</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 siting, 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

Advance payment to:

- Letter of credit
- Contractors
- Suppliers
- Consultants
- Purchase advance to staff
- Other advances within government
- Others

2020	Ethiopian Birr	2019	Ethiopian Birr
		58,159,033	
15,988,237		382,537,978	
232,250,431		6,575,564	
89,842		5,815,143	
1,042,015		4,815,008	
3,061,969		292,977,166	
506,862,717		7,725,867	
<u>10,185,979</u>		<u>758,605,758</u>	
<u>769,481,190</u>			

4 CASH AND BANK BALANCES

USD Special account No 1001012/00479
 USD Special account No 1001012/00493
 USD Special account No 1001012/00502
 USD Special account No 1001012/00507
 USD Special account No 1001012/00543
 Ethiopian Birr Designated Account
 Other Birr Account
 Cash on hand

153,062,773	114,620
-	206,967
101,128,830	1,719,055
-	141,491
202,411,584	565,593
333,142,357	2,051,162
<u>541,041</u>	<u>654,793,980</u>
<u>790,286,585</u>	<u>6,645,918</u>
	<u>666,238,785</u>

5 ACCOUNTS PAYABLE

Retentions
 Contractors
 Other payable within government
 Taxes payable
 Others

63,367,099	97,016,508
-	6,764,133
382,178,563	561,023,499
-	29,392,680
<u>89,821,451</u>	<u>89,275,922</u>
<u>535,367,113</u>	<u>783,472,742</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 2019	
Excess of financing over expenditure	641,371,801
	<u>383,028,861</u>
Balance at 7 July 2020	<u>1,024,400,662</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 8 January 2021.

MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS
Submitted during the
Year ended 7 July 2020

<u>Withdrawal</u>		<u>Equivalent in</u>
<u>Application No.</u>	<u>USD</u>	<u>Ethiopian Birr</u>
IDA WASH- II-022	8,000,000.00	232,599,200.00
IDA WASH- II-024	17,844,693.08	548,294,255.11
IDA WASH- II-025	2,410,402.41	77,170,238.36
ADF LOAN	<u>7,826,549.70</u>	<u>262,928,241.24</u>
	<u>36,081,645.19</u>	<u>1,120,991,934.71</u>

MINISTRY OF FINANCE
ONE WASH NATIONAL PROGRAM (OWNP) PHASE I
RECONCILIATION FROM FIRST QUARTER TO FOURTH QUARTER INTERIM FINANCIAL
REPORTS (IFRS) OF 2020
WITH THE PERIOD END STATEMENT OF SOURCES AND USES OF FUNDS AND
THE BALANCE SHEET

	First Quarter Birr	Second Quarter Birr	Third Quarter Birr	Fourth Quarter Birr	Cumulative to 7 July 2020 Birr
Sources:					
From financers					
From Government Contribution	232,599,200	548,294,255	77,170,238	262,928,242	1,120,991,935
Total Collection	<u>8,575,587</u>	<u>105,531,180</u>	<u>101,741,572</u>	<u>170,448,309</u>	<u>386,296,648</u>
Gain on foreign exchange	241,174,787	653,825,435	178,911,810	433,376,551	1,507,288,583
Total Sources (includes opening) - (a)	<u>2,273,590</u>	<u>337,188,779</u>	<u>(305,832,536)</u>	<u>39,897,604</u>	<u>73,527,438</u>
Expenditures	243,448,377	991,014,214	(126,920,725)	473,274,155	<u>1,580,816,021</u>
Program expenditures (current)	(b) <u>211,670,213</u>	<u>418,045,414</u>	<u>234,014,450</u>	<u>334,057,083</u>	<u>1,197,787,160</u>
(a) - (b)	<u>31,778,164</u>	<u>572,968,800</u>	<u>(360,935,175)</u>	<u>139,217,072</u>	<u>1,024,400,662</u>
Cash at bank					
Cash on hand					
Advances					
Payables					
	789,745,544	541,041			
	769,481,190				
	<u>(535,367,113)</u>				
	<u>1,024,400,662</u>				