

AUDITED PROJECT FINANCIAL STATEMENTS

Loan and Grants: L-I-2000001638; COMGR-2000001637; G-ASAP TRUST 2000001636

Period covered: 8 July 2017 to 07 July 2018

PARTICIPATORY SMALL-SCALE IRRIGATION DEVELOPMENT PROGRAMME PHASE II (PASIDP II)

Prepared by The Federal Democratic Republic of Ethiopia Audit Services Corporation

Received on 07 January 2019

The Audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those IFAD's Board of Directors, Management or Staff. These documents are made publicly available in accordance with the "IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects (2018)"

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**AUDIT SERVICES
CORPORATION**

MINISTRY OF AGRICULTURE

PARTICIPATORY SMALL-SCALE IRRIGATION DEVELOPMENT

PROGRAM PHASE II

IFAD LOAN NO.2000001638, IFAD GRANT NO.2000001637

AND ASAP TRUST GRANT NO.2000001636

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2018



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

**INDEPENDENT AUDITORS' REPORT TO THE
MINISTRY OF AGRICULTURE**

We have audited the financial statements of Ministry of Agriculture, Participatory Small-Scale Irrigation Development Programme -II, financed under IFAD Loan No. 2000001638 and Grant No. 2000001637 and ASAP Trust Grant No 2000001636, which comprise the balance sheet as at 7 July 2018 and the statement of sources and uses of funds by category and by component, statement of expenditures compared with budget and the Special Account statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Programme Head's Responsibility for the Financial Statements

The Programme Head 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.

Auditors' 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.

ASC

☎ 251-011-5515222
251-011-5535012
251-011-5535015
251-011-5535016

Fax 251-011-5513083

E-mail: ASC@ethionet.com

✉ 5720

INDEPENDENT AUDITORS' REPORT TO THE MINISTRY OF AGRICULTURE (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 Agriculture, Participatory Small-Scale Irrigation Development Programme -II, financed under IFAD Loan No. 2000001638 and Grant No. 2000001637 and ASAP Trust Grant No 2000001636, as at 7 July 2018 and of its sources and uses of funds for the period ended 7 July 2018 in accordance with the modified cash basis of accounting described in Note 2 to the financial statements.

Report on the Special Account

In our opinion, the Special Account has been maintained in compliance with IFAD and national procedures and the balance on the account is reconciled with the balance according to the bank.

Report on Other Requirements

In addition, in our opinion,

- the Programme books of account and records provide the basis for the preparation of the financial statements and have been maintained to reflect all financial transactions in respect of the Programme by the Programme implementing agency; except that the statement of sources and uses of funds have not been prepared by project component and by source of finance as required by the term of reference for external audit of the Participatory small scale Irrigation Development programme Phase II;
- all external funds have been used in accordance with the conditions stipulated in the loan and grant agreements, with due attention to economy and efficiency, and solely for the purposes for which the financing was provided;
- counterpart funds have been provided by the Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development, and used in accordance with national financial regulations, with due attention to economy and efficiency, and solely for the purposes for which they were provided;
- civil works, goods, services and input financed out of Programme funds have been procured according to the stipulations in the loan agreement and government regulations;
- all necessary supporting documents, records and accounts have been kept in respect of all Programme ventures, including expenditures reported via SOEs;
- the Special Account has been maintained in accordance with the provisions of the loan agreement;

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**INDEPENDENT AUDITORS' REPORT TO THE
MINISTRY OF AGRICULTURE (continued)**

- significant assets purchased from Programme funds exist and are used for Programme purposes; and
- with respect to statements of expenditure submitted during the period ended 7 July 2018 and listed on page 11, in our opinion;
 - a) the statements, 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 claims to IFAD for reimbursement of expenditures incurred; and
 - c) said expenditures are eligible for financing under IFAD Loan No. 2000001638 and Grant No. 2000001637 and ASAP Trust Grant No 2000001636..

Audit Services Corporation

28 December 2018

MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME PHASE -II
IFAD LOAN NO. 2000001638, GRANT NO.
2000001637 AND ASAP TRUST No. 2000001636
STATEMENT OF SOURCES AND USES OF
FUNDS BY CATEGORY
FOR THE YEAR ENDED 7 JULY 2018

		Cumulative from13 February 2017 to 7 July 2018	7 July 2017
	Ethiopian Birr	Ethiopian Birr	Ethiopian Birr
FINANCING			
Credit and grant from IFAD			
Initial deposit to Special			
Account	175,261,958	403,543,008	228,281,050
Direct payments	106,521,173	205,535,394	99,014,221
SOE procedures	20,182,607	20,182,607	-
	301,965,738	629,261,009	327,295,271
Contributions from Federal			
Government	18,636,643	20,598,204	1,961,561
Contributions from Regional			
Governments	45,761,224	50,416,800	4,655,576
Contribution from beneficiaries	50,872,294	51,963,679	1,091,385
Gain on foreign exchange	20,100,218	21,714,570	1,614,352
Refund from UNOPS	-	1,628,717	1,628,717
Other income	125,163	125,163	-
TOTAL FINANCING	437,461,280	775,708,142	338,246,862
PROJECT EXPENDITURES			
Training	26,118,055	36,104,259	9,986,204
Works	192,864,497	233,152,977	40,288,480
Consultancies	25,538,338	28,104,242	2,565,904
Goods, services and inputs	105,864,915	106,295,559	430,644
Salaries and allowances	22,637,773	31,171,672	8,533,899
Operating costs	8,457,797	11,492,473	3,034,676
TOTAL PROJECT			
EXPENDITURES	381,481,375	446,321,182	64,839,807
EXCESS OF FINANCING OVER			
EXPENDITURES	55,979,905	329,386,960	273,407,055

**MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME PHASE -II
IFAD LOAN NO. 2000001638 AND GRANT NO. 2000001637
AND ASAP TRUST No. 2000001636
STATEMENT OF SOURCES AND USES OF FUNDS
BY COMPONENT
FOR THE YEAR ENDED 7 JULY 2018**

		Cumulative from 13 February 2017 to 7 July 2018	7 July 2017
	Ethiopian Birr	Ethiopian Birr	Ethiopian Birr
FINANCING			
Credit and grant from IFAD			
Initial deposit to Special			
Account	175,261,958	403,543,008	228,281,050
Direct payments	106,521,173	205,535,394	99,014,221
SOE procedures	20,182,607	20,182,607	-
	301,965,738	629,261,009	327,295,271
Contributions from Federal			
Government	18,636,643	20,598,204	1,961,561
Contributions from Regional			
Governments	45,761,224	50,416,800	4,655,576
Contribution from beneficiaries	50,872,294	51,963,679	1,091,385
Gain on foreign exchange	20,100,218	21,714,570	1,614,352
Refund from UNOPS	-	1,628,717	1,628,717
Other income	125,163	125,163	-
TOTAL FINANCING	<u>437,461,280</u>	<u>775,708,142</u>	<u>338,246,862</u>
PROJECT EXPENDITURES			
Investement in small-scale			
irregation infrastructure	223,649,516	267,219,916	43,570,400
Investement in Capacity Sustainable	100,102,648	105,108,489	5,005,841
Agriculture			
Programme Management	57,729,211	73,992,777	16,263,566
TOTAL PROJECT			
EXPENDITURES	<u>381,481,375</u>	<u>446,321,182</u>	<u>64,839,807</u>
EXCESS OF FINANCING OVER			
EXPENDITURES	<u>55,979,905</u>	<u>329,386,960</u>	<u>273,407,055</u>

MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME -II
IFAD LOAN NO. 2000001638 AND GRANT NO. 2000001637
ASAP TRUST GRANT NO. 200001636
STATEMENT OF EXPENDITURES COMPARED WITH BUDGET
FOR THE YEAR ENDED 7 JULY 2018

	Actual Ethiopian Birr	Budget Ethiopian Birr
Training	26,118,055	60,378,925
Works	192,864,497	575,911,725
Consultancies	25,538,338	69,739,383
Goods, services and inputs	105,864,915	116,455,279
Salaries and allowances	22,637,773	14,139,410
Operating costs	8,457,797	11,776,598
	<u>381,481,375</u>	<u>848,401,320</u>

MINISTRY OF AGRICULTURE
 PARTICIPATORY SMALL-SCALE IRRIGATION
 DEVELOPMENT PROGRAMME PHASE - II
 IFAD LOAN NO. 2000001638 AND GRANT NO. 2000001637
 AND ASAP TRUST No. 2000001636
 BALANCE SHEET
 AS AT 7 JULY 2018

	Notes	Ethiopian Birr	2017 Ethiopian Birr
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and bank balances	3	136,150,056	168,436,503
Debtors	4	<u>240,692,443</u>	<u>126,348,158</u>
		376,842,499	294,784,661
CURRENT LIABILITIES			
Creditors	5	<u>47,455,538</u>	<u>21,377,607</u>
NET CURRENT ASSETS			
		<u>329,386,961</u>	<u>273,407,054</u>
<u>REPRESENTED BY</u>			
ACCUMULATED FUND			
	6	<u>329,386,961</u>	<u>273,407,054</u>

MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME - II
IFAD LOAN NO 2000001638, GRANT NO. 2000001637
AND ASAP TRUST GRANT NO 2000001636
SPECIAL ACCOUNT STATEMENT

For the year ended	7 JULY 2018
Account number	[REDACTED]
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related credit/grant	IFAD LOAN No. 2000001638 and IFAD GRANT No. 2000001637 AND ASAP TRUST GRANT No.20000001636

Currency	USD	
	USD	Equivalent in Ethiopian Birr
Beginning balance	4,988,033.50	115,367,728.00
Add: Deposits	<u>6,436,938.00</u>	<u>175,261,958.50</u>
	<u>11,424,971.50</u>	<u>290,629,686.50</u>
Less: Payments		
Transfers to Birr account	<u>7,990,372.00</u>	<u>217,011,361.59</u>
	<u>7,990,372.00</u>	<u>217,011,361.59</u>
	3,434,599.50	73,618,324.91
Add: Gain on foreign exchange	-	<u>20,100,217.80</u>
Ending balance - 7,July 2018	<u>3,434,599.50</u>	<u>93,718,542.71</u>

**MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION DEVELOPMENT
PROGRAMME - II
IFAD LOAN NO. 2000001638, IFAD GRANT NO. 2000001637 AND ASAP TRUST
GRANT NO.2000001636
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The Federal Democratic Republic of Ethiopia, The International Fund for Agricultural Development (IFAD) and Adaptation For Smallholder Agriculture Programme Trust Fund (ASAP TRUST) agreed on 2 December 2016 to Fund a Small-Scale Irrigation Development Programme: Participatory Small-Scale Irrigation Development Programme Phase –II (PASDIP –II)

The programme shall benefit the poor and food insecure rural households in drought-prone region of Amhara, Oromiya, Tigray and Southern Nations, Nationalities and Peoples' Region.

The overall goal of the programme is to contribute to increase prosperity and improved resilience to shocks in food insecure areas of Ethiopia.

The programme objective is to provide improved income and food security for rural households on a sustainable basis by developing small-scale irrigation schemes and adjacent watersheds.

The relevant credit and grant are: IFAD Loan No. 2000001638 and Grant No. 200001637 and ASAP TRUST Grant No 2000001636.

The Programme was declared effective on 13 February 2017 and its completion date shall be 31 March 2024. The financing closing date shall be 30 September 2024.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared on a modified cash basis whereby non-monetary assets are expensed when acquired and monetary assets and liabilities are carried at fair value.

b) Currency

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

**MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME PHASE -II
IFAD LOAN NO. 2000001638 AND IFAD GRANT NO. 2000001637
AND ASAP TRUST GRANT NO. 2000001636
NOTES TO THE FINANCIAL STATEMENTS (continued)**

3 CASH AND BANK BALANCES

		2017
	Ethiopian Birr	Ethiopian Birr
National Bank of Ethiopia		
USD SA No. [REDACTED]	93718543	115367728
Birr account No. [REDACTED]	2686508	27660549
Commercial Bank of Ethiopia		
various branches	<u>39745005</u>	<u>25408226</u>
	136150056	168436503
Cash on hand	=	-
	<u>136,150,056</u>	<u>168,436,503</u>

4 DEBTORS

Advances to		
Regional bureaux	4,543,478	4,443,815
Zones	827,184	-
Woredas	23,603,560	4,633,524
Contractors	206,940,682	117,038,821
Staff	1,050,273	231,998
Sundry	2,700,716	-
VAT refundable by government	<u>1,026,550</u>	-
	<u>240,692,443</u>	<u>126,348,158</u>

5 CREDITORS

Retentions	12,896,709	1,358,768
Income Tax	429,714	151,199
Withholding taxes	231,068	187,090
Value added tax	14,685,086	17,010,143
Pension	654,942	103,490
Payable to government	18,461,463	-
Payable to IDSAA	-	2,565,904
Sundry	<u>96,556</u>	<u>1,013</u>
	<u>47,455,538</u>	<u>21,377,607</u>

**MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME PHASE -II
IFAD LOAN NO. 2000001638 AND IFAD GRANT NO. 2000001637
AND ASAP TRUST GRANT NO. 2000001636
NOTES TO THE FINANCIAL STATEMENTS (continued)**

6 ACCUMULATED FUND

Balance at 7 July 2017	273,407,055
Excess of Sources over Uses	<u>55,979,905</u>
	<u>329,386,960</u>

7 DATE OF AUTHORIZATION

The National Participatory Small-Scale Irrigation Development Program
Coordinator of the Ministry authorized the issue of these financial statements on
28 December 2018.

MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME -II
IFAD LOAN NO. 2000001638 AND GRANT
NO. 2000001637 AND ASAP TRUST No. 2000001636
SOE WITHDRAWAL SCHEDULE FOR
STATEMENTS OF EXPENDITURE
submitted during the year ended 7 July 2018

<u>Withdrawal Application</u>		<u>Training</u>		<u>Works</u>		<u>Consultancies</u>		<u>Goods, Services and input</u>		<u>Salaries and allowances</u>		<u>Operating costs</u>		<u>Ethiopian Birr</u>
<u>No.</u>	<u>Financier</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	
3	ASAP Grant	5,648,147								598,207				6,246,354
5	IFAD Loan	4,517,821		59,550,060				843,178		6,226,648		4,985,249		76,122,956
5	ASAP Grant	4,385,668								468,361				4,854,029
6	IFAD Loan							10,473,474						10,473,474
7	IFAD Loan	2,732,351		48,024,165		7,110,589		3,904,076		9,679,607		1,884,901		73,335,689
7	ASAP Grant					889,798								889,798
8	IFAD Loan	-		36,109,827		-		-		-		-		36,109,827
9	IFAD Loan	-		19,834,510		-		-		-		-		19,834,510
10	IFAD Loan	-		39,239,690		-		-		-		-		39,239,690
Total		17,283,987		202,758,252		8,000,387		15,220,728		16,972,823		6,870,150		267,106,327