

AUDITED PROJECT FINANCIAL STATEMENTS

Loan No.:2000001638, IFAD Grant No.:2000001637, ASAP
Trust Grant No.:2000001636

Period covered 08 July 2018 to 7 July 2019

PARTICIPATORY SMALL-SCALE IRRIGATION DEVELOPMENT PROGRAMME (PASIDP II)

Prepared by: Audit Services Corporation

Received on 6th January 2020

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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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Federal Democratic Republic of Ethiopia
MINISTRY OF AGRICULTURE

*ጥር 13/1120/138
No. 06/01/2020
*ገ
Date

To:-Records Management Team

ADM

International Fund for Agricultural Development (IFAD)

Via Paolo di Dono, 44

00142 Rome, Italy

Subject:-Audit Report of July 7, 2019 of PASIDP-II

We are pleased to share you the enclosed Management Letter for the Year ended July 7, 2019 and Independent Auditor's Report & Financial Statements for the year ended July 7, 2019 of PARTICIPATORY SMALL SCALE IRRIGATION DEVELOPMENT PROGRAMME (PASIDP-II). The Report presents finding of the Audit Service Corporation for the above mention Fiscal year expenditures of IFAD Loan No. 2000001638, IFAD Grant No. 2000001637 and ASAP Trust Fund Grant No. 2000001636 with recommendations.

We attached herewith 2 bind copies of the report for further information of the PASIDP-II Financial Performance review.

With best regards,

CC.

- MoA- State Minister Office.
- Finance Directorate – MoA.
- Project Finance Section
- IFAD-Ethiopia Country Office

Addis Ababa

for
Nureddin Asaro
National Participatory Small-Scale
Irrigation Development Programme
Coordinator

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The Federal Democratic Republic of Ethiopia Audit Services Corporation

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF MINISTRY OF AGRICULTURE PARTICIPATORY SMALL-SCALE IRRIGATION DEVELOPMENT PROGRAMME PHASE -II IFAD LOAN NO. 2000001638, GRANT NO. 2000001637 AND ASAP TRUST No. 2000001636

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 2019 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.

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**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS OF
MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME PHASE -II
IFAD LOAN NO. 2000001638, GRANT NO. 2000001637
AND ASAP TRUST No. 2000001636 (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 2019 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;
- 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;

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**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS OF
MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME PHASE -II
IFAD LOAN NO. 2000001638, GRANT NO. 2000001637
AND ASAP TRUST No. 2000001636 (continued)**

- the Special Account has been maintained in accordance with the provisions of the loan agreement;
- 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 2019 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, except issues raised in our management letter, 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

31 December 2019

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 2019

	Notes	Ethiopian Birr	2018 Ethiopian Birr
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and bank balances	3	133,391,808	136,150,055
Debtors	4	<u>443,269,507</u>	<u>240,692,443</u>
		576,661,315	376,842,498
CURRENT LIABILITIES			
Creditors	5	<u>79,098,147</u>	<u>47,455,538</u>
NET CURRENT ASSETS		<u>497,563,168</u>	<u>329,386,960</u>
<u>REPRESENTED BY</u>			
ACCUMULATED FUND	6	<u>497,563,168</u>	<u>329,386,960</u>

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 2019

	Ethiopian Birr	Cumulative from 13-Feb-17 to 7 July 2019 Ethiopian Birr	7 July 2018 Ethiopian Birr
FINANCING			
Credit and grant from IFAD			
Initial deposite to Special Account	-	228,281,050	-
Direct payments	211,974,137	417,509,531	106,521,173
SOE procedures	391,891,580	587,336,145	195,444,565
	603,865,717	1,233,126,726	301,965,738
Contributions from Federal			
Government	1,344,520	21,942,724	18,636,643
Contributions from Regional			
Governments	98,638,957	149,055,757	45,761,224
Contribution from beneficiaries	38,834,669	90,798,348	50,872,294
Gain on foreign exchange	5,040,339	26,754,909	20,100,218
Refund from UNOPS	-	1,628,717	-
Other income	576,685	701,848	125,163
TOTAL FINANCING	748,300,887	1,524,009,029	437,461,280
PROJECT EXPENDITURES			
Training	53,630,254	89,734,513	26,118,055
Works	335,264,905	568,417,882	192,864,497
Consultancies	77,859,548	105,963,790	25,538,338
Goods, services and inputs	71,645,407	177,940,966	105,864,915
Salaries and allowances	30,981,492	62,153,164	22,637,773
Operating costs	10,743,073	22,235,546	8,457,797
TOTAL PROJECT EXPENDITURES	580,124,679	1,026,445,861	381,481,375
EXCESS OF FINANCING OVER EXPENDITURES	168,176,208	497,563,168	55,979,905

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 2019

		Cumulative from 13-Feb-17 to 7 July 2019	7 July 2018
	Ethiopian Birr	Ethiopian Birr	Ethiopian Birr
FINANCING			
Credit and grant from IFAD			
Initial deposit to Special Account	-	228,281,050	-
Direct payments	211,974,137	417,509,531	106,521,173
SOE procedures	<u>391,891,580</u>	<u>587,336,145</u>	<u>195,444,565</u>
	603,865,717	1,233,126,726	301,965,738
Contributions from Federal			
Government	1,344,520	21,942,724	18,636,643
Contributions from Regional			
Governments	98,638,957	149,055,757	45,761,224
Contribution from beneficiaries	38,834,669	90,798,348	50,872,294
Gain on foreign exchange	5,040,339	26,754,909	20,100,218
Refund from UNOPS	-	1,628,717	-
Other income	<u>576,685</u>	<u>701,848</u>	<u>125,163</u>
TOTAL FINANCING	<u>748,300,887</u>	<u>1,524,009,029</u>	<u>437,461,280</u>
PROJECT EXPENDITURES			
Investement in small-scale			
irrigation infrastructure	424,032,637	691,252,553	223,649,516
Investement in Capacity Sustainable			
Agriculture	110,888,584	215,997,073	100,102,648
Programme Management	<u>45,203,458</u>	<u>119,196,235</u>	<u>57,729,211</u>
TOTAL PROJECT			
EXPENDITURES	<u>580,124,679</u>	<u>1,026,445,861</u>	<u>381,481,375</u>
EXCESS OF FINANCING OVER			
EXPENDITURES	<u>168,176,208</u>	<u>497,563,168</u>	<u>55,979,905</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 2019
Account number	
Depository bank	
Address	
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	3,434,599.50	93,718,542.71
Add: Deposits	<u>13,950,067.42</u>	<u>391,891,580.38</u>
	<u>17,384,666.92</u>	<u>485,610,123.09</u>
Less: Payments		
Transfers to Birr account	<u>13,742,505.94</u>	<u>385,238,674.56</u>
	<u>13,742,505.94</u>	<u>385,238,674.56</u>
	3,642,160.98	100,371,448.53
Add: Gain on foreign exchange	-	<u>5,040,338.77</u>
Ending balance - 7,July 2019	<u>3,642,160.98</u>	<u>105,411,787.30</u>

MINISTRY OF AGRICULTURE
PARTICIPATORY SMALL-SCALE IRRIGATION
DEVELOPMENT PROGRAMME -II
IFAD LOAN NO. 2000001638 AND GRANT NO.
2000001637 **ASAP**
STATEMENT OF EXPENDITURES COMPARED WITH BUDGET
FOR THE YEAR ENDED 7 JULY 2019

	Actual Ethiopian Birr	Budget Ethiopian Birr	Under / (Over) Utilization
Training	53,630,254	124,423,394	70,793,140
Works	335,264,905	412,602,076	77,337,171
Consultancies	77,859,548	139,626,235	61,766,687
Goods, services and inputs	71,645,407	159,385,731	87,740,324
Salaries and allowances	30,981,492	42,354,370	11,372,878
Operating costs	10,743,073	9,189,424	(1,553,649)
	<u>580,124,679</u>	<u>887,581,230</u>	<u>307,456,551</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

	Ethiopian Birr	2018 Ethiopian Birr
	105,411,787	93,718,543
	27,965,976	2,686,507
	-	39,745,005
	133,377,763	136,150,055
Cash on hand	14,045	-
	<u>133,391,808</u>	<u>136,150,055</u>

4 DEBTORS

Advances to		
Regional bureaux	-	4,543,478
Zones	1,530,068	827,184
Woredas	22,520,697	23,603,560
Contractors	366,897,999	206,940,682
Staff	2,297,828	1,050,273
Sundry	10,493,250	2,700,716
VAT refundable by government	39,529,665	1,026,550
	<u>443,269,507</u>	<u>240,692,443</u>

5 CREDITORS

Retentions	25,766,593	12,896,709
Income Tax	219,889	429,714
Withholding taxes	286,459	231,068
Value added tax	37,595,411	14,685,086
Pension	444,935	654,942
Payable to government	11,460,274	18,461,463
Payable to IDSAA	-	-
Sundry	3,324,586	96,556
	<u>79,098,147</u>	<u>47,455,538</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 2018	329,386,960
Excess of Sources over Uses	<u>168,176,208</u>
	<u>497,563,168</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 31 December 2019.

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 2019

<u>Withdrawal</u> <u>Application</u>		<u>Training</u>	<u>Works</u>	<u>Consultancies</u>	<u>Goods, Services</u> <u>and input</u>	<u>Salaries and</u> <u>allowances</u>	<u>Operating costs</u>	
<u>No.</u>	<u>Financer</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>Ethiopian Birr</u>
4	ASAP Grant	1,728,325 -		94,768	2,278,071	484,208 -		4,585,372
5	ASAP Grant	828,117 -		158,320	272,485	229,504 -		1,488,426
6	ASAP Grant	4,912,375	2,128,978	331,483	418,123	869,908 -		8,660,867
7	ASAP Grant	4,964,564	2,317,712	91,586	1,273,664	547,791 -		9,195,317
11	IFAD Grant	-	-	2,659,461	-	-	-	2,659,461
11	IFAD Loan	8,744,942	32,801,189	12,758,455	10,079,303	8,262,132	3,766,034	76,412,055
13	IFAD Loan	7,400,651	44,492,421	7,159,406	20,222,317	6,856,770	1,863,140	87,994,705
13	IFAD Grant	-	-	2,509,398	-	-	-	2,509,398
17	IFAD Grant	-	-	2,778,277	-	-	-	2,778,277
17	IFAD Loan	8,453,456	38,306,021	15,366,205	10,120,134	7,030,038	1,751,046	81,026,900
19	IFAD Grant	-	-	409,375	-	-	-	409,375
19	IFAD Loan	<u>4,472,147</u>	<u>68,459,620</u>	<u>10,405,746</u>	<u>4,749,287</u>	<u>6,629,241</u>	<u>4,360,373</u>	<u>99,076,414</u>
		<u>41,504,577</u>	<u>188,505,941</u>	<u>54,722,480</u>	<u>49,413,384</u>	<u>30,909,592</u>	<u>11,740,593</u>	<u>376,796,567</u>