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AUDIT SERVICE CORPORATION

MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR RESILIENCE
PROJECT P-174867
IDA GRANT NUMBER E012-ET
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2025



ASC.

PUBLIC ACCOUNTANTS & TAXPRACTISERS

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Audit Service Corporation

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET**

We have audited the financial statements of Ministry of Water and Energy, Horn of Africa Ground Water for Resilience Project, financed under IDA Grant No.E012-ET, which comprise the balance sheet as at 7 July 2025, and the statement of sources and uses of funds and a Designated Account statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Ministry of Water and Energy 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 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:

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
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the balance sheet of Ministry of Water and Energy, Horn of Africa Ground Water for Resilience Project, IDA Grant No.E012-ET, as at 7 July 2025 and of its sources and uses of funds and a Designated Account statement for the year then ended, in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on modified cash basis of accounting.

Report on Other Requirements

As required by the terms of reference for external audit of the Project, we report that, to the extent we can assess:

- all World Bank Financing has been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
- Goods, works and services financed have been procured in accordance with the relevant financing agreement including specific provisions of the World Bank Procurement Policies and Procedures;
- All necessary supporting documents, records, and accounts have been maintained in respect of all Project activities, including expenditures reported using Interim Unaudited Financial Statements (IFRs) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- Designated Account has been maintained in accordance with the provisions of the relevant financing agreement and funds disbursed out of the Accounts were used only for the purposes intended in the financing agreement;
- National laws and regulations have been complied with, and that the financial and accounting procedures approved for the Project (e.g. operational manual, financial management manual, etc.) were followed and used;

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**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET (continued)**

- Financial performance of the project is satisfactory;
- Assets procured from project funds exist and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement;
- Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Accounts. These should be separately noted in the audit report.
- with respect to Interim Financial Report submitted during the year ended 7 July 2025 and listed on page 9, 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 the IDA for reimbursements of expenditures incurred; and
 - c) which expenditures are eligible for financing IDA Grant No.P-174867.

Audit Service Corporation

16 December 2025

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2025**

	Note	Ethiopian Birr	Cumulative From 2 August 2022 To 7 July 2025 Ethiopian Birr	2024 Ethiopian Birr
FINANCING				
Grant from IDA				
Initial deposit to Designated Account			159,541,969	-
IDA remittance		3,413,966,386	4,077,005,150	663,038,764
Direct payment		76,865,593	76,865,593	-
Gain on foreign exchange		<u>691,477.890</u>	<u>718.585.731</u>	<u>22.597.806</u>
TOTAL FINANCING		<u>4,182,309,869</u>	<u>5,031,998,443</u>	<u>685.636.570</u>
PROJECT EXPENDITURE				
Works and Goods	7	833,784,061	894,154,506	54,678,405
Consultants' services	8	171,395,151	200,849,452	26,563,062
Training		11,549,357	29,736,224	16,934,988
Operating costs	9	<u>30,590,312</u>	<u>41.655.941</u>	<u>9.775.200</u>
TOTAL PROJECT EXPENDITURE		<u>1,047,318,881</u>	<u>1,166,396,123</u>	<u>107,951,655</u>
EXCESS OF FINANCING OVER EXPENDITURE		<u>3,134,990,988</u>	<u>3,865,602,320</u>	<u>577,684,915</u>

INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 BALANCE SHEET
 AS AT 7 JULY 2025

	Note	Ethiopian Birr	2024 Ethiopian Birr
<u>ASSETS</u>			
Cash and bank balances	3	3,657,095,916	600,849,234
Debtors	4	<u>250,531,533</u>	<u>131,156,512</u>
		3,907,627,449	732,005,746
<u>CURRENT LIABILITIES</u>			
Accounts payable	5	<u>42,025,129</u>	<u>1,394,415</u>
NET CURRENT ASSETS		<u>3,865,602,320</u>	<u>730,611,331</u>
<u>REPRESENTED BY</u>			
ACCUMULATED FUND	6	<u>3,865,602,320</u>	<u>730,611,331</u>

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET
DESIGNATED ACCOUNT STATEMENT**

For year ended 7 July 2025
Account number 0100151300178
Depository bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Currency USD

	USD	Equivalent in Ethiopian Birr
Balance at 8 July 2024	8,501,028.57	487,704,859.17
Add: Replenishment from IDA	<u>26,417,498.47</u>	<u>3,413,966,385.99</u>
	<u>34,918,527.04</u>	<u>3,901,671,245.16</u>
Less payments		
Transfer	7,976,000.00	946,530,265.90
Consultant's payment	111,971.86	14,224,134.15
letter of credit	535,998.41	72,292,534.44
Bank service charge	<u>81,081.84</u>	<u>9,633,817.36</u>
	<u>8,705,052.11</u>	<u>1,042,680,751.85</u>
	26,213,474.93	2,858,990,493.31
Add: Gain on foreign exchange	=	<u>691,477,890.50</u>
Ending balance 7 July 2025	<u>26,213,474.93</u>	<u>3,550,468,383.81</u>

**INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

Horn of Africa Groundwater for Resilience project (P 174867) is newly initiated project of the sector; Horn of Africa Groundwater for Resilience Project is designed to increase the sustainable access and management of groundwater in the Horn of Africa. Total Project cost of US\$ 210 million is allocated to be disbursed over a period of six years (2022-2028). The project is financed from two financing windows: national IDA allocation and regional IDA allocation. The national IDA amount is expected to constitute 1/3 of the project cost, triggering the mobilization of 2/3 from the regional IDA allocation (140 million regional IDA allocations and 70 million national IDA ALLOCATIONS).

This project supports 55 project Woredas with medium scale rural piped water supply, four Woredas with small scale irrigation schemes and 67 Woredas with GW potential assessment activities. The project will benefit an estimated 1.48 million people living in selected drought prone and water stressed areas, which most of them are close to borders of the neighbouring countries.

The project development objective is “to increase the sustainable access and management of Groundwater in Horn of Africa’s borderlands”. The project is expected to strengthen the ability of vulnerable communities, many of them living in the fragile borderlands, to better prepare for and respond to climatic shocks and other stressors, increasing their resilience and potentially contributing to the reduction of forced displacement and potential conflicts.

This project is proposed to have the following four components.

Component	Total (in USD million)
1. GW potential Assessment and Infrastructure Development for Inclusive Community-level Use	191.00
2. Strengthening groundwater institutions and information	8.00
3. Project management, Knowledge, and operational support	11.00
Total	210.00

**INDEPENDENT AUDITOR'S REPORT ON THE
MINISTRY OF WATER AND ENERGY
HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
IDA-GRANT NUMBER E012-ET
NOTES TO THE FINANCIAL STATEMENTS**

The Development partner is WB (IDA) that is involved in financing this project. The institutional arrangements for the project will build on existing structures. Ministry of Water PMCU is responsible for the overall project implementation; besides the Ministry of Water and Energy (MoWE-PMCU) will be responsible for the financial management aspects of the project. MOWE Water Supply Project Implementation Team (PIT) and MILL PIT will be involved in respective areas in managing the project.

The accounting period covered for the audit is 12 months following the government fiscal year ending on July 7. The Audit will be completed on an annual basis following the normal government fiscal/accounting year.

Detailed information on the project including implementation arrangements is provided in the program Appraisal Document (PAD) and Program Operational Manual (POM)

The Project became operational on 2 August 2022 and would be closed on 31 December 2028.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

b) Currency

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

**INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 NOTES TO THE FINANCIAL STATEMENTS**

3. CASH AND BANK BALANCES

	2024	
	Ethiopian Birr	Ethiopian Birr
National Bank of Ethiopia		
USD Designated Account No.0100151300178	3,550,468,384	487,704,859
Birr account Account No. 0100151040395	97,644,551	108,526,457
Birr account Account No. 0102791040004	<u>8,982,981</u>	<u>4,617,918</u>
	<u>3,657,095,916</u>	<u>600,849,234</u>

4. DEBTORS

	2024	
	Ethiopian Birr	Ethiopian Birr
Advances to		
Contractors	97,290,122	130,262,870
Suppliers	151,830,477	78,030
Consultants	202,600	80,851
Staff receivable	<u>1,208,334</u>	<u>734,761</u>
	<u>250,531,533</u>	<u>131,156,512</u>

5. CREDITORS

	2024	
	Ethiopian Birr	Ethiopian Birr
Payable to staff	110,087	46,040
Retention payable	36,047,683	-
Value added tax	4,747,468	1,052,293
Withholding taxes	964,466	191,247
Taxes payable	<u>155,425</u>	<u>104,835</u>
	<u>42,025,129</u>	<u>1,394,415</u>

INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 NOTES TO THE FINANCIAL STATEMENTS

6. ACCUMULATED FUND

	Ethiopian Birr
Balance at 7 July 2024	730,611,331
Add: excess of financing over expenditure	<u>3,134,990,989</u>
Balance at 7 July 2025	<u>3,865,602,320</u>

7. WORKS AND GOODS

	Ethiopian Birr	2024 Ethiopian Birr
works	827,748,172	-
Motor bikes	-	47,829,100
Office machine and equipment	<u>6,035,889</u>	<u>6,849,305</u>
	<u>833,784,061</u>	<u>54,678,405</u>

8. CONSULTANCY

	Ethiopian Birr	2024 Ethiopian Birr
Professional fee	45,678,813	24,360,221
supervision	121,303,953	-
Staff salary	3,987,629	1,987,819
Pension contribution	<u>424,756</u>	<u>215,022</u>
	<u>171,395,151</u>	<u>26,563,062</u>

INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 NOTES TO THE FINANCIAL STATEMENTS

9. OPERATING COST

	Ethiopian Birr	2024 Ethiopian Birr
Fuel and lubricant	4,285,075	1,232,845
Per diem	9,596,981	2,793,797
Transport fee	518,218	510,750
Printing and stationery	1,747,217	445,556
Entertainment	555,817	139,338
Maintenance of vehicle	1,962,665	-
Rent	952,890	952,890
Advertising expense	525,972	254,625
Bank charge	9,656,792	3,278,586
Telephone	448,822	106,080
Miscellaneous	<u>339,863</u>	<u>60,733</u>
	<u>30,590,312</u>	<u>9,775,200</u>

10. DATE OF AUTHORIZATION

The Finance Executive Officer of the Ministry authorized the issue of these financial statements on 16 December 2025.

**INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR RESILIENCE PROJECT
 IDA-GRANT NUMBER E012-ET
 INTERIM FINANCIAL REPORT SUBMITTED DURING
 THE YEAR 7 JULY 2025**

Expenditure component No	Quarter 1 Birr	Quarter 2 Birr	Quarter 3 Birr	Quarter 4 Birr	Total Birr
1	58,150,764.43	177,618,130.92	431,484,266.29	272,470,527.17	939,723,688.81
2	-	-	9,328,436.37	-	9,328,436.37
3	<u>21,558,155.92</u>	<u>22,533,963.14</u>	<u>19,432,398.51</u>	<u>34,742,237.99</u>	<u>98,266,755.56</u>
Total	<u>79,708,920.35</u>	<u>200,152,094.06</u>	<u>460,245,101.17</u>	<u>307,212,765.16</u>	<u>1,047,318,880.74</u>

**INDEPENDENT AUDITOR'S REPORT ON THE
 MINISTRY OF WATER AND ENERGY
 HORN OF AFRICA GROUND WATER FOR RESILIANCE PROJECT
 IDA-GRANT NUMBER E012-ET
 LIST OF FIXED ASSETS**

Description of Item	Qty	Cost Amount
Heavy duty photocopy machine	2	2,081,040
Laptops Computers (13"-14")	8	1,554,800
Laptops Computers (17"-18")	1	224,250
Tables with style uspen	4	733,700
Color all in one printer	2	414,000
LCD Projector	1	101,200
Laptops Computers (13"-14")	3	583,050
Laptops Computers (Core 15)	10	1,472,000
Laptops Computers (Core 17)	6	1,080,330
Motor Bikes	110	47,829,100
Laptops Computers, core17 intel with bag, pen and USB	11	2,106,225
Desktop Computers	4	756,700
Multifunctional printers	4	1,108,600
LaserJet Printer	1	155,250
Inkjet Printer	1	170,200
Brother Printer	2	216,603
Executive Chair White	1	85,000
Visitors Chair white	2	130,000
Executive Desk with Fixed right 2000mm	1	125,000
Two Person Work Station	4	462,000
Coffee Table 600mm	1	42,000
File Cabinet 1000mm	4	500,000
File Cabinet 2400mm White	1	159,500
High Bach Chair Black Frame-Grey	8	560,000
Epson Projector	1	110,550
Projector Screen	1	24,440
Pointer	2	10,560
Video Conference Terminal	1	659,979

GPS	1	<u>240,000</u>
Huawei Mobile Wi Fi	13	189,215
Desktop Computer core i5	3	340,500
UPS Battery	3	16,050
USB wireless Adaptor	6	39,000
Digital Camera	1	1,230,500
Tablet Computer	3	645,001
Tablet Computer	3	41,400
External Hard Drive	3	155,250
Wireless Mouse	11	37,950
Laptop Stand	3	<u>15,391</u>
		<u>66,406,334</u>