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

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT OF
MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM**

We have audited the accompanying financial statements of Ministry of Finance, Climate Action through Landscape Management Program, financed under IDA Grant D482-ET, which comprise the balance sheet as at 7 July 2023, 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.

Management's 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 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.

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT OF
MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM (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 present fairly, in all material respects, the financial position of Ministry of Finance, Climate Action Through Landscape Management Program, financed under IDA Grant D482-ET, as at 7 July 2023 and of its statement of 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.

Report on Other Requirements

As required by the Terms of Reference (TOR) for audit of the Program we report that, to the extent we can assess:

- a) IDA Funds have been used in accordance with the programmatic priorities and activities agreed, with due attention to economy, efficiency and effectiveness, and only for the purposes for which the financing was provided;
- b) Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the donors;
- c) All necessary supporting documents, records and accounts have been maintained in respect of all fund activities;
- d) Designated Accounts have been maintained in accordance with the provision of the relevant financing arrangement and funds disbursed out of the Accounts were used according to the joint financing arrangement;
- e) National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project were followed and used;
- f) Financial performance of the Program is satisfactory.

Auda Services Corporation

7 January 2024

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
BALANCE SHEET
AS AT 7 JULY 2023

| | Notes | Birr | 2022 Birr |
|---------------------------|-------|-----------------------------|-----------------------------|
| CURRENT ASSETS | | | |
| Account receivable | 3 | 250,602,997 | 55,989,647 |
| Cash and bank balance | 4 | <u>6,349,183,044</u> | <u>8,881,575,818</u> |
| | | 6,599,786,041 | 8,937,565,465 |
| CURRENT LIABILITY | | | |
| Account payable | 5 | <u>22,277,269</u> | <u>13,555,828</u> |
| NET CURRENT ASSETS | | <u><u>6,577,508,772</u></u> | <u><u>8,924,009,637</u></u> |
| REPRESENTED BY | | | |
| Fund balance | 6 | <u><u>6,577,508,772</u></u> | <u><u>8,924,009,637</u></u> |

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2023

| SOURCES | Notes | Birr | Cumulative from 8 April 2020 to 7 July 2023 Birr | 2022 Birr |
|--|--------------|-------------------------------|---|-----------------------------|
| IDA grant | | 1,761,302,015 | 12,665,862,642 | 4,397,900,710 |
| Gain on foreign exchange rate fluctuation | | <u>269,606,489</u> | <u>1,403,426,196</u> | <u>681,615,483</u> |
| | | <u>2,030,908,504</u> | <u>14,069,288,838</u> | <u>5,079,516,193</u> |
| USES | | | | |
| Participatory Watershade Management | | 3,014,217,854 | 5,095,952,643 | 970,791,849 |
| Rural Land Administration | | 1,202,449,189 | 2,113,155,877 | 657,148,963 |
| Verification, Central Statistical Agency | | 59,111,384 | 91,312,809 | 29,905,837 |
| Ministry of Finance, financial management | | 13,442,708 | 30,274,888 | 15,607,874 |
| Ministry of Peace, Capacity building | | 34,764,001 | 93,410,321 | - |
| Verification (FEACC) | | 5,398,273 | 11,898,273 | - |
| Bank service charge | | <u>48,025,960</u> | <u>55,775,255</u> | <u>-</u> |
| | | <u>4,377,409,369</u> | <u>7,491,780,066</u> | <u>1,673,454,523</u> |
| (DEFICIT)/EXCESS OF SOURCES OVER USES | | <u>(2,346,500,865)</u> | <u>6,577,508,772</u> | <u>3,406,061,670</u> |

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
DESIGNATED ACCOUNT STATEMENT

| | |
|--------------------|---------------------------|
| For the year ended | 7 July 2023 |
| Account number | 0100101300573 |
| Depository Bank | National Bank of Ethiopia |
| Address | Addis Ababa, Ethiopia |
| Related Grant | IDA, D482-ET |
| Currency | USD |

| | USD | Ethiopian Birr |
|---|----------------------|-------------------------|
| Balance as at 7 July 2022 | 139,357,709.90 | 7,250,739,838.78 |
| IDA Grant Received | 32,311,419.70 | 1,761,302,014.57 |
| | 171,669,129.60 | 9,012,041,853.35 |
| Less:- Transfer to MoA Dollar account | 5,497,392.00 | 287,495,460.21 |
| Transfer to Birr account | 90,000,000.00 | 4,802,401,000.00 |
| Transfer to ESS | 571,200.00 | 30,999,880.80 |
| | 75,600,537.60 | 3,891,145,512.34 |
| Add:- Gain on foreign exchange fluctuation | - | 239,433,500.45 |
| Balance as at 7 July 2023 | 75,600,537.60 | 4,130,579,012.79 |

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
DESIGNATED ACCOUNT STATEMENT

| | | |
|--|---------------------------|-----------------------|
| For the year ended | 7 July 2023 | |
| Account number | 0100071300348 | |
| Depository Bank | National Bank of Ethiopia | |
| Address | Addis Ababa, Ethiopia | |
| Related Grant | IDA, D482-ET | |
| Currency | USD | Ethiopian |
| | USD | Birr |
| Balance as at 7 July 2022 | 8,384,647.37 | 436,250,687.27 |
| Transfer from MoF IDA Dollar | 5,497,486.99 | 287,495,460.21 |
| account | 13,882,134.36 | 723,746,147.48 |
| Less:- Advance payment to suppliers | 3,184,342.68 | 166,721,361.97 |
| Add:- Gain on foreign exchange fluctuation | - | 27,469,388.73 |
| Balance as at 7 July 2023 | 10,697,791.68 | 584,494,174.24 |

MINISTRY OF FINANCE

CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM NOTES TO THE FINANCIAL STATEMENTS

1. PROGRAM INFORMATION

The Federal Democratic of Ethiopia and International Development Association (IDA) entered into an agreement on 15 June 2019 to finance a program, Climate Action through Landscape Management Program (CALM), IDA has agreed to extend a grant fund equivalent to SDR 360,900,000 towards financing this Program. The Program became effective on 8 April 2020 and will be closed on 7 July 2024.

The objective of the Program is to increase adoption of sustainable land management practices and expand access to secure land tenure in non-rangeland rural areas.

The Program consists of the following activities:

I. Participatory Watershed Management

Scaling up participatory watershed management activities to reduce land degradation, including:

- (a) Development of capacity at the Federal, regional and Woreda levels for participatory watershed management;
- (b) Sustainable Land Management (SLM) related research at the federal and regional levels;
- (c) Strengthening of the policy, institutional and regulatory framework for SLM;
- (d) Building the SLM knowledge base; and
- (e) Management, monitoring and reporting of Ethiopian Strategic Investment Framework (ESIF) interventions for watershed management.

II. Rural Land Administration

Carrying out the following to improve rural land tenure security:

- (a) Preparation and issuance of Second Level Landholding Certificates (SLLCs) (which includes quality assurance, verification against first level land holding certificates, and issuance to land holders);
- (b) Installation and operation of the Natural Rural Land Administration Information Systems (NRLAIS) at the federal, regional and Woreda level;
- (c) Development of capacity at the federal, regional and Woreda levels;

MINISTRY OF FINANCE

CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(d) Strengthening of policy, institutional and regulatory framework for rural land administration; and

(e) Management, monitoring and reporting of ESIF intervention for improved rural land tenure security.

This audit covers the special purpose grant part of the expenditure framework as well as the specific budget line expenditure at the Ministry of Agriculture (MoA) which contributes to the program expenditure framework. The specific budget lines at the MoA that contribute to the Program expenditure framework along with the respective expenditure incurred during the period are:

| Budget code | | ETB |
|-------------|---|-------------|
| 11341002 | Providing Agricultural Extension Service | 31,049,802 |
| “ “ | 11341005 Providing Support to Increase Crop Production and Productivity | 25,321,297 |
| “ “ | 11341011 Intensifying Natural Resource Development and Utilization. | 142,192,356 |
| “ “ | 11341012 Providing Support to Rural Land Administration and Utilization System. | 71,460,606 |

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Program are stated below:

Basis of preparation

a) 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 Birr. Transactions in foreign currency are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Foreign currency balances are translated into Birr at the exchange rate ruling at the balance sheet date.

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 ADVANCE PAYMENTS

| | Birr | 2022 Birr |
|-----------------------------------|---------------------------|--------------------------|
| Advance within government offices | 133,938,709 | 18,567,569 |
| Advance to Regions | 6,654,463 | 6,654,463 |
| Advance to contractors | 21,663,757 | 841,852 |
| Advance to suppliers | 60,413,223 | 20,168,257 |
| Purchase advances | 20,943,160 | 3,108,537 |
| Staff | 6,964,036 | 6,496,366 |
| Sundry | 25,649 | 152,603 |
| | <u>250,602,997</u> | <u>55,989,647</u> |

4 CASH AND BANK BALANCES

| | Birr | 2022 Birr |
|--|-----------------------------|-----------------------------|
| USD Designated Account No. 0100101300573 | 4,130,579,013 | 7,250,739,839 |
| USD Designated Account No. 0100101300348 | - | 436,250,687 |
| Ministry of Finance, Pool Birr account | 374,131,016 | 398,624,138 |
| Ministry of Agriculture | 918,872,447 | 143,576,420 |
| Central Statistical Agency | 2,167,581 | 21,946,747 |
| Ministry of Finance-Administration | 2,965,096 | 6,012,560 |
| FEACC | 2,108,873 | 2,250 |
| Total cash at regional offices | <u>918,359,019</u> | <u>624,423,176</u> |
| | <u>6,349,183,044</u> | <u>8,881,575,818</u> |

5 ACCOUNT PAYABLES

| | Birr | 2022 Birr |
|-----------------------------------|--------------------------|--------------------------|
| Advance within government offices | 13,633,469 | 10,978,939 |
| Taxes payable | 5,358,636 | - |
| Sundry creditors | 658,826 | 2,398,498 |
| Other deposits | 9 | 4,014 |
| Retention payable | 676,241 | 97,945 |
| Family payable | - | 10,385 |
| Staff payable | 1,435,737 | 14,819 |
| Grace period payable | 77,752 | 21,032 |
| Payable to suppliers | <u>436,600</u> | <u>30,195</u> |
| | <u>22,277,269</u> | <u>13,555,828</u> |

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 FUND BALANCE

| | <u>Birr</u> |
|------------------------------------|-----------------------------|
| Balance at 07July 2022 | 8,924,009,637 |
| Add :- Excess of uses over sources | <u>(2,346,500,865)</u> |
| Balance at 7 July 2023 | <u>6,577,508,772</u> |

7 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 7 January 2024.