

**ADDIS ABABA CITY ROADS AUTHORITY
TRANSPORT SYSTEM IMPROVEMENT PROJECT (PROJECT NUMBER P151819
AND IDA 5816-ET) FINANCED BY WORLD BANK LOAN**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2022**



**MSE AUDITORS PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS**

**ADDIS ABABA CITY ROADS AUTHORITY
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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2022**

2. INDEPENDENT AUDITOR'S REPORT ON THE PROGRAM FINANCIAL STATEMENTS

2.1 INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Addis Ababa City Roads Authority (AACRA)- Transport Systems Improvement Project (TRASIP) financed by International Development Association (IDA) set out on pages 11 to 13, which includes the Statement of Financial Position as at 7 July 2022 and the Statement of Receipts and Expenditure, and the Summary of Activity in the Designated Account for the period 8 July 2021 to 7 July 2022 and the related notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Fund Balance as at 7 July 2022 and the Receipts and Expenditure and summary of activity of designated account of the Addis Ababa City Roads Authority- Transport Systems Improvement Project for the year ended 7 July 2022 in accordance with International Public Sector Accounting Standards (IPSAS) and the funding agreement between AACRA and International Development Association.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the project Management in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the project financial statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Public-Sector Accounting Standards (IPSAS) and the funding agreement between AACRA and International Development Association 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.

The management of AACRA is responsible for overseeing the Project's financial reporting process.



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Auditor's responsibilities for the audit of the project financial statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This is a report sent to AACRA and International Development Association and is intended solely for their use and information.


MSE Auditors Partnership
Chartered Certified Accountants

Addis Ababa
6 December 2022

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2.2 STATEMENT OF FINANCIAL POSITION
AS AT 7 JULY 2022

	Note	2022 <u>ETB</u>	2021 <u>ETB</u>
CURRENT ASSETS			
Debtors and prepayments	2.5.3	152,438,162	17,026,626
Cash and bank	2.5.2	<u>496,078,603</u>	<u>387,578,847</u>
Total Current Assets		<u>648,516,765</u>	<u>404,605,473</u>
CURRENT LIABILITIES			
Accruals and tax obligations	2.5.4	<u>2,929,372</u>	<u>2,895,394</u>
NET CURRENT ASSETS		<u>2,929,372</u>	<u>2,895,394</u>
Net Assets		<u>645,587,393</u>	<u>401,710,079</u>
REPRESENTED BY			
Fund balance	2.5.5	<u>645,587,393</u>	<u>401,710,079</u>

The financial statements on pages 11 to 13 were approved by the AACRA management on 6 December 2022 and signed on its behalf by:



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2.3 STATEMENT OF RECEIPTS AND EXPENDITURE

RECEIPTS	Note	2022 <u>ETB</u>	2021 <u>ETB</u>
IDA credit	2.5.6	429,369,895	414,063,512
Gain on foreign currency transaction	2.5.8	<u>74,322,990</u>	<u>72,330,985</u>
		<u>503,692,885</u>	<u>486,394,497</u>
EXPENDITURE			
Total Expenditure	2.5.7	<u>259,815,572</u>	<u>434,006,039</u>
Excess of receipts over expenditures		243,877,314	52,388,459
Add : Opening Fund Balance		<u>401,710,079</u>	<u>349,321,620</u>
Closing Fund Balance		<u>645,587,393</u>	<u>401,710,079</u>

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2.4 STATEMENT OF DESIGNATED ACCOUNTS

2.4.1 IDA credit-USD account

Account number	0100101300511
Depository Bank	National Bank of Ethiopia
Related Credit and Grant	IDA Credit(5816-ET) and Project no.(P151819)
Address	Addis Ababa, Ethiopia
Currency	USD

	<u>USD</u>	<u>ETB</u>
Opening balance, 8 July 2021	7,932,550	347,709,043
Add: Transferred from World Bank-Credit	5,575,088	275,135,364
Gain on exchange	-	73,082,440
Funds available for use	<u>13,507,638</u>	<u>695,926,847</u>
Less: Transfers and Expenditures/payments:		
Transfer to ETB account	2,000,000	102,932,190
Expenditures/payments	<u>2,642,261</u>	<u>131,731,777</u>
Ending balance, 7 July 2022	<u>8,865,377</u>	<u>461,262,880</u>

2.4.2 IDA credit-ETB account

Account number	1000140448005
Depository Bank	Commercial Bank of Ethiopia
Related Credit and Grant	IDA Credit(5816-ET) and Project no.(P151819)
Address	Addis Ababa, Ethiopia
Currency	ETB

	<u>ETB</u>
Opening balance, 8 July 2021	39,869,804
Add: Cash transfer from USD account	102,932,190
Other deposits	<u>1,034</u>
Less: Transfers and Expenditures/payments:	
Expenditures/payments	<u>107,987,305</u>
Ending balance, 7 July 2022	<u>34,815,723</u>



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2.5.2 Cash at bank

	2022	2021
	<u>ETB</u>	<u>ETB</u>
NBE Account no. 0100101300511	461,262,880	347,709,043
CBE Account no. 1000140448005 Sar Bet Branch	<u>34,815,723</u>	<u>39,869,804</u>
	<u>496,078,603</u>	<u>387,578,847</u>

2.5.3 Debtors and prepayments

	2022	2021
	<u>ETB</u>	<u>ETB</u>
Advance to consultant	16,224	12,191,686
Advance to supplier	151,521,938	4,832,940
Advance to staff	-	2,000
	<u>152,438,162</u>	<u>17,026,626</u>

2.5.4 Accruals and tax obligations

	2022	2021
	<u>ETB</u>	<u>ETB</u>
Withholding tax payable	406,019	704,976
VAT payable	1,390,167	1,932,710
Audit fee payable	315,100	257,708
Pension contribution payable	129,323	-
Employment income tax payable	234,961	-
Salary payable	433,207	-
Other accruals	<u>20,595</u>	<u>-</u>
	<u>2,929,372</u>	<u>2,895,394</u>

2.5.5 Fund balance

	2022	2021
	<u>ETB</u>	<u>ETB</u>
Opening fund balance as at 8 July	401,710,079	349,321,620
Add. Excess of receipts over expenditures	<u>243,877,314</u>	<u>52,388,459</u>
Fund balance as at 7 July	<u>645,587,393</u>	<u>401,710,079</u>



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2.5.6 Funds received

Funds received during the period are as follows:

2.5.6.1 Transfer to account

Date	Amount (USD)	Ex. Rate	Amount (Birr)
6/22/2022	2,723,468	51.7852	141,035,322
7/16/2021	792,774	44.0365	34,910,987
4/1/2022	677,640	50.9867	34,550,636
9/21/2021	1,108,949	46.0744	51,094,152
1/31/2022	115,632	49.7043	5,747,407
6/1/2022	64,930	51.5895	3,349,706
12/15/2021	91,695	48.499	4,447,154
	<u>5,575,088</u>		<u>275,135,364</u>

2.5.6.2 Direct payment to suppliers

5/31/2022	1,596,351	51.5678	82,320,355
5/31/2022	1,238,638	51.5678	63,873,809
8/18/2021	180,000	44.6687	8,040,367
	<u>3,014,989</u>		<u>154,234,531</u>
Total	<u>8,590,077</u>		<u>429,369,895</u>

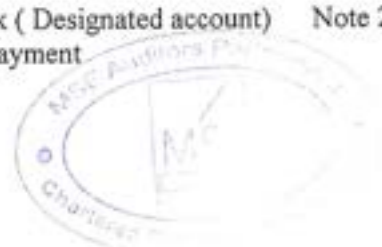
2.5.7 Expenditure

	2022 ETB	2021 ETB
Wages and contract staff	9,360,563	9,930,171
Contracted professional service	180,293,687	195,328,125
Fees and charges	2,694,548	1,982,906
Telecommunication charges	158,996	167,000
Local training	-	744,899
Miscellaneous	966	-
Office supplies	-	16,707,690
Maintenance and repair of machinery and equipment	-	26,490
Purchase of vehicles	43,224,036	78,954,471
Purchase of plant and machinery	24,082,776	130,164,287
	<u>259,815,572</u>	<u>434,006,039</u>

2.5.8 Gain on foreign currency transactions

The component of the gains from forex is as follows:

Earned from forex cash held at bank (Designated account) Note 2.4.1	73,082,440
Earned from receipt of advance repayment	1,240,550
Total	<u>74,322,990</u>



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1.9 SUMMARY OF AUDIT RESULTS

1.9.1 Audit report on the project financial statement

We have audited the Statement of Financial Position, Statement of Receipts and Expenditures of funds, and Statement of Designated Accounts of Addis Ababa City Roads Authority Transport System Improvement Project in respect of the World Bank funded activities for the period from 8 July 2021 to 7 July 2022 in accordance with International Standards on Auditing. Our audit did not identify ineligible costs during the period.

1.9.2 Review of internal control structure

We have reviewed and evaluated the system of internal control structure of Addis Ababa City Road Authority in respect of the above program.

The results of our tests of the internal control structure indicate that there were some weaknesses in internal control. See in Section 5.

1.9.3 Review of Compliance

We have reviewed the compliance of Addis Ababa City Roads Authority with the financing agreement, and with related laws, rules and regulations. The result of our review did not identify instance of non-compliance.

