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AUDITORS PARTNERSHIP  
CHARTERED CERTIFIED ACCOUNTANTS  
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15 December 2023

Addis Abeba City Roads Authority (AACRA)  
Addis Ababa, Ethiopia

Dear Sirs,

**Audit report for the year ended, 7 July 2023**

We now enclose seven signed copies of the audit report for the year ended 7 July 2023.

Kindly acknowledge safe receipt thereof.

Yours sincerely,

MSE Auditors Partnership  
Chartered Certified Accountants

**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 2023**



**MSE AUDITORS PARTNERSHIP  
CHARTERED CERTIFIED ACCOUNTANTS**



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TRANSPORT SYSTEM IMPROVEMENT PROJECT (PROJECT NUMBER P151819 AND IDA 5816-ET)  
FINANCED BY WORLD BANK LOAN  
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 7 JULY 2023**

**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 2023 and the Statement of Receipts and Expenditure, and the Summary of Activity in the Designated Account for the period from 8 July 2022 to 7 July 2023 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 2023 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 2023 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.



### 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 2023

**ADDIS ABABA CITY ROADS AUTHORITY  
TRANSPORT SYSTEM IMPROVEMENT PROJECT (PROJECT NUMBER P151819 AND IDA 5816-ET)  
FINANCED BY WORLD BANK LOAN  
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 7 JULY 2023**

**2.2 STATEMENT OF FINANCIAL POSITION**

**AS AT 7 JULY 2023**

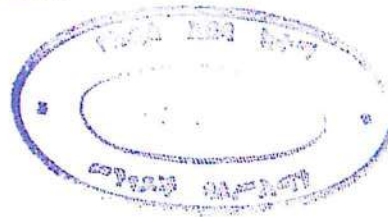
	<u>Notes</u>	<u>2023</u> <u>ETB</u>	<u>2022</u> <u>ETB</u>
<b>CURRENT ASSETS</b>			
Debtors and prepayments	2.5.3	331,376,288	152,438,162
Cash and bank	2.5.2	444,151,979	496,078,603
<b>Total Current Assets</b>		<b>775,528,267</b>	<b>648,516,765</b>
<b>CURRENT LIABILITIES</b>			
Accruals and tax obligations	2.5.4	4,545,745	2,929,372
<b>Net Assets</b>		<b>770,982,522</b>	<b>645,587,393</b>
<b>REPRESENTED BY</b>			
Fund balance	2.5.5	770,982,522	645,587,393

The financial statements on pages 11 to 13 were approved by the AACRA management on 6 December 2023 and signed on its behalf by:

\_\_\_\_\_  
Engineer Moges Tibebu  
Director General

\_\_\_\_\_  
Finance Management Directorate Director

*Meseret Engida Goshu*  
Financial Management  
Directorate Director



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**2.3 STATEMENT OF RECEIPTS AND EXPENDITURE**

<b>RECEIPTS</b>	<b>Note</b>	<b>2023 ETB</b>	<b>2022 ETB</b>
IDA credit	2.5.6	1,225,558,082	429,369,895
Gain on foreign currency transaction	2.5.8	21,517,062	74,322,990
		<u>1,247,075,144</u>	<u>503,692,885</u>
<b>EXPENDITURE</b>			
<b>Total Expenditure</b>	2.5.7	<u>1,121,680,015</u>	<u>259,815,572</u>
Excess of receipts over expenditures		125,395,129	243,877,313
Add : Opening Fund Balance		645,587,393	401,710,080
<b>Closing Fund Balance</b>		<u>770,982,522</u>	<u>645,587,393</u>

The financial statements on pages 11 to 13 were approved by the AACRA management on 6 December 2023 and signed on its behalf by:

\_\_\_\_\_  
Engineer Moges Tibebe  
Director General



\_\_\_\_\_  
Finance Management Directorate Director

*Meseret Engida Goshu*  
Financial Management  
Director of the Directorate



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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 2022	8,865,377	461,262,880
Add: Transferred from World Bank-Credit	2,645,647	141,089,378
Gain on exchange	-	<u>21,517,062</u>
Funds available for use	<u>11,511,024</u>	<u>623,869,320</u>
Less: Transfers and Expenditures/payments:		
Transfer to ETB account	3,030,000	161,182,769
Expenditures/payments	<u>1,542,146</u>	<u>83,567,804</u>
Ending balance, 7 July 2023	<u>6,938,878</u>	<u>379,118,747</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 2022	34,815,723
Add: Cash transfer from USD account	159,586,900
Other deposits	<u>1,600,000</u>
Less: Transfers and Expenditures/payments:	
Expenditures/payments	<u>130,969,391</u>
Ending balance, 7 July 2023	<u>65,033,232</u>



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**2.5.1 Accounting policies**

The principal accounting policies adopted and applied by the project are as follows:

**a. Basis of accounting**

The project financial statements are prepared in accordance with modified cash basis of accounting.

Expenditure is recognised:

- When payroll is processed, based on payroll and attendance sheet.
- At the end of the year when a grace period payable is recognised.
- When goods are received, or services are rendered.

Inter-governmental transfers are recognised in the absence of actual cash movement.

Transactions resulting from salary withholdings are recognised in the absence of actual cash movement.

**b. Funds received and expenditure**

Funds received are recognised to the extent of credit extended by the Bank to the project's designated account and any payments made by the Bank on behalf of the project.

**c. Expenditures of capital nature**

Expenditures of a capital nature are directly charged to expenditures upon purchase.

**d. Transaction currency**

The financial statements are presented in Birr. The reporting currency for the Project is Birr. However, reports on the Designated Accounts are presented in the respective currencies at which the Designated Accounts are maintained.

Transactions denominated in foreign currencies are translated into Birr and shown in the accounts at the rates ruling on the transaction dates.

The balances in the Designated Accounts are translated into local currency (ETB) and shown in the financial statements at the rate prevailing at the end of the reporting period.

**e. Direct payments**

Foreign currency direct payments made by WB to goods suppliers and service providers on behalf of the Project are translated into Birr and accounted for as funds received and expenditure in AACRA's accounts using the rate prevailing on the date of transaction.





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	<b>2023</b>	<b>2022</b>
	<b><u>ETB</u></b>	<b><u>ETB</u></b>
<b>2.5.2 Cash at bank</b>		
NBE Account no. 0100101300511	379,118,747	461,262,880
CBE Account no. 1000140448005 Sar Bet Branch	<u>65,033,232</u>	<u>34,815,723</u>
	<b><u>444,151,979</u></b>	<b><u>496,078,603</u></b>
<b>2.5.3 Debtors and prepayments</b>		
Advance to consultant	916,224	916,224
Advance to supplier	107,888,215	151,521,937
Advance to contractors	<u>222,571,848</u>	<u>-</u>
	<b><u>331,376,288</u></b>	<b><u>152,438,162</u></b>
<b>2.5.4 Accruals and tax obligations</b>		
Withholding tax payable	-	406,019
VAT payable	-	1,390,167
Audit fee payable	344,425	315,100
Pension contribution payable	-	129,323
Employment Income Tax	-	234,961
Salary payable	-	433,207
Other accruals	-	20,595
Sundry Creditors	<u>4,201,320</u>	<u>-</u>
	<b><u>4,545,745</u></b>	<b><u>2,929,372</u></b>
<b>2.5.5 Fund balance</b>		
Opening fund balance as at 8 July	645,587,393	401,710,080
Add. Excess of receipts over expenditures	<u>125,395,129</u>	<u>243,877,313</u>
Fund balance as at 7 July	<b><u>770,982,522</u></b>	<b><u>645,587,393</u></b>



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**2.5.6 Funds received**

Funds received during the period are as follows:

**2.5.6.1 Transfer to account**

<b>Date</b>	<b>Amount (USD)</b>	<b>Ex. Rate</b>	<b>Amount (Birr)</b>
8/13/2022	451,187	52.2795	23,587,825
12/20/2022	252,156	53.172	13,407,618
12/20/2022	593,371	53.172	31,550,702
1/21/2023	586,866	53.4257	31,353,749
2/20/2023	313,310	53.6543	16,810,431
5/9/2023	231,679	54.1517	12,545,804
6/21/2023	217,078	54.5114	11,833,248
	<u>2,645,647</u>		<u>141,089,378</u>

**2.5.6.2 Direct payment to suppliers**

5/7/2022	12,770,815	52.2795	667,651,833
9/11/2022	3,184,561	51.6585	164,509,627
2/14/2023	1,596,352	53.6543	85,651,144
2/28/2023	395,125	53.8752	21,287,424
4/24/2023	972,323	54.1517	52,652,967
3/25/2023	1,704,255	54.4025	92,715,710
Total	<u>20,623,431</u>		<u>1,084,468,704</u>
Total income			<u>1,225,558,082</u>

<b>2.5.7 Expenditure</b>	<b>2023</b>	<b>2022</b>
	<b>ETB</b>	<b>ETB</b>
Wages to contract staff	9,940,982	9,360,563
Miscellaneous equipment	-	966
Contracted professional services	120,075,636	180,293,687
Fees and charges	3,805,224	2,694,548
Telecommunication charges	156,000	158,995
Local training	6,179,646	-
Purchase of vehicles	938,106,056	43,224,036
Purchase of Plant and Equipment	43,416,471	24,082,776
	<u>1,121,680,015</u>	<u>259,815,572</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	21,517,062	73,082,440
Earned from receipt of advance repayment	-	1,240,550
Total	<u>21,517,062</u>	<u>74,322,990</u>





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**3 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**

Addis Ababa City Road Authority  
Transport System Improvement Project (TRANSIP) office  
Addis Ababa  
Attention: Engineer Moges Tibebu  
Director General

Dear Sir,

We have audited the accompanying financial statements of Addis Ababa City Road Authority-Transport System Improvement Project (TRANSIP) financed by International Development Association (IDA) set out on pages 11 to 13 which includes the statement of financial position, the statement of Receipts and Expenditure and statement of the Designated Accounts for the period from 8 July 2022 to 7 July 2023 and related notes to the financial statements, including summary of significant accounting policies and have issued our report on it dated 6 December 2023.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of receipts and expenditure is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the statement of receipts and expenditure amounts.

Compliance with agreement terms, laws, and regulation, contracts and binding policies and procedures are the responsibility of the management of the AACRA. As part of our audit, we selected and tested transactions and records to determine the project's compliance with agreement terms, laws, regulations, contracts, binding policies, and procedures. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of non-compliance are failure to follow requirements or violations of agreements terms and laws and regulations that causes us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement.

The results of our tests disclosed no instances of noncompliance with grant agreement, laws, and regulations.

The report is intended for the information of AACRA and IDA.

MSE Auditors Partnership  
Chartered Certified Accountants



Addis Ababa  
6 December 2023



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**4 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**

Addis Ababa City Road Authority  
Transport System Improvement Project (TRANSIP) Office  
Addis Ababa

Attention: Engineer Moges Tibebu  
Director General  
Dear Sir,

We have audited the accompanying financial statements of Addis Ababa City Road Authority-Transport System Improvement Project (TRANSIP) financed by International Development Association (IDA)-set out on pages 11 to 13 which includes the statement of financial position, the statement of Receipts and Expenditure and statement of Designated Accounts for the period from 8 July 2022 to 7 July 2023 and related notes to the financial statements, including summary of significant accounting policies and have issued our report on it dated 6 December 2023.

We conducted our audit in accordance with International Standards on Auditing. In planning and performing our audit, we considered the project's internal control over financial reporting as a basis for designing our auditing procedure, for expressing our opinion on the statement of receipts and expenditure, but not for expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the project's fund accountability statement will not be prevented or detected and corrected on a timely basis.

We have identified the following issue in internal control that we considered to be deficiency in internal control.

- The budget utilization of the project for the period under audit is only 65 % of the approved budget. Further, there are activities which were budgeted but not implemented, during the period.

The report is intended for the information of AACRA and IDA.

MSE Auditors Partnership  
Chartered Certified Accountants



Addis Ababa  
6 December 2023