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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

28 December 2022

The Director General
Ethiopian Maritime Affairs Authority
Addis Ababa

Dear Sir,

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIAN TRADE LOGISTICS PROJECT OFFICE
IDA CREDIT NO. 5995-ET
MANAGEMENT LETTER
FOR THE YEAR ENDED 7 JULY 2022**

We hereby submit our findings and recommendations on weaknesses in internal control and other matters which came to our attention during the audit of the financial statements of Ethiopian Maritime Affairs Authority, Ethiopian Trade Logistics Project Office, financed under IDA Credit No. 5995-ET, (hereinafter referred to as the Project) for the year ended 7 July 2022.

It must be appreciated that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily with a view to the expression of our opinion on the financial statements of the Project and therefore our examination cannot be expected to disclose all possible weaknesses in internal control and to uncover all other findings which a more extensive special examination might revealed.

1. Underutilized Budget

Finding

When we compared the approved budget with the used one, we noted that 69 % of the approved budget was not utilized, which implies unsatisfactory performance.

Implication

The existence of problem that impedes timely utilization of funds.

Management's response

Finding accepted.

Recommendation

Due attention should be given to use the allocated fund timely in the future.

2. Taxation compliance

Finding

There were a differences of Birr 48, 913 and Birr 164,058.35 between the subsequent clearances paid to tax office against the record balance for a Value Added Tax and a Withholding Tax payable respectively, which the recorded balances are more.

Implication

Under payment may entail penalty.

Management's response

Finding accepted.

Recommendation

The cause of the differences should be investigated in view of reconciling the payment with records.

3. Fixed asset

Findings

The fixed asset register lack the date of acquisition, supplier name, goods receiving voucher number, location and custodianship of assets.

Implication

In the absence of such information, it is difficult to ascertain the physical existence and conditions of fixed assets.

Management's response

Finding accepted. Currently, we are trying to enhance the register by entering all relevant information.

Recommendation

We recommend that fixed assets register should contain complete and all relevant information in the future.

CONCLUSION

We would like to express our appreciation to the management and staff of the Project for the assistance and courtesy extended to our representatives during the course of our audit.

We have discussed this report with the management of the Project who, in general accept our findings and recommendation. We shall be pleased to provide any further explanations that may be required.

Yours faithfully

Audit Services Corporation



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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS OF
ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET**

We have audited the accompanying financial statements of Ethiopian Maritime Affairs Authority, Ethiopia Trade Logistic Project, financed under IDA credit No. 59950-ET, which comprise the balance sheet as at 7 July 2022, 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

Ethiopian Maritime Affairs Authority 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 management determine 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 financial statements are free from material misstatements.

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 AUDITORS' REPORT ON
THE FINANCIAL STATEMENTS OF
ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET (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 Ethiopian Maritime Affairs Authority, Ethiopia Trade Logistics Project, financed under IDA credit No.59950-ET as at 7 July 2022, and of its 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 World Bank Guidelines and the terms of reference for financial audit, we report that, to the extent we can assess:

- a) All external 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;
- b) 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;
- c) All necessary supporting documents, records and accounts have been maintained in respect of all Project activities (except indicated in the management letter);

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**INDEPENDENT AUDITORS' REPORT ON
THE FINANCIAL STATEMENTS OF
ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET (continued)**

Report on Other Requirements (continued)

- d) Designated account has been maintained in accordance with the provisions of the relevant financing agreement and funds disbursed out of the account, were used only for the purposes intended in the financial agreement;
- 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) The funds disbursed covered expenditures that are eligible for financing under IDA Credit No. 59950-ET;
- g) There was a clear linkage between the books of account and the financial statements;
- h) Financial performance of the Project is not satisfactory as indicated in the management letter.

Furthermore, with respect to the Interim Financial Reports (IFRs) submitted during the period and listed on page 12, in our opinion,

- i) the reports, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals;
- ii) adequate supporting documentation has been maintained to support the expenditures incurred (except indicated in the management letter); and
- iii) Which expenditures are eligible for financing under IDA Credit No. 59950-ET.

Audit Services Corporation

28 December 2022

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
BALANCE SHEET
AS AT 7 JULY 2022**

| | Notes | Birr | <u>2021 Birr</u> |
|----------------------------|-------|-----------------------------|-----------------------------|
| CURRENT ASSETS | | | |
| Cash and bank balances | 3 | 584,009,904 | 548,798,129 |
| Accounts receivable | 4 | 877,459,163 | 75,589,075 |
| Goods in transit | 5 | <u>58,136,567</u> | <u>549,600,321</u> |
| | | 1,519,605,634 | 1,173,987,525 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 6 | <u>19,090,810</u> | <u>1,119,218</u> |
| NET CURRENT ASSET | | <u>1,500,514,824</u> | <u>1,172,868,307</u> |
| REPRESENTED BY | | | |
| FUND BALANCE | 7 | <u>1,500,514,824</u> | <u>1,172,868,307</u> |

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2022**

| SOURCES | Notes | <u>Birr</u> | Cumulative 8 | 2021 |
|--|--------------|---------------------------|------------------------------------|---------------------------|
| | | | Nov.2016 to 7 July 2022 | <u>Birr</u> |
| IDA – IFR Procedures | 8 | 997,127,588 | 1,886,823,696 | 503,069,787 |
| IDA – Direct Payments | | 67,428,035 | 142,993,116 | - |
| IDA _Special commitment | | 7,406,277 | 298,807,346 | 35,468,350 |
| Gain on foreign exchange | | 113,879,322 | 172,223,163 | 45,986,686 |
| Other income | | <u>15,594</u> | <u>564,698</u> | <u>516,008</u> |
| | | <u>1,185,856,816</u> | <u>2,501,412,019</u> | <u>585,040,831</u> |
| USES | | | | |
| Regulatory and institutional capacity support | 9 | <u>858,210,299</u> | <u>1,000,897,195</u> | <u>62,427,591</u> |
| EXCESS OF SOURCES OVER USES | | <u>327,646,517</u> | <u>1,500,514,824</u> | <u>522,613,240</u> |

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
DESIGNATED ACCOUNT STATEMENT**

For period ended 7 July 2022
 Account number 100721300009
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related credit IDA 5995-ET
 Currency USD

| | <u>USD</u> | <u>Birr</u> |
|--|--------------------------|---------------------------|
| Opening balance – 8 July 2021 | 12,294,106 | 538,890,023 |
| Add: Advance received from the World Bank | <u>22,071,813</u> | <u>997,127,588</u> |
| Other income | 34,365,919 | 1,536,017,611 |
| | <u>203</u> | <u>10,506</u> |
| | 34,366,122 | 1,536,028,118 |
| Less: Transfer to Birr account Expenditure/Payments | - | - |
| | <u>23,632,488</u> | <u>1,085,854,961</u> |
| Add: Gain on foreign exchange | | 450,173,157 |
| | | <u>113,879,322</u> |
| Ending balance 07 July 2022 | <u>10,733,634</u> | <u>564,052,479</u> |

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The Federal Democratic Republic of Ethiopia and the International Development Association (IDA) entered into an agreement dated 7 April 2017 to finance the Trade Logistics Project. The later agreed to extend to the former a credit in an amount equivalent to SDR110,400,000 to assist in financing the mentioned Project. The Project will be implemented by the Ministry of Transport through the Ethiopian Maritime Affairs Authority.

The objective of the Project is to enhance the performance of the Ethio -Djibouti corridor through improvements in operational capacity, efficiency and range of logistics services at Modjo Dry Port.

The Project consists of three components:

Component 1: Improvement of infrastructure at Modjo;

Component 2: Enhancing coordination through investments in IT systems; and

Component 3: Regulatory and Institutional Capacity Support.

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 Birr. Transactions in foreign currencies 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 rates ruling at the balance sheet date.

ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. CASH AND BANK BALANCES

| | <u>Birr</u> | 2021 <u>Birr</u> |
|-------------------------------------|---------------------------|---------------------------|
| National Bank of Ethiopia Accounts: | | |
| USD Account no. 0100721300009 | 564,052,479 | 538,890,023 |
| Birr Account no. 0100721040019 | <u>19,924,538</u> | <u>9,857,954</u> |
| | 583,977,017 | 548,747,977 |
| Cash on Hand | <u>32,887</u> | <u>50,152</u> |
| | <u>584,009,904</u> | <u>548,798,129</u> |

4. ACCOUNTS RECEIVABLE

| | <u>Birr</u> | 2021 <u>Birr</u> |
|---------------------------------|---------------------------|--------------------------|
| Advance-Terberg Benschop | - | 10,932,925 |
| Advance-Jhon. Achelis & Sohne | - | 10,617,927 |
| Advance- Konecranes Liftertruck | - | 54,014,227 |
| Advance -CCECC | 869,949,122 | - |
| Advance-Tsemex Global Enterp. | 6,950,005 | - |
| National Oil Ethiopia | 109,889 | 23,079 |
| Other receivables | 295,401 | - |
| Staff debtors | <u>154,745</u> | <u>917</u> |
| | <u>877,459,163</u> | <u>75,589,075</u> |

5. GOODS IN TRASIT

SUPPLIERS

| | <u>Birr</u> | 2021 <u>Birr</u> |
|---------------------------------|--------------------------|---------------------------|
| KONKRANE -Sweden | 67,154.16 | 384,486,609 |
| JOH ACHELIS AND SOEHNE -Germany | 14,367.81 | 82,241,404 |
| TERBERG -Netherlands | 14,478.03 | 82,872,308 |
| Buiscar Cargo Solution | 4,299,936 | - |
| WEIHUA Heavy Machinery | <u>53,740,632</u> | - |
| | <u>58,136,567</u> | <u>549,600,321</u> |

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. ACCOUNTS PAYABLE

| | Birr | 2021 Birr |
|------------------------------|-------------------|----------------------|
| Pension contribution payable | 145,033 | 299,663 |
| Withholding tax payable | 2,103,922 | 112,304 |
| Income tax payable | 605,017 | 625,220 |
| VAT payable | 7,309,751 | 79,807 |
| Retention | 8,923,958 | - |
| Other Payables | 905 | - |
| Staff payable | <u>2,224</u> | <u>2,224</u> |
| | <u>19,090,810</u> | <u>1,119,218</u> |

7. FUND BALANCE

| | Birr | 2021 Birr |
|-----------------------------|----------------------|----------------------|
| Balance as at 8 July 2021 | 1,172,868,307 | 650,255,067 |
| Excess of sources over uses | <u>327,646,517</u> | <u>522,613,240</u> |
| Balance as at 7 July 2022 | <u>1,500,514,824</u> | <u>1,172,868,307</u> |

8. IDA – IFR PROCEDURES

| | USD | Birr |
|--------------------------------------|-------------------|--------------------|
| Transfer from IDA - Date -7/28/2021 | 11,600,474 | 513,271,097 |
| Transfer from IDA - Date -10/04/2021 | <u>10,471,339</u> | <u>483,856,491</u> |
| | <u>22,071,813</u> | <u>997,127,588</u> |

ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. REGULATORY AND INSTITUTIONAL CAPACITY SUPPORT

| | <u>Birr</u> | <u>2021</u> <u>Birr</u> |
|-----------------------------------|--------------------|----------------------------|
| Wages to contract staff | 23,448,301 | 23,020,058 |
| Labor charge | 45,097 | 175,286 |
| Pension contribution | 2,273,162 | 2,294,930 |
| Office supplies | 407,957 | 554,052 |
| Printings | 62,804 | 19,131 |
| Fuel and lubricants | 233,006 | 197,334 |
| Other Materials & Supplies | 394,711 | - |
| Miscellaneous Equipment's | 5,932 | - |
| Per diem and room charge | 1,910,048 | 1,762,022 |
| Transport Expense | 432,778 | 16,930 |
| Office refreshment | 2,193,976 | 872,825 |
| Maintenance and repair of vehicle | 494,955 | 124,294 |
| Furniture maintenance | 3,490 | 280 |
| Consultancy service | 8,831,607 | 9,604,533 |
| Rent | 2,664,119 | 3,521,173 |
| Advertising | 621,036 | 211,285 |
| Insurance | 103,515 | - |
| Fees & charges | 3,573,375 | 333,337 |
| Telephone expense | 247,525 | 83,926 |
| Training expense-local | 2,027,325 | 1,051,791 |
| Training Expense(Abroad) | 1,202,745 | - |
| Plant & Machinery | 702,000,011 | - |
| Office equipment | 2,135,075 | 2,004,326 |
| Office Furniture & Fixtures | 207,122 | - |
| Design study | - | 15,292,278 |
| Infrastructural Development | 102,686,629 | - |
| Transport expense | - | - |
| R & M Building & Equipment | - | 89,248 |
| Insurance | - | 48,026 |
| Office Furniture & Fixture | - | 660,134 |
| Infrastructural Development | - | 453,776 |
| Miscellaneous | 4,000 | 36,616 |
| | <u>858,210,299</u> | <u>62,427,591</u> |

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
NOTES TO THE FINANCIAL STATEMENTS (continued)**

10. DATE OF AUTHORIZATION

The Manager of Ethiopia Trade Logistics Project authorized the issue of these financial statement on 28 December 2022.

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
IFR WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITTED DURING THE YEAR ENDED 7 JULY 2022**

| | <u>USD</u> | <u>BIRR</u> |
|-------------|-----------------------------|---------------------------|
| 1st Quarter | 11,600,474.11 | 513,271,097 |
| 2nd Quarter | - | - |
| 3rd Quarter | - | - |
| 4th Quarter | <u>10,471,339.00</u> | <u>483,856,491</u> |
| | <u>22,071,813.11</u> | <u>997,127,588</u> |

**ETHIOPIAN MARITIME AFFAIRS AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET
BUDGET UTILIZATION SCHEDULE (IN USD)**

| | Allocated project budget (2017- 2022) | Budget for Audit period | Actual expenditure Audit Period | Remaining balance from audit period budget (E=C-D) | Actual expenditure YTD | Remaining project period (YTD) |
|---|--|------------------------------------|--|---|---------------------------------------|---|
| | (B) | (C) | (D) | (E=C-D) | F | (G=B-F) |
| Improvement of infrastructure at Modjo port(Commitment and Goods in transit) | 120,000,000 | 64,607,501 | 22,049,346 | 42,558,155 | 35,786,121 | 84,213,879 |
| Coordination through IT system | 15,000,000 | 6,739,322 | 8,720 | 6,730,602 | 307,732 | 14,692,268 |
| Capacity support | <u>15,000,000</u> | <u>2,878,322</u> | <u>1,085,740</u> | <u>1,792,582</u> | <u>4,263,019</u> | <u>10,736,981</u> |
| Total | <u>150,000,000</u> | <u>74,225,145</u> | <u>23,143,806</u> | <u>51,081,339</u> | <u>40,356,872</u> | <u>109,643,128</u> |

Reconciliation of unutilized allocated budget

| | <u>USD</u> |
|---------------------------------------|---------------------------|
| Balance in World Bank at 07 July 2022 | 98,909,494 |
| Balance in NBE at 07 July 2022 | <u>10,733,634</u> |
| | <u>109,643,128</u> |

**ETHIOPIAN MARITIME AUTHORITY
ETHIOPIA TRADE LOGISTICS PROJECT
IDA CREDIT NO. 59950-ET**

LIST OF NON-EXPENDABLE ASSETS

| S/N | Fixed asset Name | Quantity | Cost |
|--------------|---|-----------------------|-------------------|
| 1 | HP Coulor Laserjet Pro MFPM277n Printer | 2 | 59,320 |
| 2 | HP Laserjet M130fn Printer | 5 | 111,000 |
| 3 | UPS 1500 VA | 10 | 50,000 |
| 4 | Lenovo Laptop Model 81AX (Cori 5, 8GB RAM 1TB HD) | 15 | 360,000 |
| 5 | CISCO SWICH 48 PORT | 1 | 45,885 |
| 6 | Imported High back chair | 28 | 385,700 |
| 7 | Excutive L-shaped Table | 25 | 380,000 |
| 8 | Coffee table | 4 | 19,200 |
| 9 | Guest Chair | 30 | 114,000 |
| 10 | Conference Chair-mesh | 24 | 91,200 |
| 11 | Lateral File cabinet-Upper glass Door | 10 | 78,000 |
| 12 | Managerial L-shaped Table 200x100x76 | 4 | 79,200 |
| 13 | Nissan Double Cabin Picup | 2 | 5,856,652 |
| 14 | Nissan 2WD Sedan Automobile | 2 | 4,291,521 |
| 15 | Vertical Blined Shutter | 210.2 m ² | 156,520 |
| 16 | Office Partion | 162.38 m ² | 243,570 |
| 17 | Epson Printer | 4 | 93,732 |
| 18 | Kyocera Printer | 1 | 12,500 |
| 19 | HP Coulor Printer | 3 | 103,500 |
| 20 | HP Laptop Cori 17 Computer | 10 | 640,000 |
| 21 | Samsung Galaxy TAs7 Mobile | 8 | 367,920 |
| 22 | External Hard Disk | 15 | 65,099 |
| 23 | Dell Desktop Computer | 8 | 276,000 |
| 24 | Sharp Photocopiet | 3 | 417,000 |
| 25 | Router with Epson Port | 1 | 28,574 |
| 26 | Cofee Table | 9 | 31,500 |
| 27 | Book Shelf | 19 | 151,500 |
| 28 | Conference Table | 1 | 7,000 |
| 29 | L-Shaped Sofa | 1 | 42,750 |
| 30 | Filing Cabinet | 3 | 21,600 |
| 31 | Dixon Shelf | 12 | 64,800 |
| 32 | HP Laptop Cori 17 Computer | 1 | 87,000 |
| 33 | Meeting Table | 2 | 79,652 |
| 34 | Guest Chair | 18 | 46,956 |
| 35 | Group Table | 1 | 18,595 |
| 36 | Box 3 Doors | 2 | 10,435 |
| 37 | 236 L Refrigerator | 2 | 52,762 |
| 38 | 36.6 Lt Mini Oven | 2 | 18,722 |
| 39 | 20 Lt Water Dispenser | 2 | 20,470 |
| 40 | 34 Lt Microwev Oven | 2 | 21,896 |
| 41 | HP Laserjet M404dn Printer | 6 | 213,000 |
| 42 | Dell Desktop Core i5 Computer | 2 | 147,000 |
| 43 | Sony LED TV | 2 | 479,990 |
| 44 | Video Camera Accessories | Set | 58,570 |
| 45 | Sony LED TV | 1 | 239,995 |
| 46 | Canon Video Camera | 1 | 848,725 |
| 47 | L-Shaped Sofa | 1 | 43,000 |
| 48 | Imported High back chair | 5 | 47,900 |
| 49 | conference Guest Chair | 10 | 53,237 |
| 50 | Single Pedstal Table | 5 | 30,585 |
| Total | | | 17,163,733 |