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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF HARAMAYA UNIVERSITY
AFRICA CENTER OF EXCELLENCE FOR CLIMATE SMART AGRICULTURE AND
BIODIVERSITY CONSERVATION PROJECT
FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA HIGHER
EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-ET

We have audited the accompanying financial statements of Climate Smart Agriculture and Biodiversity Conservation (Climate SABC) Project, Financed by The World Bank -Eastern and Southern Africa Higher Education Centers of Excellence (ACE II), IDA Credits No. 5794-ET of Haramaya University- Africa Center of Excellence (ACE) which comprise the balance sheet as at 7 July 2020, 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.

Responsibility for the Financial Statements

The Haramaya University -African Centre of Excellence 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 Institution 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 STATEMENTS OF HARAMAYA UNIVERSITY,
AFRICA CENTER OF EXCELLENCE - CLIMATE SMART AGRICULTURE AND
BIODIVERSITY CONSERVATION PROJECT
FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA HIGHER
EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-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 the Climate Smart Agriculture and Biodiversity Conservation (Climate SABC) Project funded by The World Bank -Eastern and Southern Africa Higher Education Centers of Excellence (ACE II), IDA Credits No 5794-ET of Haramaya University- Africa Center of Excellence (ACE) as at 7 July 2020 and 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 described in note 2 to the financial statements.

Report on other requirements

As required by the World Bank guidelines 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 agreements, 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 agreements 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;
- d) Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the Accounts were used only for the purposes intended in the financing agreements;
- e) National laws and regulations have been complied with and that the financing and accounting procedures approved for the Project were followed and used;
- f) Financial performances of the Project is satisfactory;

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**INDEPENDENT AUDITOR'S REPORT ON THE
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AFRICA CENTER OF EXCELLENCE - CLIMATE SMART AGRICULTURE AND
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FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA HIGHER
EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-ET (continued)**

Report on other requirements (continued)

- g) Assets procured from project funds, apart from where reported to the contrary within this report, exist and there is a verifiable ownership by Haramaya University ACE or beneficiaries in line with the financing agreement; and
- h) In accordance with the TOR, Eligible Expenditure Programs (EEPs) for the Project is salary expenditure of Haramaya University, College of Agriculture and Environmental Sciences incurred during the period 8 July 2019 to 7 July 2020. We have verified that total salary expenditure incurred during the period is ETB 33,735,351.83 (Annex 1) however, according to the two semi-annual interim financial statements that the ACE has reported to the World Bank the total EEP balance for the year was reported as Birr 35,158,260.86 leaving unexplained difference of Birr 1,422,909.

Furthermore, with respect to the interim financial reports (IFRs) submitted during the year as annexed to this report, in our opinion,

- i) the reports, together with the procedures and internal controls involved in their preparation, apart from where reported to the contrary within this report, can be relied upon to support the related withdrawals;
- ii) adequate supporting documentation has been maintained to support the expenditures incurred and said expenditures are eligible for financing under IDA credit No. 5794-ET;
- iii) no ineligible expenditures came to our attention in the course of our audit.

Audit Services Corporation

2 January 2021

HARAMAYA UNIVERSITY
 AFRICA CENTER OF EXCELLENCE FOR CLIMATE SMART AGRICULTURE AND
 BIODIVERSITY CONSERVATION PROJECT
 FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA HIGHER
 EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-ET
 BALANCE SHEET
 AS AT 7 JULY 2020

	Notes	2020 Ethiopian Birr	2019 Ethiopian Birr
CURRENT ASSETS			
Receivables	3	3,305,224	2,712,773
Cash and bank balances	4	<u>40,887,978</u>	<u>4,411,271</u>
		44,193,202	7,124,044
CURRENT LIABILITIES			
Payables	5	<u>1,611,412</u>	<u>924,743</u>
NET CURRENT ASSETS		<u>42,581,790</u>	<u>6,199,301</u>
REPRESENTED BY			
FUND BALANCE	6	<u>42,581,790</u>	<u>6,199,301</u>

The notes on pages 7 to 10 form an integral part of these financial statements.

HARAMAYA UNIVERSITY
 AFRICA CENTER OF EXCELLENCE FOR CLIMATE SMART AGRICULTURE AND
 BIODIVERSITY CONSERVATIONPROJECT
 FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA
 HIGHER EDUCATIONCENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-ET
 STATEMENT OF SOURCES AND USES OF FUNDS
 FOR THE YEAR ENDED 7 JULY 2020

	Note	Year ended 7 July 2020 Birr	Cumulative from 9 May 2017 to 7 July 2020 Birr	Year ended 7 July 2019 Birr
SOURCES				
IDA Credit		48,247,337	73,426,224	-
Students' stipend from IUCEA		-	812,352	812,352
Gain on foreign exchange		<u>3,019,836</u>	<u>8,480,203</u>	<u>653,762</u>
		<u>51,267,173</u>	<u>82,718,779</u>	<u>1,466,114</u>
USES				
Goods, services and operating expenses	7	<u>14,884,684</u>	<u>40,136,989</u>	<u>15,563,119</u>
EXCESS /(DEFICIT) OF SOURCES OVER USES				
		<u>36,382,489</u>	<u>42,581,790</u>	<u>(14,097,005)</u>

The notes on pages 7 to 10 form an integral part of these financial statements.

HARAMAYA UNIVERSITY
 AFRICA CENTER OF EXCELLENCE FOR CLIMATE SMART AGRICULTURE AND
 BIODIVERSITY CONSERVATION PROJECT
 FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA
 HIGHER EDUCATION CENTERS OF EXCELLENCE (ACE II)
 IDA CREDIT No 5794-ET, PROJECT No. P151847
 DESIGNATED ACCOUNT STATEMENT

For year ended	7 July 2020
Account number	0102081300001
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related credit	IDA credit No. 5794-ET
Currency	USD

	USD	Equivalent in Ethiopian Birr
Beginning balance - 7 July 2019	115,183.88	3,333,064
Add:		
Transfer from the World Bank	1,495,488.59	48,247,337
Transfer to the University wrongly included	<u>9,996.00</u>	<u>290,192</u>
	<u>1,620,668.47</u>	<u>51,870,593</u>
Less:		
Transfer to Birr account	349,126.88	10,560,756
Payment for goods and services	118,511.66	4,188,849
Bank services charge	<u>873.12</u>	<u>26,411</u>
	<u>468,511.66</u>	<u>14,776,016</u>
Gain on exchange rate difference	1,152,156.81	37,094,577
	-	<u>3,019,836</u>
Ending Balance -7 July 2020	<u>1,152,156.81</u>	<u>40,114,413</u>

The notes on pages 7 to 10 form an integral part of these financial statements.

**HARAMAYA UNIVERSITY
AFRICA CENTER OF EXCELLENCE FOR CLIMATE SMART AGRICULTURE AND
BIODIVERSITY CONSERVATION PROJECT
FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA
HIGHER EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The Federal Democratic Republic of Ethiopia and the International Development Association (IDA) entered into an agreement to finance centers of excellence in August 2016. The latter agreed to extend a credit of USD 24 million and out of which USD 6 million is allocated to the Centre of Excellence in Climate Smart Agriculture and Biodiversity Conservation (ACE Climate SABC) under Haramaya University.

The objective of the Project is to support the center of excellence to deliver quality post graduate education and build collaborative research capacity in the regional priority areas.

The Project, with effective date of 26 May 2016, is expected to end on 31 December 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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. Foreign currency balances are translated into Birr at exchange rates ruling at the balance sheet date.

HARAMAYA UNIVERSITY
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 NOTES TO THE FINANCIAL STATEMENTS (continued)

3. RECEIVABLES

	2020 Ethiopian Birr	2019 Ethiopian Birr
Staff debtors	426,554	442,894
Sundry debtors	117,055	73,335
Research Advance	<u>2,761,615</u>	<u>2,196,544</u>
	<u>3,305,224</u>	<u>2,712,773</u>

4. CASH AND BANK BALANCES

	2020 Ethiopian Birr	2019 Ethiopian Birr
USD Designated Account No. 0102081300001	40,114,413	3,333,065
ETB Designated Account No. 1000191532857	<u>773,565</u>	<u>1,078,206</u>
	<u>40,887,978</u>	<u>4,411,271</u>

5. CREDITORS

	2020 Ethiopian Birr	2019 Ethiopian Birr
Sundry	1,061,023	550,632
Pension payables	18,880	52,262
Unclaimed salary	21,465	-
Taxes payables	<u>510,044</u>	<u>321,849</u>
	<u>1,611,412</u>	<u>924,743</u>

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 HIGHER EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No 5794.
 NOTES TO THE FINANCIAL STATEMENTS (continued)

6. FUND BALANCE

	2020 Ethiopian Birr	2019 Ethiopian Birr
Balance at 7 July 2019	6,199,301	20,296,306
Add: Excess of sources over uses for the year	<u>36,382,489</u>	<u>(14,097,005)</u>
Balance at 7 July 2020	<u>42,581,790</u>	<u>6,199,301</u>

7. GOODS, SERVICES AND OPERATING EXPENSES

Purchase of Vehicle & Equipment	14,835	4,173,578
Stipend –PhD & MSc	5,793,112	4,709,201
Salaries and Wages	2,379,833	2,207,812
Transportation Fee	257,135	878,853
Training and Workshop	76,987	290,839
Per diem	1,250,182	846,604
Lecturers Fee and Per diem	1,025,628	1,250,427
Pension	255,034	240,439
Book Allowance –PhD & MSc students	152,672	255,868
Entertainment-Teaching Learning	279,547	334,860
Research and development MSc	3,035,566	99,856
Miscellaneous	22,053	22,953
Audit Fee	-	69,000
Loading & Unloading	8,600	8,300
Maintenance	187,035	45,698
Advertising Expenses	48,217	-
Office Supplies and Sanitation	10,757	7,934
Printing	5,200	52,743
Fuel and Lubricants	34,191	68,154
Building furniture & fixtures	31,300	-
Office running costs	<u>16,800</u>	-
	<u>14,884,684</u>	<u>15,563,119</u>

**HARAMAYA UNIVERSITY
AFRICA CENTER OF EXCELLENCE FOR CLIMATE SMART AGRICULTURE AND
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HIGHER EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794
NOTES TO THE FINANCIAL STATEMENTS (continued)**

8. DATE OF AUTHORIZATION

The Leader, Africa Center of Excellence for Climate Smart Agriculture and Biodiversity Conservation authorized the issue of these financial statements on 2 January 2021.

**HARAMAYA UNIVERSITY- AFRICA CENTER OF EXCELLENCE
CLIMATE SMART AGRICULTURE AND BIODIVERSITY CONSERVATION PROJECT
FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA
HIGHER EDUCATIO CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-ET
IFR WITHDRAWAL SCHEDULE**

For Reimbursements application submitted during the year from 8 July 2019 to 7 July 2020

<u>Application No</u>	<u>World Bank's Reference No.</u>	<u>Amount Requested SDR</u>	<u>Amount Requested USD</u>	<u>Amount disbursed USD</u>	<u>Equivalent in Ethiopian Birr</u>
02	IDA 57940 HARAMAYA 02	306,162.18	417,681.76	417,681.76	12,227,675.29
04	IDA 57940 HARAMAYA 04	383,250.00	528,482.58	528,482.58	17,111,261.82
06	IDA 57940 HARAMAYA 06	<u>396,177.77</u>	<u>549,324.25</u>	<u>549,324.25</u>	<u>18,908,399.87</u>
Total		<u>1,085,589.95</u>	<u>1,495,488.59</u>	<u>1,495,488.59</u>	<u>48,247,336.98</u>

ANNEX II

HARAMAYA UNIVERSITY
AFRICA CENTER OF EXCELLENCE FOR CLIMATE SMART AGRICULTURE AND
BIODIVERSITY CONSERVATION PROJECT
FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA
HIGHER EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-ET
RECONCILIATION OF BIANNUALLY INTERIM FINANCIAL REPORTS (IFRs)
WITH THE YEAR END STATEMENT OF SOURCES AND USES OF FUNDS AND
BALANCE SHEET

	Semi-annual Period Ending January 08, 2020	Semi-annual Period Ending July 07, 2020	Adjustments made After The Semi- annual IFR Submitting to the World Bank	Cumulative for the year ended 7 July 2020
	Ethiopian Birr	Ethiopian Birr	Ethiopian Birr	Ethiopian Birr
Opening Cash Balance - World Bank IDA Funds	3,357,321	13,046,860.80	1,053,950	4,411,271
World Bank IDA Funds :-				
Less : Accounts Payables	925,044	1,048,981.49	300	-924,744
Add: Accounts Receivable	2,669,853	(2,770,471.27)	43,120	2,712,773
ACCUMULATED FUND 7 JULY 2019 & 9 January 2020	5,101,930	11,323,308.02	1,097,370	6,199,300
ADD : Receipts (SOURCES)				
World Bank funding-IDA Credit	12,227,675	36,019,662		48,247,337
Gain on foreign exchange	-	4,073,788	(1,053,950)	3,019,836
Adjusted Total Financing Balance	<u>12,227,675</u>	<u>40,093,448</u>	43,420	51,267,173
Les: ACE Expenditure as per Project Implementation Plan				
Achieving Excellence in Training	3,339,712	3,428,6745		6,768,387
Improving the learning experience	1,253,546	733,398		1,986,944
Developing Regional Partnerships and Programs	19,534	42,947		62,481
Promote applied research	73,608	123,936		197,544
Management and governance	1,319,898	1,945,174		3,266,072
Total Uses of Funds by Components	6,006,298	6,275,130		12,281,428
Add Expenditure added during the last month of the year but after the 2 nd Semi-annual report being submitted		2,603,256	2,603,256	2,603,256
Total Uses of Funds	<u>6,006,298</u>	<u>8,878,386</u>		<u>14,884,684</u>
Closing Balances	<u>11,323,308</u>	<u>42,538,370</u>	43,420	42,581,790
			Balances reporting Differences which ultimately Nils out	
World Bank IDA Funds:				
Add: Accounts Payables	1,048,981.49	1,319,534	1,686	1,321,220
Less: Accounts Receivable	(2,770,471.27)	-3,837,088	(531,865)	(1,305,223)
Others fund				
Add: Accounts Payables	-	290,192	-	290,192
Total Closing Cash Balance	<u>13,046,860.80</u>	<u>40,354,427</u>	533,551	40,887,978

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FINANCED BY THE WORLD BANK- EASTERN AND SOUTHERN AFRICA
HIGHER EDUCATION CENTERS OF EXCELLENCE (ACE II), IDA CREDIT No. 5794-ET**

Eligible Expenditure Programs (EEPs)

In accordance with the TOR, Eligible Expenditure Programs (EEPs) for the Project is salary expenditure of Haramaya University, College of Agriculture and Environmental Sciences incurred during the period 8 July 2019 to 7 July 2020. We have verified the total salary expenditure incurred during the period under audit totalling ETB 33,735,352.83. The details are:

Salary expenses of the College of Agriculture for the month of:	2020 Ethiopian Birr	2019 Ethiopian Birr
8 July 2019 to 07 August 2019	2,724,290.00	2,516,007.00
08 August 2019 to 07 September 2019	3,009,023.00	2,519,445.00
08 September 2019 to 07 October 2019	2,765,522.00	2,297,319.00
08 October 2019 to 07 November 2019	2,734,180.00	2,672,620.00
08 November 2019 to 07 December 2019	2,701,773.00	2,705,801.00
08 December 2019 to 07 January 2020	2,724,023.83	2,705,801.00
08 January 2020 to 07 February 2020	2,751,197.00	2,772,377.00
08 February 2020 to 07 March 2020	2,758,609.00	2,743,272.00
08 March 2020 to 07 April 2020	2,994,009.00	2,723,157.00
08 April 2020 to 07 May 2020	2,780,635.00	2,710,293.00
08 May 2020 to 07 June 2020	2,790,991.00	2,758,048.00
08 June 2020 to 07 July 2020	3,001,099.00	2,185,657.24
TOTAL	33,735,351.83	31,309,797.24