



**MINISTRY OF AGRICULTURE
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
REPORT TO MANAGEMENT
FOR THE PERIOD ENDED 7JULY 2025**



Chartered Certified Accountants and Authorized Auditors
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Ministry of Agriculture
Resilient Landscapes and Livelihoods Project (RLLP) II

Dear Sirs,

Management letter for the interim period ended 07 July 2025

We have recently completed our hard-close audit of the MOA- RLLP II project's financial statements which we conducted in accordance with International Standards on Auditing ("ISAs"). Those standards require that we plan and perform the audit to obtain reasonable assurance that the interim financial statements are free of material misstatements but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit is conducted to enable us to form and express an opinion on the financial statements that have been prepared by management. The audit of the financial statements does not relieve management of their responsibilities. However, in accordance with our normal practice, we write to draw your attention to certain matters which we identified during our audit. Those issues are set out in the attached report.

Management responses have been provided through the coordination of the Finance Department.

We would like to thank the management and staff for their assistance and co-operation during the audit.

We would be pleased to provide any clarification that you may require on the issues raised in this report.

Yours faithfully,



HST Audit Limited Liability Partnership
Addis Ababa

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full commercial impact before they are implemented. This report has been prepared solely for your use as management and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

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1 PERFORMANCE RATINGS ON AREAS REVIEWED

For ease of follow up and to enable your management to focus effectively in addressing the issues in our report, we have classified the issues arising from our audit in order of significance: "High", "Medium" and "Low". In ranking the issues between "High", "Medium" and "Low" ISAs require us to consider the relative importance of a matter, taken in context. We judge the significance of each matter in the context in which it is being considered. This might include, for example, the reasonable prospect of its changing or influencing the decisions of intended users of the financial statements; or, as another example, where the context is a judgment about whether to report you or to your entity's management, whether the matter would be regarded as important by them in relation to their duties. We consider significance in the context of both quantitative and qualitative factors, such as relative magnitude, the nature and effect on the subject matter and the expressed interests of intended users or recipients.

The table below presents a summary of the audit findings. This table provides both summaries of each finding and a visual indicator of the significance of each, as assessed by HST Audit Limited Liability Partnership.

Key to Summary:

High	Addresses a fundamental control weakness or significant operational issue that should be resolved by management as a priority.
Medium	Addresses a control weakness or operational issue that should be resolved by management within a reasonable period of time.
Low	Addresses a potential improvement opportunity in operational efficiency/effectiveness.

2 Southwest Ethiopia Region

2.1 Gewata and Shy bench woredas

Observation

In both Gewata and Shy Bench woredas, individual financial transactions were not recorded separately in the Peachtree accounting system. Instead, expenditures were aggregated by nature into broad categories, and a single journal entry was posted for each category. This practice has made it challenging to trace and verify individual transactions against their corresponding supporting documents, thereby limiting the reliability and transparency of the financial records.

Recommendation

To improve the accuracy, transparency, and auditability of financial records, Gewata and Shy Bench woredas should ensure that all financial transactions are recorded individually in the Peachtree accounting system at the time they occur.

Medium

Management response

We accepted the recommendation and the region recorded all individual accounts separately in Peachtree software. And additionally, NPCU will organize training and give continuous support for woreda accountants.

2.2 Region and all sampled woredas

2.2.1 Cash and cash equivalents

Observation

We noted a variance of ETB 45,438 at Esara woreda between the reported bank balance of ETB 6,428,280 and the balance confirmed by the bank amounting to ETB 6,382,841.

Recommendation

We recommend investigating and resolving all unreconciled items, post necessary adjustments, and strengthen monthly bank reconciliation controls with timely preparation, independent review, and proper documentation to prevent future discrepancies and ensure accurate cash reporting.

Significance

Medium

Management response

In Esara woreda cash at bank at the end of July 7/7/025 Gc was Br 6,382,841.00 but the bank confirmation letter as they have mentioned on their letter was Br 6,428,280.00, The remaining Br 45,438 was the outstanding check balance. For your reference we attached July 07,2025 bank reconciliation along with subsequent month bank statement.

3 Sidama Region

3.1 Procurement

Observation

We noted that procurements valued at ETB 3,465,943 were executed without inviting competitive bidders. Instead of soliciting quotations from multiple suppliers, the purchases were made from a single supplier contrary to the requirements of Federal Public Procurement Directive (Directive No. 1073/2025).

1-Region

The purchase of services from MOENCO amounting to ETB 165,943.09 (Document No. BPV 0000868) was processed without adequate consideration of value for money. Only one proforma invoice issued by the same service provider was collected, and no evidence was found to demonstrate that MOENCO is the exclusive provider. As a result, the reasonableness of the price could not be determined.

2- Bursa Woreda

The purchase of Cleaned Seed C2 from Soufflet Malt Ethiopia S.C. amounting to ETB 3,300,000 (Document No. CPV 545231) was undertaken without adequate value-for-money assessment. Only one proforma from the same supplier was collected, and there is no evidence showing that Soufflet Malt Ethiopia S.C. is the sole provider. Therefore, the reasonableness of the price could not be verified.

Recommendation

We recommend management to obtain multiple quotations for similar service procurements or attach formal justification when using a sole supplier. Strengthen procurement oversight to ensure value-for-money assessments are consistently performed

Medium

Management response

1. MOENCO is the sole authorized maintenance service provider and possesses Toyota approved tools, genuine spare parts and software for compliant servicing of Toyota Vehicles in the region as certified by the manufacturer and in connection with this one page of documentary evidence and invoice are attached.
2. The primary reason for selecting Sofflet Malt Ethiopia S.C was their provision of certified, high-quality seed (C2) Specifically adapted to our local agro-ecological conditions and processing standards. Their seed offers superior germination rates, disease resistance, and yield potential, which are critical for the success of our out-grower program and overall production goals. This verified technical superiority and consistency presented a qualitative advantage that was integral to the project's success.

In addition Direct procurement is one of the procurement methods that is included in the project documents like PIM, PAD, procurement manual and PPSD. It is also approved by the WB in the procurement plan to be procured in the direct procurement method that the seed is sensitive to procure in the competitive base.