

MINISTRY OF AGRICULTURE (MoA)

**RESILIENT LANDSCAPES AND
LIVELIHOODS PROJECT (RLLP) II**

**FINANCIAL STATEMENTS
AND AUDIT REPORT
FROM APRIL 09, 2022-JULY 07, 2022**

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia

P. O. Box 33645 Addis Ababa, Ethiopia
Telephone 251-11-6-16-69-56
E-mail: kokmelk@gmail.com
Mob.Tel. 251-91-120-37-78/51-61-46
Fax 251-11-552-26-88

**MINISTRY OF AGRICULTURE (MoA)
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II**

**FINANCIAL STATEMENTS AND AUDIT REPORT
FROM APRIL 09, 2022-JULY 07, 2022**

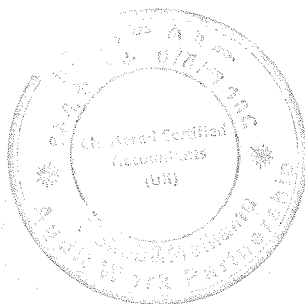
TABLE OF CONTENTS

PART I

Independent Auditors' Report	1-2
The Statement of Financial Position	3
The Statement of Sources and Uses of Funds	4
The Statement of Designated Account	5
Notes to the Financial Statements.....	6-9

PART II

Management Letter	1-3
-------------------------	-----



Kokeb & Melkamu Audit Partnership

Chartered Certified Accountants (UK)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF MINISTRY OF AGRICULTURE (MoA) RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II

Opinion

We have audited the accompanying financial statements of the Resilient Landscapes and Livelihoods Project (RLLP) II comprising the statement financial position as at July 7th, 2022 and the Statement of Sources and Uses of Funds for the period covering April 9, 2022 up to July 7, 2022, and a summary of significant accounting policies and other explanatory information shown from pages 3 to 9.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Resilient Landscapes and Livelihoods Project (RLLP) II implemented by the FDRE Ministry of Agriculture, the Statement of Sources and Uses of Funds for period covering April 9, 2022 up to July 7, 2022 in accordance with the financial management policy of Ministry of Agriculture adopted for the Project. In addition, the Project was, in all material respects, in compliance with the Financing Agreements and Contracts.

With respect to the statements of sources and uses of funds submitted during the period listed on page 4, in our opinion:

- (a) The statements, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals;
- (b) The proceeds of the Designated account have been used exclusively for eligible expenditures and provisions and covenants of the Financing Agreement and Separate Agreement have been substantially respected.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing applicable to the audit of financial statements. Furthermore, we have audited the Project's compliance with the provisions and covenants of the Financing Agreements.

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 Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, 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 Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the Project, and for such internal control as management determines is necessary to enable the preparation of a project report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the project report as a whole is 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.

The engagement partner on the audit resulting in this independent auditor's report is Ato Melkamu Belete.


Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia



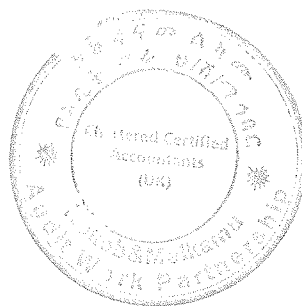
Addis Ababa
February 20, 2023

P. O. Box 33645 Addis Ababa, Ethiopia
Telephone 251-11-616-69-56
E-mail: kokmelk@ethionet.et
Mobile Tel. 251-91-120-37-78/51-61-46
Fax 251-11-552-26-88

MINISTRY OF AGRICULTURE (MoA)
 RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
 STATEMENT OF FINANCIAL POSITION
AS AT JULY 07, 2022

Currency: Ethiopian Birr

	<u>Notes</u>	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	3	31,284,693
Accounts receivable	4	<u>257,489</u>
		<u>31,542,182</u>
LIABILITIES AND FUND		
CURRENT LIABILITIES		
Account payables		<u>-</u>
PROJECT FUND		
Fund balance	5	<u>31,542,182</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>31,542,182</u>

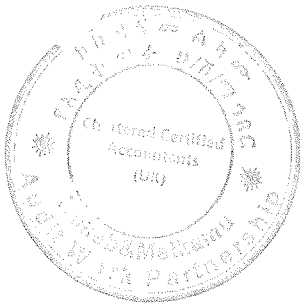


MINISTRY OF AGRICULTURE (MoA)
 RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
 STATEMENT OF SOURCE AND USES OF FUNDS
FOR THE PERIOD COVERING FROM APRIL 9, 2022 TO JULY 07, 2022

Currency: Ethiopian Birr

SOURCE OF FUND

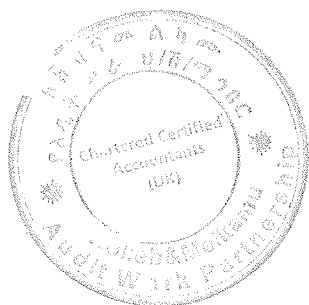
	<u>Notes</u>	
PROGREEN	6	33,660,790
Gain on foreign exchange valuation		<u>254,818</u>
		<u>33,915,608</u>
PROGRAM EXPENDITURE	7	
Components		
Investing in Institutions and Information for Resilience		1,706,954
Project Management		<u>666,472</u>
		<u>2,373,426</u>
EXCESS OF INCOME OVER EXPENDITURE		<u>31,542,182</u>



MINISTRY OF AGRICULTURE (MoA)
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
STATEMENT OF DESIGNATED ACCOUNT
FOR THE PERIOD COVERING FROM APRIL 9, 2022 TO JULY 07, 2022

Account No. **100071300351**
 Depository Bank **National Bank of Ethiopia**
 Address **Addis Ababa, Eth**
 Currency **USD**

	USD	ETB
Opening balance	-	-
Add:		
Transfer from IDA	<u>651,959</u>	<u>33,660,790</u>
	651,959	33,660,790
Less:- Transferred to Birr account	<u>(600,000)</u>	<u>(31,212,180)</u>
	51,959	2,448,610
Add:- Gain on exchange	<u>-</u>	<u>254,818</u>
Ending balance, 7 July 2022	<u>51,959</u>	<u>2,703,428</u>



MINISTRY OF AGRICULTURE (MoA)
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
FOR THE PERIOD COVERING FROM APRIL 9, 2022 TO JULY 07,2022

Currency: Ethiopian Birr

1. BACKGROUND

The Project Development Objective of Second Resilient Landscapes and Livelihoods Project (RLLP II) is to improve climate resilience, land productivity and carbon storage, and increase access to diversified livelihood activities in selected rural watersheds. The objective would be achieved through the provision of capital investments, capacity building and technical assistance and for small holder farmers in the watersheds and government institutions at national and sub-national levels.

The Project will build on the wealth of technical, operational and institutional experiences and lessons learnt through the implementation of GoE's SLM Program, including the Bank-financed RLLP I and similar initiatives supported by other bilateral and multilateral partners in the country and the region.

It will be implemented through three components: (i) Investment in Green Infrastructure and Resilient Livelihoods; (ii) Investing in Institutions and Information for Resilience and (iii) Project Management and Reporting.

The implementation of the RLLP II takes place in seven regions of the country. These are: Amhara, Benechangul-Gumuz, Gambella, Oromia, Southern Nations Nationalities and People (SNNP), Sidaama and Tigray.

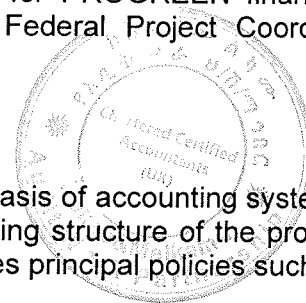
The proposed Project is a 5-years Investment Project Financing of US\$165.24 million from GCF sources and a grant from PROGREEN in the amount of US\$ 13 million both through the World Bank making the total project funding US\$ 178.24 million.

The GCF finances all subcomponents of Component 1 (Green Infrastructure and Resilient Livelihoods), and Component 2 (Investing in Institutions and Information for Resilience) but limited to only sub component 3 (a) (Operating Costs and costs of implementing Project's fiduciary and environmental and social safeguard aspects, financial management, procurement, training and awareness creation, gender mainstreaming, and monitoring and evaluation and reporting) of Component 3 (Project Management and Reporting), only in 40 intervention Woredas identified for GCF financing and respective Regional and Federal Project Coordination Offices.

The PROGREEN funding finances all subcomponents of Component 1 (Green Infrastructure and Resilient Livelihoods) but limited to subcomponent 2 (a) (i) (implementation of the Project and build capacity to sustain land and water management practices in watersheds, including financing of selected staff positions and associated financing of training; and subcomponent 3 (b) engaging forest and biodiversity specialists; in seven (7) woredas identified for PROGREEN financing in SNNPR and Gambella Regional States, including Regional and Federal Project Coordination Offices.

2. ACCOUNTING POLICIES

RLLP II follows the government's accounting policy of modified cash basis of accounting system with double entry recording taking into account the decentralized accounting structure of the project. In preparation and presentation of the financial statement, the project uses principal policies such as



a) Income and expenditure recognition

The income is recognized on the basis of actual cash receipt whereas expenditure recognition is on modified basis.

b) Fixed assets

Fixed asset acquired for the project are shown as an expenditure in the year it occurs and reported on memorandum records.

c) Foreign currency transactions.

Transaction in foreign currencies are translated using the exchange rate prevailing on the date of the transaction.

Federal RLLP II Coordinating Unit (FPCU), Regional (RPCU) and Project Woredas will keep the original book of accounts for their own financial transactions and posts to the general ledger, Project woreda keeps all financial documents and prepare quarterly financial statements using Peachtree accounting program and submit to RPCU; RPCU will prepare quarterly financial statement for its own financial transactions and woreda expenditures and submit to FPCU;

FPCU prepares a consolidated financial report and submit to the World Bank and Ministry of Agriculture



MINISTRY OF AGRICULTURE (MoA)
 RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD COVERING FROM APRIL 9, 2022 TO JULY 07, 2022

Currency: Ethiopian Birr

3. CASH AND CASH EQUIVALENT

National Bank of Ethiopia

ETB A/C	28,581,265
USD A/C	2,703,428
	31,284,693

4. ACCOUNT RECEIVABLES

Regional Project advance	257,489
--------------------------	---------

i) The breakdown of Birr 257, 489 Regional Project Advances are as follows:

	Cash at bank	Receivables	Payables	Net
SNNPR	1,088,653	-	931,163	157,489
Gambella	1,230,140	-	1,130,140	100,000
	2,318,793	-	2,061,304	257,489

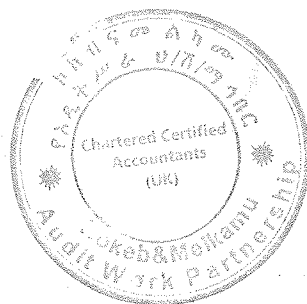
5. FUND BALANCE

Balance brought forward	-
Add: excess of expenditure over income	31,542,182
Balance carried forward	31,542,182

6. INCOME

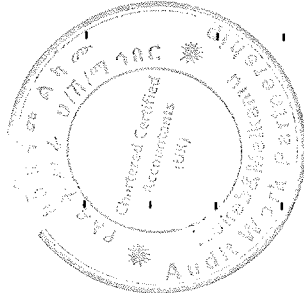
	USD	Exchange Rate	ETB
PROGREEN	651,959	51.630	33,660,790

PROGREEN is a global partnership for sustainable and resilient landscapes that supports countries' efforts to improve livelihoods of the rural poor while tackling climate change, loss of biodiversity and forests, deteriorating land fertility, and uncontrolled forest fires. It is a World Bank Multi-Donor Trust Fund that was launched in 2019 with contributions from Germany, Norway and Iceland.



**MINISTRY OF AGRICULTURE AND NATURAL RESOURCES
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD COVERING FROM APRIL 9, 2022 TO JULY 07, 2022
7. EXPENDITURE OVERVIEW**

Expenditures	Annual Budget	Current Budget	Current Actual	Variance	% Utilization
Project Components					
Component 1 - Green Infrastructure and Resilient Livelihoods					
Sub component 1.1 Lands, and Land Restoration and Watershed Management	21,837,059	10,918,530	0	10,918,530	0%
Sub component 1.2 Climate-Smart Agriculture	0	0	0	0	0%
Sub component 1.3 Livelihood Diversification and Connection to Value Chains	0	0	0	0	0%
Sub Total	21,837,059	10,918,530	0	21,837,059	0%
Component 2: Investing in Institutions and Information for Resilience					
2(a): provision of technical assistance, at the local government level to carry out capacity to sustain land and water management practices in watersheds, including financing of selected staff positions and associated financing of training	10,150,050	8,627,543	1,706,954	6,920,588	20%
2(a) (ii) development of data management plan, piloting of new technologies for information modernization	-	-	-	-	0%
2(a) (i); } implementation of the Community Watershed Users' Cooperative Societies proclamation and development and	-	-	-	-	0%
2(b) capacity building at the regional level for Project implementation	-	-	-	-	0%
2(c) -provision of technical assistance at the national level for Project implementation	-	-	-	-	0%
Sub Total	10,150,050	8,627,543	1,706,954	8,443,096	20%
Component 3: Component 3: Project Management and Reporting					
3(a). Operating Cost - program management, and coordination, Monitoring and evaluation, and Capacity Development Support Facility	-	-	-	-	0%
3(b) Engaging forest and biodiversity specialists	1,560,371	812,560	666,472	146,089	82%
Sub Total	1,560,371	812,560	666,472	146,089	82%
Grand Total	33,547,480	20,358,632	2,373,426	17,985,206	12%



Kokeb & Melkamu Audit Partnership.

Chartered Certified Accountants (UK)

February 20, 2023

Ministry of Agriculture (MoA)
Resilient Landscapes and Livelihoods (RLLP) II
Addis Ababa

RE: INTERNAL CONTROL MEMORANDUM ON THE ACCOUNTS OF RESILIENT LANDSCAPES AND LIVELIHOODS (RLLP) II

Dear Sirs,


During our review of the accounts for the period ended 7 July 2022, we examined certain aspects of the Project's control and attach here to a memorandum containing recommendations on possible way in which the system could be improved to overcome weaknesses in internal control, which came to our notice during that examination together with other comments and observations (Pages 2-3).

It must be appreciated that the matters referred to in this memorandum came to our notice during the conduct of our normal audit procedures which are designed primarily with a view to the expression of our opinion on the accounts of the Project. Therefore, our comments cannot be expected to include all possible improvements in internal control and to disclose all defalcations and other irregularities, which a more extensive special examination might develop and reveal.

We are in a position to offer constructive suggestions for improvements in accounting and control procedures but our work in these areas is not designed for the purpose of expressing an opinion on the effectiveness of the various control systems and accordingly, would not extend into all areas in which improvements may be warranted. Accordingly, in as much as our audit examinations do not include a 100% detailed audit of transactions, they would not necessarily disclose defalcations or irregularities, if any.

We are grateful to all members of the Project's staff for the courtesy and assistance rendered to our representatives during the conduct of the audit. If you would like us to assist you in implementing any of our recommendations, please do not hesitate to contact us.

Yours faithfully,


Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia

P. O. Box 33645 Addis Ababa, Ethiopia
Telephone 251-11-616-69-56
E-mail: kokmelk@ethionet.et
Mobile Tel. 251-91-120-37-78/51-61-46
Fax 251-11-552-26-88

As part of our engagements, we have examined the financial document and activities of RLLP II in Federal Project Coordinating Unit, Regional States RLLP II Offices in SNNPR Gambella. Accordingly, here are our findings/observations:

1. SNNPR NATIONAL REGIONAL STATE PROJECT COORDINATION OFFICE

- a. Birr 931,163.46 is seen on the financial statement as a loan from another Ministry of Agriculture project - named RLLP for which we have not obtained authorization for borrowing from RLLP.

Implication: Giving to and receiving loans from others is outside the financing agreement.

Recommendation: The Resilient Landscapes and livelihoods projects (RLLP) II should be communicated and appropriate permission should be obtained before entering to such financial arrangements.

Management comment: This is happened before withdrawal application release from bank, RPCU use this fund for salary payment to hired experts, this is already reimbursed after fund released from bank.

- b. The project shared recording/documentation papers with another project (RLLP) and has not maintained its own payment vouchers, journal vouchers, or payment requests.

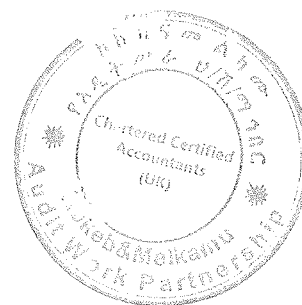
Implication: It implies that vouchers may be used repeatedly and that payments cannot be differentiated based on which project they are made for and also vouchers/ requisitions documents are being misused or misappropriated.

Recommendation: Payment vouchers are used to ensure that all payments are recorded and accounted for, and that all documents are accurate and complete. As a result, we recommend the project to prepare and use only its own vouchers for the project.

Management comment: RPCU used regional government vouchers which is allowed, besides RPCU start printing process for RLLP II.

- c. The following salary payment totally amounting to Birr 931,163 has been paid by RLLP I payroll sheet.

No.	Description	Date	Reference	Amount
1	Salary	1/5/22	CPV#0554426	271,435
2	Salary	3/4/22	CPV#0553462	180,957
3	Salary	4/18/22	CPV#0545974	34,870
4	Salary	4/28/22	CPV#0543858	180,957
5	Salary	5/4/22	CPV#0543870	34,870
6	Salary	5/30/22	CPV#0543932	34,870
7	Salary	7/4/22	CPV#0543933	34,870
8	Salary	7/7/22	JV#289400	158,337
Total				931,163



Implication: It is difficult to ensure that the payroll sheets are accurate and segregated to this project.

Recommendation: Documents should be based on separate source documents prepared for the Project

Management comment: this is already corrected

2. GAMBELLA NATIONAL REGIONAL STATE PROJECT COORDINATION OFFICE

- a. Even though the money is returned after the audit period, Birr 1,130,140.30 is seen on the financial statement as a payable to another project named – RLLP I.

Implication: Giving to and receiving loans from others is outside the financing agreement.

Recommendation: The Resilient Landscapes and livelihoods projects (RLLP) II should be communicated and appropriate permission should be obtained before entering to such financial arrangements.

Management comment: RPCU paid salary to staffs from RLLP till RLLP II fund was released from bank, now it is reimbursed and necessary journal entry passed.

- b. The project shared recording/documentation papers with another project (RLLP) and has not maintained its own payment vouchers, journal vouchers, or payment requests.

Implication: It implies that vouchers may be used repeatedly and that payments cannot be differentiated based on which project they are made for.

Recommendation: Payment vouchers are used to ensure that all payments are recorded and accounted for, and that all documents are accurate and complete. As a result, we recommend the project to prepare and use only its own vouchers for the project.

Management comment: RPCU can print and use vouchers for RLLP II, and the process to printing vouchers is already started

