

General comments

Oromia has asked the source document for the argument. Auditors have not replied and indicated the source document.

During the audit it was agreed that the local auditor will come back to Oromia and finalize this issue, but the auditor never returned or contacted Oromia RSU.

Due to the absence of audit exit meeting the gaps were created and these gaps could have been solved and clarified earlier.

1. OCSSCO closing balance (10)

Observation: According to the OCSSCO general ledgers of the CMP account, the closing balance of ETB 2,987,503 (129,900 euro) at the end of the EFY 2007 has not been brought forward to the following year (EFY 2008).

Risk: If there are deviations in the opening and closing balances, there is a risk of misuse of funds. **Critical.**

Recommendation: Closing balances from the previous year must be brought forward to the following year. The issue identified in OCSSCO must be investigated and settled.

Clarification/Comment:

Oromia RSU has checked the 2007 EFY ending balance as per their own book keeping which is based on the woreda OCSSCO standard reporting formats designed by COWASH for reporting format for investments (Annex Q) and found out from all 12 woredas (each report stamped by woreda OCSSCO branch office) that 2007 EFY ending balance is ETB 2,720,532.32 and this includes also the money returned by WASHCOs. This is the correct balance which should be brought forward for 2008 EFY.

Oromia Water Bureau transfers CMP funds to OCCSCO HQ CMP bank account. This transfer is accompanied with a letter indicating OCCSCO how much from this transfer is to be transferred to each CMP woreda. OCSSCO HQ does not transfer the money physically but through letters from the HQ to the branch so that the branch can use its own revenue for this purpose. Sometimes if the branch revenue is not enough the actual transfer can also take place. Therefore, the CMP account balance at OCCSCO HQ level does not necessary reflect with the transfers made to woredas if OCCSCO HQ has not deducted the transfers from the CMP account.

Accordingly, the ending balance of ETB 2,720,532.32 has been forwarded to the year 2008 EFY. Similarly, RSU has checked all 12 woreda OCSSCO reports from year 2008 EFY and found out that the 2008 EFY July 7 ending OCSSCO balance is ETB 4,817,721.85 and this balance has been forwarded to the fiscal year of 2009 EFY. The problem is that these balances have not been reconciled with OCCSCO.

ETB 119,646 mentioned by auditors was the left-over money aimed to Horro woreda and found at the OCSSCO HQ on July 1, 2016. This money was transferred to Horro woreda before July 7 of 2016.

The practise in transferring funds to the woredas is the following:

1. Water Bureau writes letter to OCSSCO HQ by stating in the letter the total amount and woreda amounts to be transferred.
2. OCSSCO writes letter to the zones and zones will write letter to the woredas stating the same amounts which can be used by the woreda for COWASH CMP projects.
3. This means that practically OCSSCO does not transfer the money to woredas but authorize them to use their own resource in CMP projects financing. Due to this practise there is no CMP bank account at the woreda level but only a woreda level CMP ledger is used.

These processes have been explained in more detailed in the OCCSCO letter 4024/17 dated 13/11/2017. Attached as Annex 1.

The OCSSCO commission is paid to OCSSCO HQ annually at the end of the fiscal year separately based on the woreda fund transfer reports. In RSU final annual report the paid commission is allocated for each woreda as per their own transfer report.

Mitigation:

1. Oromia RSU will prepare detailed CMP investment fund reconciliation sheets from 2005 EFY to 2009 EFY based from the signed and stamped woreda financial reporting formats for investment funds (Annex Q). The sum of the transfers received by each woreda will be then reconciled with the funds sent from the Water Bureau to OCCSCO HQ CMP account. This reconciliation will be then signed by the Water Bureau and OCCSCO HQ.
2. COWASH Federal has developed revised investment fund monitoring and reconciliation formats to be used in future. These formats include the Woreda MFI monthly statements and quarterly reporting and reconciliation formats at woreda and region level. In these formats the fixed cut off dates of MFI accounts have been agreed on September 30, January 31, April 30 and July 31. These formats will be taken into use in Q3 of 2010 EFY.
3. Specific training for the use of these monitoring and reconciliation formats will be organized to relevant staff of woreda water office and OCCSCO branch offices.

Time table:

1. Reconciliations up to 2009 EFY done by December 31, 2017
2. Finalize the revised investment fund monitoring and reconciliation formats by December 21, 2017
3. Training of woreda water bureau staff and OCCSCO branch office staff carried out by March 1, 2018

4. OCSSCO reconciliation of investment funds (11)

Observation: OCSSCO branch (MFI branch) in Oromia Jida woreda did not have own bank account for COWASH funds. Reconciliations of the use of investment funds between Jida woreda Water Office and OCSSCO branch have not been made.

Risk: Failure to reconcile expenses with fund movements constitutes a risk for misappropriation of cash as well as risk of accounting and reporting errors. There is a risk to fail cost monitoring. **Significant.**

Recommendation: The agreement between the Water Bureau and the OCSSCO needs to be complied with.

OCSSCO branch must capture all transactions including balances brought forward and provide monthly statements at branch level.

OCSSCO branch accounts must be reconciled to investment funds bookkeeping in woredas and WASHCOs on a monthly basis.

Clarification/Comment:

Although the agreement says that MFI shall open a bank account at woreda, practically OCSSCO does not transfer the money to woredas but authorize them to use their own resource in CMP projects financing. Due to this practise there is no CMP bank account at the woreda level but only a woreda level CMP ledger is used.

The water bureau gets every year investment fund use report from the woreda using a standard COWASH reporting format signed by woreda water office and OCSSCO sub branch. This implies that woreda water offices and OCSSCO sub branch offices reconcile OCCSCO account on CMP at least once in a year.

Mitigation:

1. OCCSCO shall write a letter to COWASH Oromia stating the non-opening of the woreda level CMP bank account and the use of ledgers instead.
2. COWASH Federal has developed new CMP reconciliation and WASHCO settlement formats.
3. These formats will be introduced to the Oromia region woredas for use

Time table:

1. The letter from OCCSCO already written on November 13, 2017 (See annex 1)
2. Finalize the revised investment fund monitoring and reconciliation formats by December 21, 2017
3. Training of woreda water bureau staff and OCCSCO branch office staff carried out by March 1, 2018

5. Reporting and reconciling the expenses by BoFED (12)

Observation:As reported in the Regional Annual Report, total expenses from GoF source at the end of the Phase II in Oromia included accruals and commitments of ETB (277,782 euro). This amount has not been recognized as expenditure in the bookkeeping.

Risk: Expense reporting is not transparent nor coherent. There is a risk of misuse of funds.
Critical.

Recommendation: BoFED Oromia needs to correct the reported expenses in the EFY 2008 (2015/2016) to reconcile with actual expenses.

Clarification/Comment:

RSU has checked all GoF expenditures of each year starting from 2005 EFY up to 2008 EFY. It was found out that reported expenditures have not been correct as observed by the auditors.

The time gap of two last quarters of 2007 EFY between the old and new Financial Specialist in Oromia region has created this inaccuracy in reporting. The new Financial Specialist took over end of June 2007_EFY (July 2015).

The problems in financial reporting have been the follows:

1. The cumulative report of GoF expenditure and detailed cost category report do not match
2. The BoFED annual consolidated report and detailed cost category report do not match

3. GoF funds and GoE operational funds transferred to same account at the woreda or zone. Some woredas report the GoE operational fund use and capacity building fund use (GoF) together. Anyhow, the BoFED accountant identifies and separates these when consolidating the report at region level.
4. Another problem is that some woreda reports delay and they report after the COWASH compiled annual report has been finalized by RSU Financial Specialist.
5. When new reports (not included into the annual report) will arrive, BoFED is updating the expenditure report and this is taken into consideration in the next year quarter financial report.

The problem during the audit was that auditors took the wrong cumulative figures (Annex 5.2) from the annual reports instead of using detailed annual figures (Annex 5.1).

GoF expenditures have now been verified and corrected by the BoFED Accountant and confirmed by BoFED Director of Finance Administration Directorate for each year as follows:

EFY	Old GoF expenditure figures from the detailed 5.1 report	Corrected GoF expenditure figures	Remarks
	Birr	Birr	
2005 EFY	5,578,018.24	5,706,164.83	Late report of some woredas, zones or bureaus
2006 EFY	7,777,975.00	7,712,486.12	Mixed GoE operation costs to GoF capacity building costs
2007 EFY	9,718,202.20	9,619,856.12	Difference of Birr 98,346.08 is the GoF fund reported in BoFED report as GoE operational cost
2008 EFY	11,712,938	12,649,238.15	Mainly due to late reporting of Jimma Zone and Kersa woreda
TOTAL	34,787,133.44	35,687,745.22	Difference Birr 900,611.78
Received from GoF		39,072,410.12	This cumulative amount received from GoF in Phase I and II.
Balance		3,384,664.90	Previously reported balance was Birr 3,546,092 (difference of Birr 161,427.80)

Mitigation:

1. BoFEC annual consolidated report for years of 2005-2008 EFY shall be updated and signed by the accountant and approved by the Finance and Administration Directorate.
2. RSU financial specialist shall ensure that the annual cost category report will match with the annual consolidated report of BoFEC.

Time table:

1. BoFEC consolidated report from 2005 to 2008 EFY issued by November 15, 2017 and annexed as Annex 2.

6. Financial reporting by BoFED (13)

Observation: Consolidated Oromia Regional EFY 2007 (2014/2015) Annual Report was not consistent with the underlying documentation. In the regional annual report Health Bureau

expenses were not included in the Report although Health Bureau reported expenses amounting ETB 232,805 (10,122 euro) in the EFY 2007 (2014/2015). Also Education Bureau reported expenses ETB 17,500 (761 euro) were not included in consolidated report EFY 2007 (2014/2015).

Risk: The reporting is inaccurate. **Significant.**

Recommendation: Oromia BoFED has to establish written policy for financial reporting processes. Financial calculations should be verified and approved by another person before submitting reports.

Clarification/Comment: This issue was not raised during the audit. Oromia Region consolidated report to Steering Committee members does not show the details for each bureau expenses but such details are found in BoFED accountant report.

COWASH Oromia Phase II consolidation report was finalized at the end of 2008 EFY and this report includes all expenditures of Phase II (including the year 2007 EFY).

There is a possibility that the 2007 EFY consolidated report included some minor mistakes due to the change of the Financial Specialist in RSU. Anyhow, all mistakes have been corrected in the corrected GoF expenditure report from 2005 to 2008 EFY and annexed to this plan with Annex 2.

The BoH and BoE 2007 EFY expenditures have been included into the final GoF expenditure report issued by BoFEC (Annex 2).

The responsibility to check and verify all implementing partners (IP) reports has been given to BoFEC accountant and he/she is accountable to BoFEC Director of Finance and Administration Directorate. Oromia is using GoE standard report format provided by BoFEC regarding GoF fund control. BoFED receives reports quarterly in this standard format from each implementing partner (IP) including RSU expenditures. Each partner report includes covering letter, attachments (expenditure report by code, bank reconciliation, cash count, payable and receivable reports, transfer report, etc...). BoFEC accountant consolidates the report and submits this to BoFEC Finance and Administration Directorate for approval and copy to Oromia Water Bureau (COWASH office). RSU Financial Specialist receives separately the same report in soft copy from BoFEC accountant and compiles entire COWASH regional finance report including investments.

BoFEC accountant keeps his own follow-up on how much funds have been transferred to each IP. The expenditure reports from each IP are received, checked and verified by BoFEC accountant. If the report from IPs does not reconcile with the accountant follow up, the report is rejected and returned for correction.

After the RSU has compiled the investment funds for the final consolidated financial report Water Bureau COWASH Coordinator sends the final report to COWASH Steering Committee members. This has now changed so that BoFEC sends the final report to COWASH Steering Committee members.

All IP reports have been prepared and checked by the concerned accountants and approved by the Process Owners of Finance and Admin of each IP.

BoFEC auditor is checking annually that BoFEC accountant has taken all IP report information correctly into the consolidated report prepared by BoFEC accountant.

Mitigation:

1. Serious attention shall be given by BoFEC Accountant and RSU Financial Specialist in using the above described process to avoid possible errors.

Time table: Starting from November 15, 2017

7. Health Bureau reconciliations (14)

Observation: In Oromia Health Bureau, the provided bank account reconciliations were not properly done, balance of the bank account did not reconcile with bookkeeping.

Risk: If bank reconciliations are not properly done, they do not provide assurance that bank account and bookkeeping reconciles and might indicate errors in accounting. **Significant.**

Recommendation: In the bank reconciliations, Oromia Health Bureau has to document the bank account statement and ledger and any differences must be clarified.

Clarification/Comment:

The observed difference between bank statement and bookkeeping of around 9,000 Birr has been discussed with the Health Bureau accountant. It was found that there was a problem in recording and Health Bureau has admitted this finding. Health Bureau has corrected the depositor ledger (bookkeeping) to correlate with the bank statement.

Mitigation: The bureau has taken a corrective action as per the auditors' finding.

Time table: Done in May 2017. This can be verified in the Bureau of Health finance department.

8. Supporting documents in ZoFED (15)

Observation: In Fiche ZoFED, inadequate supporting documentation of per diem expenses did not specify the purpose of travel and justification that the expense belonged to the COWASH Project.

Risk: The expenses recorded may not be based on actual expenses or that it belongs to the Project. **Moderate.**

Recommendation: All expenditure need to be filed with adequate supporting material and to specify that it belongs to the Project.

Clarification/Comment:

This is happening sometimes if the accountant is not careful. The mistake is accepted.

Mitigation: This issue will be raised up in the coming financial management training of WoFED/ZoFED accountants and clear instructions will be provided. RSU financial specialist and other RSU staff will follow up this also in their supportive supervision in zones and woredas.

In case of staff turn-over the on-the-job training for the new accountants will be given.

Time table: Training of accountants was already given in June 2017.

9. Fixed assets monitoring in the woreda (16)

Observation: Fixed asset monitoring in WoFEDs and Woreda Water Offices have not been done systematically and the identification codes were not always attached to the assets in visited woredas. In many cases, the assets were without an identification code or only equipped with a CMP sticker.

Risk: If the fixed assets are not monitored and identified properly, there is a risk of misuse or fraud related to usage of the assets. **Moderate.**

Recommendation: The WoFEDs and Woreda Water Offices should be trained on systematic monitoring and identifying the Project's fixed assets appropriately.

Clarification/Comment:

The assets were registered in the bin card but the code of the asset was missed in the equipment. The bin card has a place where the asset provider name has been marked and can therefore identified as the property by the COWASH.

Mitigation:

In future the code from bin card has to be written clearly in the asset/property. The implementation of this practise will be ensured through the supportive supervision by the RSU staff.

This issue will be also raised in the financial management training in the Q3 of 2010 EFY.

Time table: Quarter 3 of 2010 EFY