

# *Egypt Sustainable Rural Sanitation Services Program.*

Financial audit of program, cash receipts and disbursements for “Egypt Sustainable Rural Sanitation Services Program”, project no. P154112 for the period from July 1, 2020 to June 30, 2021

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Director of Program Management Unit  
Ministry of Housing, Utilities, and Urban  
Communities  
Cairo, Egypt

### Independent auditor's report

**To: Program Management Unit (PMU) of the Ministry of Housing, Utilities, and Urban Communities (MHUUC)**

#### Report on the audit of the program statement

##### Our opinion

In our opinion, the statement of cash receipts and disbursements for “Egypt Sustainable Rural Sanitation Services Program (SRSSP- Project No. P154112) for the period from July 1, 2020 to June 30, 2021 was prepared in all material respects, in accordance with cash basis of accounting as described in note (2) to the program statement.

##### What we have audited

##### The program statement comprises:

- Statement of program cash receipts and disbursements
- The notes to the program statement which include significant accounting policies and other explanatory information.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the program statement of cash receipts and disbursements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Independence

We are independent of the program management unit “PMU” in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and other independence requirements relevant to our audit of the program statement in Egypt. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of Egypt.

##### Emphasis of matter-Basis of accounting and restriction on distribution

We draw attention to note (2) to the program statement, which describes the basis of accounting. The program statement is prepared for the purpose of providing information to PMU's management. As a result, the program, statement may not be suitable for another purpose.

This report has been prepared in accordance with our Agreement with the Ministry of Housing, Utilities, and Urban Communities (MHUUC)], and has been prepared solely for Ministry of Housing, Utilities, and Urban Communities (MHUUC) and International bank for reconstruction and development and should not be distributed to or used by parties other than PMU's management, Ministry of Housing, Utilities, Urban Communities (MHUUC) and International bank for reconstruction and development. To the extent permitted by law, PricewaterhouseCoopers, Egypt (PwC) does not accept or assume any liability, responsibility, or duty of care for any use of or reliance on this document by anyone, other than the intended recipient to the extent agreed in the Agreement.



Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind and disclaims all responsibility for the consequences of any person acting or refraining to act in reliance on the contents of this report or for any decisions made or not made which are based upon the contents of this report.

#### **Responsibilities of management and those charged with governance for the program, statement of cash receipts and disbursements**

Management is responsible for the preparation and fair presentation of the program statement of cash receipts and cash disbursement in accordance with cash basis of accounting described in note (2) and for such internal control as management determines is necessary to enable the preparation of the program statement that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the program management unit financial reporting process.

#### **Auditor's responsibilities for the audit of the program statement of cash receipts and cash disbursement**

Our objective is to obtain reasonable assurance about whether the program statement of cash receipts and cash disbursement 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 based on this statement of cash receipts and disbursements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the program's statement of cash receipts and cash disbursement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PMU's internal control.
- Evaluate the appropriateness of accounting policies used and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Yours sincerely,

Ashraf Mamdouh  
Partner  
PricewaterhouseCoopers Egypt



1 February 2022

*Statement of program cash receipts and disbursements*

**“Egypt Sustainable Rural Sanitation Services Program”  
From July 1, 2020 to June 30, 2021**

<b>Statement of program cash receipts and disbursements “line description”</b>	<b>PMU</b>	<b>Dakahlia</b>	<b>Sharkia</b>	<b>Behera</b>	<b>Statement Notes</b>
	<b>“USD”</b>	<b>“USD”</b>	<b>“USD”</b>	<b>“USD”</b>	
<b>Program Cash Opening Balance</b>	<b>55,817,339</b>	<b>48,660,389</b>	<b>28,934,573</b>	<b>17,415,398</b>	
<b><u>Program Cash Receipts (A)</u></b>					
Receipts from international bank for reconstruction and development	41,750,000				Note (4)
Transfers from MHUUC- PMU to WSCs	(50,339,348)	17,759,704	26,455,091	6,124,553	Note (5)
Interest received		2,639,138	4,206,049	1,076,797	
Reimbursed expenses	451,440		649,760		Note (6)
Refunded Expenses			3,511,887		Note (7)
<b><u>Program Cash Expenditures (B)</u></b>					
Contractors		(43,875,410)	(38,134,293)	(16,359,901)	
Consultants	(1,222,458)	(1,170,179)	(1,127,033)	(418,098)	
Independent verification agency	(25,235)				
Workshops		(8,900)	(1,335)	(4,212)	
Office Equipment & Vehicles		(12,760)	(11,455)		
Advertising		(443)	(361)		
Bank charges	(3,519)	(102)	(315)	(81)	
Rewards	(67,204)	(27,825)	(36,494)	(20,716)	
Error adjustment “Wrong cash deposit”		(542,479)			Note (8)
<b>Total program cash expenditures</b>	<b>(1,318,416)</b>	<b>(45,638,098)</b>	<b>(39,311,286)</b>	<b>(16,803,008)</b>	
<b><u>Program Cash Revaluation (C)</u></b>					
Foreign currency revaluation “EGP to USD”	657,388	952,374	673,625	320,364	
<b>Program Cash Ending Balance</b>	<b>47,018,403</b>	<b>24,373,507</b>	<b>25,119,699</b>	<b>8,134,104</b>	
<b>Cash balance per program banks</b>	<b>47,018,403</b>	<b>24,373,507</b>	<b>25,119,699</b>	<b>8,134,104</b>	
<b>Difference</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

The accompanying notes on page 5-7 form an integral part of the program cash receipts and disbursements statement and to be read with.

Auditor’s report attached

PMU management signature

**Note 1: Background and Scope of the Statement:**

**Background**

On October 4<sup>th</sup>, 2015 loan agreement no. P154112 was signed between Arab republic of Egypt represented by minister of international cooperation Mrs. Sahar Nasr and International Bank for Reconstruction and Development, and amended on May 20<sup>th</sup>, 2019, to implement the “Egypt Sustainable Rural Sanitation Services Program”.

The MHUCC got the presidential ratification on December 31<sup>st</sup>, 2015. The International bank for reconstruction and development transferred the first advance payment on the 30<sup>th</sup> of March 2016. Furthermore, the MHUUC transferred this advance in another MHUUC bank account on May 23<sup>rd</sup>, 2016. The bank transferred the 2<sup>nd</sup> withdrawal on April 11<sup>th</sup>, 2018, 3<sup>rd</sup> withdrawal on 27<sup>th</sup> of June 2018, 4<sup>th</sup> withdrawal on 1<sup>st</sup> of October 2019, 5<sup>th</sup> withdrawal on 23<sup>rd</sup> of February 2020, 6<sup>th</sup> withdrawal on 12<sup>th</sup> of April 2020, the 7<sup>th</sup> withdrawal on 15<sup>th</sup> of November 2020. The objective of the program is to strengthen institutions and policies for increasing access and improving rural sanitation services in the governorates of Beheira, Dakahliya and Sharkiya in the Arab Republic of Egypt.

The Program is a part of the Borrower's National Rural Sanitation Program and consists of the following activities:

**Part A: Improved Sanitation Access**

1. Provision of access to sanitation to about 833,000 people living in highly polluted villages and satellite areas within the program area in the three participating governorates of Dakahliya, Sharkiya, and Beheira, through the construction by the respective WSCs of about 167,000 new connections from household to a sewer network that is linked to a wastewater treatment facility or other effective wastewater treatment system.
2. Constructing or upgrading of wastewater treatment facilities to appropriate standards.
3. Utilization of performance-based capital grants made by MHUUC to WSCs to carry out priority rural sanitation investments identified through the master plans and included in the annual capital investment plan of the WSCs.
4. Preparation of procurement documents for the new WSCs and data collection for the preparation of the pre-feasibility studies and detailed engineering designs.

**Part B: Improved Operational Systems and Practices of WSCs**

1. Strengthening the capacities of the WSCs to improve their performance in the operational, financial, institutional, and citizen engagement areas, including in the planning and implementation of infrastructure investments and in their operational and maintenance requirements, improving efficiency and reducing costs, and designing and implementing performance improvement plans.
2. Preparation of performance improvement action plans (PIAPs), annual performance assessments (APAs) and related planning and data collection activities for the new WSCs.

## Part C: Strengthened National Sector Framework

1. Carrying out a program of activities for strengthening the enabling environment for more efficient and accountable rural sanitation service delivery including: (i) development of a tariff structure for sanitation services that would enable cost recovery; (ii) formulation of a National Rural Sanitation Strategy; and (iii) finalization of the standard operating procedures for land acquisition for rural sanitation services.
2. Carrying out policy and analytical studies to inform the policy making process in the rural sanitation sector including, building, and sustaining an effective regulatory and oversight Framework, and improving the capacity to conduct regular and timely financial and Performance audits of WSCs, aimed at providing a strong enabling framework for empowering the WSCs to become efficient and accountable service delivery institutions.

### Loan settlement

The loan will be settled as the below:

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each September 15 and March 15 Starting from September 15, 2020 through September 15, 2049	1,67%
On March 15, 2050	1,47%

The program cash receipts, and disbursements statement is the representation and the responsibility of Program Management Unit (PMU) of the Ministry of Housing, Utilities, and Urban Communities (MHUUC).

The statement of program cash receipts and disbursements represents the cash receipts and disbursements of Sustainable Rural Sanitation Services Program (SRSSP) financed with Loan No. 8527-EG, administrated by Program Management Unit (PMU) of the ministry of Housing, Utilities, and Urban Communities (MHUUC) and implemented by water and sanitation companies (WSCs) “ElDakahlia, ElSharkia and ElBehera”

### Note 2: Basis of Accounting:

Program Management Unit (PMU) of the ministry of Housing, Utilities, and Urban Communities (MHUUC) policy is to prepare the program cash receipts and disbursements statement in accordance with cash basis of accounting. The program management unit “PMU recognizes transactions and events only when cash is received or paid”. Statement of receipts and expenditures covers cash receipts, cash disbursements, and opening and closing cash balances, in addition to cash balance per the project banks.

### Note 3: Foreign Exchange:

Egypt sustainable rural sanitation services program cash receipts and disbursements statement is presented in United States Dollars “USD”, International bank for reconstruction and development cash transfers are received in “USD”, and expenditure are incurred in USD, EUR and Egyptian Pounds. Expenditure incurred in EGP and EUR have been converted to USD using the average exchange rate. Cash balances in EUR and EGP are translated to USD using the closing rates at the end of each financial period.

### Note 4: Receipts from international bank for reconstruction and development:

International bank for reconstruction and development transferred an amount of USD 41,750,000 on the 15<sup>th</sup> of November 2020 to the ministry of Housing, Utilities, and Urban Communities (MHUUC), Program management unit (PMU)

**Note 5: Transfers from the program management unit (PMU) to water sanitation companies (WSCs):**

The program management unit of Egypt sustainable rural sanitation services program transferred USD 50,339,348 during the period from July 1, 2020 to June 30, 2021 to the implementing water sanitation companies based on the provided investment plans.

**Note 6: Reimbursed expenses:**

In the prior periods, the program has disbursed an amount of USD 451,440 from the loan phase 1 to renew the contracts to avoid any delaying tasks and projects, the PMU obtained approvals from the International bank for reconstruction and development to support those expenditures. Those amounts were reimbursed in the current period. Moreover, the Sharkia WSCs disbursed an amount of USD 649,760 in the prior period related to contractor's expenditures related to phase 2 using phase 1 bank accounts and the amount was reimbursed this year to phase 1 bank accounts.

**Note 7: Refunded Expenses:**

The Refunded expenses represent the amount transferred back to WSC Sharkia program bank account from its operation bank account. The refunded amounts represent retention amounts that were not paid yet by WSC of Sharkia to its contractors and were kept in the WSC operation bank account till the end of the project. The Sharkia WSCs refunded the full retention amount (USD 3M in this period and USD 621K in the prior period).

**Note 8: Error adjustment "wrong Cash deposits":**

In the prior period. The Holding Company for Water and Wastewater deposited an amount of USD 542,479 to the loan related bank account by mistake and then refunded them at the current period on the 8<sup>th</sup> of July 2020, also the PMU management sent a letter to The Holding Company for Water and Wastewater instructing them not to use the loan's bank account as an intermediate account for its transfers.



*Annex 1: Cumulative statement of program cash receipts and disbursement From December 31, 2015 to June 30, 2021*

**“Egypt Sustainable Rural Sanitation Services Program”  
From December 31, 2015 to June 30, 2021**

Statement of program cash receipts and disbursements “line description”	PMU “USD”	Dakahlia “USD”	Sharkia “USD”	Behera “USD”	Statement Notes
<b>Program Cash Opening Balance</b>	<b>137,499,987</b>	-	-	-	
<b><u>Program Cash Receipts (A)</u></b>					
Receipts from international bank for reconstruction and development	248,893,250	-	-	-	
Reimbursed expenses	451,440	-	649,760	-	
Transfers from MHUUC- PMU to WSCs	(345,238,994)	147,229,509	150,054,532	47,954,952	
Transfer not yet deposited in WSC transferred by PMU on the period from July 1, 2018 to June 30, 2019	(3,389,003)	-	-	-	
Transfer deposited in WSC on the period from July 1, 2019 to June 30, 2020	-	3,388,998	-	-	
Transfers from MHUUC- PMU to Holding Company of WSC	(35,792)	-	-	-	
Interest received	-	7,752,691	5,652,875	1,874,058	
Refunded Expenses	-	-	3,511,887	-	
Cash Deposit	-	-	-	14,644	
<b><u>Program Cash Expenditures (B)</u></b>					
Contractors	-	(131,222,524)	(132,420,780)	(40,790,402)	
Consultants	(10,241,815)	(2,501,910)	(2,798,256)	(906,574)	
Independent verification agency	(1,000,204)	-	-	-	
Project sludge analysis	-	(3,029)	-	-	
Workshops	-	(17,625)	(11,900)	(9,217)	
Office Equipment & Vehicles	-	(1,251,739)	(1,117,227)	(702,389)	
Furniture	-	-	(30,393)	-	
Electrical Improvements	-	-	-	(10,318)	
Improvements to Rehabilitation laboratory	-	-	(2,416)	-	
Accommodation	-	-	(114)	(519)	
Reimbursable Expense	(435,740)	-	-	-	
Office Supplies	-	(15,604)	-	-	
Licensing	-	(265)	(23,530)	(1,018)	
Advertising	(3,278)	(38,082)	(55,102)	(25,329)	
Printings	-	-	(28,433)	-	
Interest transferred	-	(74,985)	-	-	
Bank charges	(13,313)	(467)	(944)	(275)	
Rewards	(115,509)	(62,924)	(76,181)	(45,497)	
Error adjustment “Wrong cash deposit”	-	-	-	(4,477)	
<b>Total program cash expenditures</b>	<b>(11,809,859)</b>	<b>(135,189,154)</b>	<b>(136,565,276)</b>	<b>(42,496,015)</b>	
<b><u>Program Cash Revaluation (C)</u></b>					
Foreign currency revaluation “EGP to USD”	20,647,375	1,191,501	1,194,039	786,466	
<b>Program Cash Ending Balance</b>	<b>47,018,404</b>	<b>24,373,545</b>	<b>25,119,699</b>	<b>8,134,104</b>	
<b>Cash balance per program banks</b>	<b>47,018,404</b>	<b>24,373,545</b>	<b>25,119,699</b>	<b>8,134,104</b>	
<b>Difference</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	