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 Federal Democratic Republic of Ethiopia
 Office of the Federal Auditor General



#ጥር DFAG 3-8/170
 Ref. No
 ቀን 15/02/2023
 Date

Addis Ababa

Re: Submission of the 2014 EFY ESPES and ESPES-AF P4R program Annual audit report

It is to be recalled that the Ethiopian Government and the Development Partners (including IDA) have reached an agreement regarding the annual audit of Enhancing Shared Prosperity through Equitable service (ESPES) and Enhancing Shared Prosperity through Equitable service Additional Financing (ESPES_AF/P4R) program annual audit to be carried out and a summarized audit report to be submitted to MoF by the Office of the Federal Auditor General.

We have, therefore, attached here with 106 pages of the 2014 EFY ESPES and ESPES-AF/P4R program Annual audit report.

Furthermore, we also request the ministry to develop and submit action plan to rectify the audit findings.

We welcome any enquiries on the audit report.

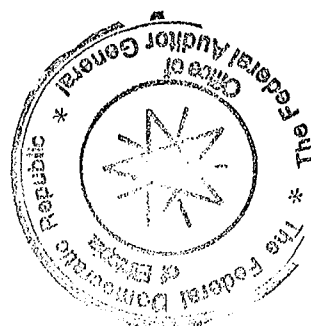


Sincerely yours

Meseret Damtie
 Auditor General

MINISTRY OF FINANCE OF GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF
ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE
PROGRAM AND ADDITIONAL FINANCING FOR ENHANCING SHARED PROSPERITY
THROUGH EQUITABLE SERVICE PROGRAM CONSOLIDATED STATEMENT OF SOURCES
AND USES OF FUNDS FOR THE YEAR ENDED 7, JULY 2022

	Note	For the year	For the year ended
		ended 7 July 2022	7 July 2021
		Birr	Birr
Opening Balance		3,615.00	88,611,821.00
Beginning Balance Adjustment		0.00	0.00
<u>ESEPS and AD Financing</u>			
International Development Association (IDA) 57160		0.00	0.00
Trust Fund (TF) A7523		140,274,686.00	0.00
From IDA 68830		493,153,021.00	0.00
From IDA 6131		<u>3,705,363,769.00</u>	<u>1,858,047,729.00</u>
Sub Total Financing		4,338,795,091.00	1,946,659,550.00
Contribution by the Ethiopian Govt.		137,828,891,470.00	112,064,153,963.00
Gain on foreign Exchange		<u>29,847,055.00</u>	<u>111,865,925.00</u>
Total Financing		142,197,533,616.00	114,122,679,438.00
ESPES & ESPES-P4R Expenditure		<u>137,986,702,026.00</u>	<u>114,122,675,823.00</u>

MINISTRY OF FINANCE GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF
ETHIOPIA DESIGNATED DOLLAR ACCOUNTS WITH EQUIVALENT BIRR AMOUNT
STATEMENT FOR ADDITIONAL FINANCING FOR THE ENHANCING SHARED
PROSPERITY THROUGH EQUITABLE SERVICES (ESPES) P4R PROGRAM.

For the year ended		7 JULY 2022
Account Number		010010/1300550
Depository Bank		NBE
Address		Addis Ababa, Ethiopia
Currency		USD and Birr
	<u>Amount in USD</u>	<u>Amount in Birr</u>
OPENING BALANCE	10.02	439.21
Fund Received From:		
IDA (61310)	71,443,351.86	
IDA (68830)	9,487,872.00	3,705,363,768.51
TF A7523	3,121,000.00	493,153,020.52
		140,274,686.10
Total	<u>84,052,233.88</u>	<u>4,338,791,914.34</u>
Deducted -Transfer to:-		
Government Treasury account-Birr	0.00	0.00
Government Treasury account-USD	3,121,000.00	157,810,556.10
Bank Service Charge	<u>0.00</u>	<u>0.00</u>
Total Fund Available	<u>3,121,000.00</u>	<u>157,810,556.10</u>
Closing balance	80,931,233.88	4,180,981,358.24
Gain on foreign exchange	0.00	29,846,461.17
ENDING BALANCE-7 JULY 2022	<u>80,931,233.88</u>	<u>4,210,827,819.41</u>

Note: The closing exchange rate used for ending balance is 1 USD = 52.0297



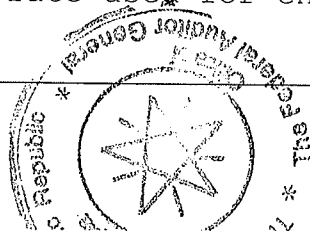
Ministry Of Finance

Government Of Federal Democratic Republic Of Ethiopia

Designated Accounts Statement- ESPES

For the year ended	7, July 2022	
Account Number	010010/1300528	
Depository bank	NBE	
Address	Addis Ababa , ETHIOPIA	
Currency	USD	
	<u>Amount in USD</u>	<u>Amount in Birr</u>
Opening balance	72.46	3,176.15
Fund received from		
IDA (57160)	0.00	0.00
Total	72.46	3,176.15
Deducted-Transfer to:-		
Government Treasury account-Birr	0.00	0.00
Bank Service Charge	0.00	
Closing balance	72.46	3,176.15
Gain on foreign exchange	0.00	593.92
Ending balance-7, July 2022	<u>72.46</u>	<u>3,770.07</u>

NB:-the Closing exchange rate used for ending balance is
1USD=52.0297



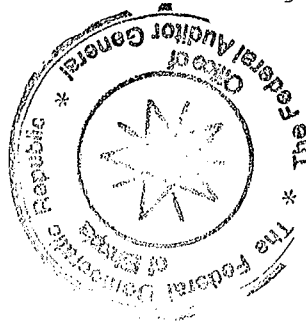
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MINISTRY OF FINANCE GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC
OF ETHIOPIA
DESIGNATED ACCOUNTS STATEMENT-ESPES

For the year ended 7 JULY 2021
 Account Number 010010/1300528
 Depository Bank NBE
 Address Addis Ababa,
Ethiopia
 Currency USD

	<u>Amount in USD</u>	<u>Amount in Birr</u>
OPENING BALANCE	72.46	2,539.12
Fund Received From:		
IDA (57160)	<u>0.00</u>	<u>0.00</u>
Total	<u>72.46</u>	<u>2,539.12</u>
Deducted -Transfer to:		
Government Treasury account- Birr	0.00	0.00
Bank Service Charge	<u>0.00</u>	<u>0.00</u>
Total Fund Available	<u>0.00</u>	<u>0.00</u>
Closing balance	72.46	2,539.12
Gain on foreign exchange	-	637.03
ENDING BALANCE-7 JULY 2021	<u>72.46</u>	<u>3,176.15</u>

Note: The closing exchange rate used for ending balance is 1 USD = 43.8332



MINISTRY OF FINANCE GOVERNMENT OF THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH
EQUITABLE SERVICE (ESPES) AND ADDITIONAL FINANCING FOR ESPES
DECLARATION OF NON-PROCUREMENT OF MATERIAL ASSETS FOR THE YEAR
ENDED 7, JULY 2022

We hereby declare that there were no procurements acquired or procured to date that worth (i) works, estimated to cost fifty million dollar equivalent or more per contract; (ii) goods, estimated to cost thirty million dollar equivalent or more per contract; (iii) non-consulting services, estimated to cost thirty million dollar equivalent or more per contract; (iv) consultant's services, estimated to cost fifteen million dollar equivalent or more per contract with the program funds financed by donors.



MINISTRY OF FINANCE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC
OF ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICES
(ESPES) AND ADDITIONAL FINANCING FOR ENHANCING SHARED PROSPERITY
THROUGH EQUITABLE SERVICE NOTES TO THE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7, JULY 2022

1. BACKGROUND

With the objective of expanding access and improving the quality of basic services in Education, Health, Agriculture, Water and Sanitation and Rural Roads delivered by sub-national governments /Woreda's/ Town Administration and strengthening financial transparency and accountability in service delivery and program for result, the Government of Ethiopia and the World Bank signed the Additional Financing for Enhancing Shared Prosperity through Equitable Service /that aim to provide financing to activities related to the Original program /which commenced in September 29, 2017/. This Financing Agreement has two parts, the Program and the project which jointly referred as the" Operation". The operation is implemented by MoF and the program discussed as below:

Program: It is a credit portion of an Operation which aimed at delivering basic service in basic service providing sectors at sub-national Governments level /Woreda's/ and strengthen accountability system at the decentralized level.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the program, which are consistent with those applied in the preceding period, are stated below:

a) BASIS OF PREPARATION:

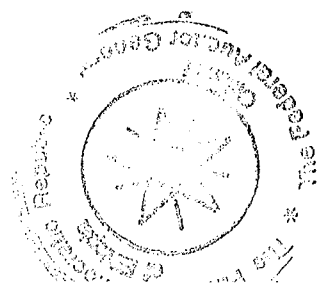
i) These Financial Statements have been prepared based on a modified cash basis in accordance with the accounting policy of the Government of the Federal Democratic Republic of Ethiopia.

ii) The Operation Financial Statement of the program for reporting consolidated transactions.

b) CURRENCY:



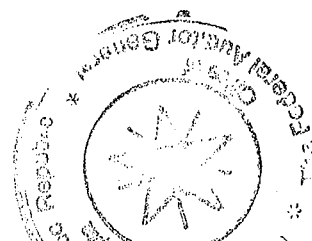
These financial statements are presented in birr. Transactions in foreign currency are translated into birr at the approximate rate of exchange prevailing at the date of the transaction.



MINISTRY OF FINANCE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC
OF ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE
PROGRAM (ESPES) AND ADDITIONAL FINANCING FOR ENHANCING SHARED
PROSPERITY THROUGH EQUITABLE SERVICE PROGRAM (ESPES-AF) NOTE TO THE
CONSOLIDATED FINANCIAL STATEMENTS AT 7, JULY 2022

EXPENDITURE OF ESPES-P4R

Education	79,215,324,887.00
Health (Including HIV/AIDS)	34,497,600,964.00
Agriculture and Natural Resource	20,488,329,960.00
Water Supply and Sanitation	2,728,274,984.00
Rural Road	1,057,171,231.00
TOTAL	<u>137,986,702,026.00</u>



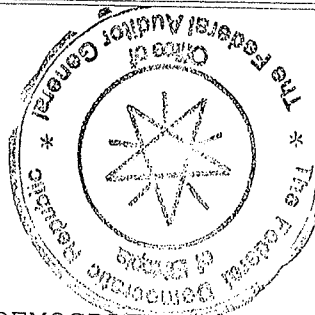
GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA THE
OPERATION, THE PROGRAM RECONCILIATION OF AMOUNTS "RECEIVED BY THE
PROGRAM FROM THE DEVELOPMENT PARTNERS (INCLUDING THE WORLD BANK)"
WITH THOSE SHOWN AS BEING "DISBURSED BY THE DEVELOPMENT PARTNERS
(INCLUDING THE WORLD BANK)"

No	Development partners (including the World Bank)	Amounts "Disbursed by the Development partners (including the world Bank)"	Amounts "Received by the Project"	Understated amount Received by the Operation	OPERATION	Remark
1	International Development Association (IDA) 61310, 68830 and TF A7523	USD 84,052,233.88	USD 84,052,233.88	-	ESPES (P4R)	Advance

Note:

- International Development Association (IDA):Credit Number 6131-ET
- International Development Association (IDA):Credit Number 68830-ET
- Trust Fund (TF) :Credit Number A7523-ET



MINISTRY OF FINANCE OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE/ AND
ADDITIONAL FINANCING FOR ESPES /PROGRAM FOR RESULT/ AUDIT FINDINGS,
RECOMMENDATIONS AND MANAGEMENT RESPONSES ON THE ACCOUNTS FOR THE
YEAR ENDED 7 JULY 2022

I. INTRODUCTION

We conducted the audit under the power conferred upon the Office of the Federal Auditor General by Proclamation Number 982/2016 (as amended 1146/2019). Our audit followed the audit requirements included in the Terms of Reference (ToR) for the audit of ESPES and Additional Financing for ESPES the year ended 7 July 2022 (Sene 30, 2014 E.C).

This report deals with the Findings and recommendations which came to our attention during our normal audit procedures which were designed primarily with a view to the expression of our opinion on the Program Financial Statement (PFS) of the portion of the Operation program (ESPES) Enhancing Shared Prosperity through Equitable Service program including its Additional Financing. The audit was conducted on a test basis and, thus, our audit cannot be expected to disclose all possible weaknesses in internal controls and all other Findings which a more extensive special examination might reveal.

II. BACKGROUND

The relevant Financing Agreements between the Government of the Federal Democratic Republic of Ethiopia and the Financiers for ESPES and /AF-for ESPES/ program are:

- International Development Association (IDA) Financing Agreements IDA 61310.

III. SCOPE OF THE AUDIT

- a) The audit was conducted in accordance with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants, with special reference to ISA 800 (Auditor's

Report on Special Purpose Audit Engagements) and relevant World Bank Guidelines. The audit, accordingly, included such tests of accounting records, transaction, internal controls, and other procedures as were considered essential for the performance of this audit.

- b) In conducting this audit, we have carried out continuous /interim and validation audits at various Woreda's/ Town Administrations, Zones, Bureaus, Regions of Enhancing Shared Prosperity through Equitable Service program (ESPES) including its Additional Financing that such review ensured that the financial and property managements were reasonably accurate, reliable and timely.
- c) Discussions were held with staffs of the Ministry of Finance (MoF) and the Program Implementing Agencies at various Government levels.
- d) The audit opinion is limited to the funds received from the Financiers and the Government and of the expenditures incurred for Additional Financing for Enhancing Shared Prosperity through Equitable Service (ESPES-AF) program.

IV. FIELD VISITS

In addition to the quarterly continuous/interim audit reports already submitted to MoF and then to the Development Partners (including the World Bank) for the year ended 7 July 2022 (Sene 30, 2014 EC), we have also visited the various Implementing Agencies and beneficiaries; in all regions, except for Tigray which was not funded and its financial statement was not included in this report due to security problem, of the project at Regional and Zone levels for Project Financial Statements purpose.

