

የኢትዮጵያ ፌዴራላዊ
ሪፐብሊክ ግብርና
አገልግሎት ኮርፖሬሽን



**AUDIT SERVICES
CORPORATION**

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
GRANT NO. D229-ET
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2019



በኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ
የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን

**The Federal Democratic Republic of Ethiopia
Audit Services Corporation**

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET**

We have audited the financial statements of the Federal Democratic Republic of Ethiopia, Ministry of Finance, Enhancing Shared Prosperity Through Equitable Service-AF, Investment Project Financing, financed under IDA Grant No. D229-ET, which comprise the balance sheet as at 7 July 2019, and the statement of sources and uses of funds for the period from 8 January 2019 to 7 July 2019 and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

The Ministry of Finance is responsible for the preparation and fair presentation of these financial statements in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting, and for such internal control as the Ministry determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ASC

☎ 251-011-5515222
251-011-5535012
251-011-5535015
251-011-5535016

Fax 251-011-5513083

E-mail: ASC@ethionet.com

✉ 5720

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET (continued)**

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Federal Democratic Republic of Ethiopia, Ministry of Finance, Enhancing Shared Prosperity Through Equitable Service-AF, Investment Project Financing, financed under IDA Grant No.D229-ET, as at 7 July 2019 and of its sources and uses of funds for the period from 8 January 2019 to 7 July 2019 in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

Report on Other Requirements

As required by the terms of reference for Audit of World Bank Financed Projects we report that, to the extent we can assess:

- a) The World Bank financing has been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- b) Goods, works and services financed have been procured in accordance with the relevant financing agreement including specific provisions of the World Bank Procurement Policies and Procedures;
- c) All necessary supporting documents, records and accounts have been maintained in respect of all project activities, and the project financial statements were in agreement with the underlying books of account;
- d) A Designated Account has been maintained in accordance with the provisions of the relevant financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreement;
- e) National laws and regulations have been complied with, and that the financial and accounting procedures approved for the Project were followed and used;
- f) Financial performance of the Project is satisfactory;

ase

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET (continued)**

Report On other Requirements (continued)

- g) Assets procured from Project funds exist and there is a verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement; and
- h) No ineligible expenditures were identified during the period.

Audit Services Corporation

19 March 2020

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET
BALANCE SHEET
AS AT 7 JULY 2019

	Notes	Ethiopian Birr
<u>ASSETS</u>		
CURRENT ASSETS		
Cash at bank	3	389,562,363
Cash on hand	4	180,142
Advances	5	<u>20,103,220</u>
		409,845,725
CURRENT LIABILITIES		
Accounts payable	6	<u>1,226,689</u>
NET CURRENT ASSETS		<u>408,619,036</u>
<u>REPRESENTED BY</u>		
FUND BALANCE		<u>408,619,036</u>

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE PERIOD FROM 8 JANUARY 2019 TO 7 JULY 2019

	For the Period from 8 January to 7 July 2019 Ethiopian Birr
SOURCE	
IDA Grant	487,147,837
Gain on foreign exchange	<u>3,633,250</u>
TOTAL SOURCES	<u>490,781,087</u>
USES	
Personal Services	37,926,921
Goods and Services	44,172,955
Fixes Assets	<u>62,175</u>
TOTAL USES	<u>82,162,051</u>
EXCESS OF SOURCES OVER USES	<u>408,619,036</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET
DESIGNATED ACCOUNT STATEMENT**

For period ended	7 July 2019
Account number	0100101300551
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related Credit	IDA Grant D 229-ET
Currency	USD

Initial Deposit	17,060,641
Deduct	
Transfer to Birr Account	8,000,000
Transfer to MOF - Finance	<u>7,683</u>
	<u>8,007,683</u>
Ending balance – 7 July 2019	<u>9,052,958</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
 MINISTRY OF FINANCE
 ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
 INVESTMENT PROJECT FINANCING
 IDA GRANT NO. D229-ET
 SCHEDULE OF MOVEMENTS IN POOL BIRR ACCOUNT**

For period ended	7 July 2019
Account number	0100101040697
	Pool Birr Account
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Currency	Ethiopian Birr
Transfer from USD Account	228,595,200
DEDUCT	
Transfers to Regional States	57,251,579
Transfers to Federal Implementers	<u>116,795,662</u>
	174,047,241
Bank Service Charge	<u>571,488</u>
	<u>174,618,729</u>
Ending balance – 7 July 2019	<u>53,976,471</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The objective of the Enhancing Shared Prosperity through Equitable Services-Additional Financing (ESPES-AF) program is to improve equitable access to basic services and strengthen accountability system at the decentralized level. This additional credit and grant is sought to help finance the expenditures associated with the Ethiopian Government's Inter Government Fiscal Transfer system which provides block grants to region and Woreda levels for delivering Basic Social Services such as Health care, Education, Agriculture services, Rural Roads, Water and sanitation.

ESPES-AF has two components: the PforR and the Investment Components. The Proposed AF will retain the development objective of the original ESPES Program.

The Investment Project Financing (IPF) - The new investment component will support long term system building capacity.

The PforR Component - It is to improve equitable access to basic services and strengthen accountability systems at the decentralized level.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project, are stated below.

a) Basis of preparation

These financial statements have been prepared in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

b) Currency

These financial statements are presented in Birr. Transactions in foreign currencies are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rates ruling at the balance sheet date.

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
 MINISTRY OF FINANCE
 ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
 INVESTMENT PROJECT FINANCING
 IDA GRANT NO. D229-ET
 NOTES TO THE FINANCIAL STATEMENTS (continued)

3. CASH AT BANK

		Amount in Foreign Currency	Exchange rate (buying)	Equivalent in Ethiopian Birr
Balance in USD Account	USD	9,052,957.51	28.9369	261,964,526
Balance in Pool Birr Account Number 0100101040697				53,976,471
Balance at Federal implementers				66,973,089
Balance at Regional States				<u>6,648,277</u>
Total				<u>389,562,363</u>

4. CASH ON HAND

	Ethiopian Birr
Afar National Regional State	6,288
Amhara National Regional State	968
Ethiopian Institution of Ombudsman	154,265
Ministry of Agriculture	7,180
MOF -Finance	<u>11,441</u>
	<u>180,142</u>

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. ADVANCES

	Ethiopia Birr
Afar National Regional State	24,175
Amhara National Regional State	103
Oromia National Regional State	6,388,606
Southern Nations, Nationalities and Peoples Regional State	35,132
Benshangul Gumuz Regional State	14,264
Gambela National Regional State	3,000
Harari National Regional State	506,486
Addis Ababa City Administration	11,739
Ethiopian Institute of Ombudsman	137,895
Central Statistical Agency	155,502
Ministry of Education	62,062
Ministry of Health	11,046,493
Ministry of Agriculture	1,251,430
Office of Federal Audit General	<u>466,333</u>
	<u>20,103,220</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF
INVESTMENT PROJECT FINANCING
IDA GRANT NO. D229-ET
NOTES TO THE FINANCIAL STATEMENTS (continued)**

6. ACCOUNTS PAYABLE

	Ethiopian Birr
Afar National Regional State	5,996
Amhara National Regional State	264,682
Oromia National Regional State	41,690
Southern Nations, Nationalities and Peoples Regional States	197,198
Tigray National Regional State	9,378
Central Statistical Agency	11,780
Addis Ababa City Administration	365,354
Ethiopian Institution of Ombudsman	213,065
Ministry of Water, Irrigation and Energy	99,900
Office of Federal Audit General	<u>17,646</u>
	<u>1,226,689</u>

7. DATE OF AUTHORIZATION

The Channel One Programs Coordinating Directorate Director of the Ministry of Finance authorized the issue of these financial statements on 19 March 2020.