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የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን  
**The Federal Democratic Republic of Ethiopia  
Audit Services Corporation**

**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE  
DEVELOPMENT PROGRAM (UIIDP-IPF)  
IDA GRANT No.D277-ET, P163452 AND AFD 1073 1 U**

We have audited the accompanying financial statements of Urban Institutional and Infrastructure Development Program (UIIDP-IPF) financed under IDA Credit numbers 6196-ET, SUF 6197-ET, Grant No. D277- ET, P163452 and AFD 1073 1U of the Federal Democratic Republic of Ethiopia, Ministry of Finance, which comprise the balance sheet as at 7 July 2022, the statement of sources and uses of funds and the designated accounts statement for the year then ended, 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 it 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.

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**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE  
DEVELOPMENT PROGRAM (UIIDP-IPF)  
IDA GRANT No.D277-ET, P163452 AND AFD 1073 IU (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 Urban Institutional and Infrastructure Development Program (UIIDP-IPF) financed under IDA Credit numbers 6196-ET, SUF 6197-ET, Grant No. D277- ET,P163452 and AFD 1073 1U as at 7 July 2022 and of its sources and uses of funds for the year then ended in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

***Reports on other requirements***

As required by the World Bank guidelines we report that, to the extent we can assess:-

- during the period IDA funds have been used in accordance with the conditions of the relevant financing agreements and only for the purposes for which the financing were provided;
- counter-part funds have been provided and used in accordance with the financing agreement and only for the purposes for which the financing was provided;
- goods, works and services financed have been provided in accordance with the relevant financing agreements and disbursement letters:
- all necessary supporting documents, records and accounts have been maintained in respect of all Project's activities;
- funds disbursed covered expenditure that are eligible for financing under IDA Credit Nos. 6196-ET, SUF 6197-ET, Grant No. D277-ET,P163452 and AFD 1073 1 U;
- there was a clear linkage between the books of account and the financial statements; and
- our examination revealed no major weaknesses or irregularities in the system of internal controls over financial expenditure other than those mentioned in the management letter.

*Auditi Services Corporation*  
6 January 2023

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM  
 (UIIDP-IPF)  
 IDA CREDIT GRANT NO.D2770-ET ,P163452 AND AFD 1703 I U  
 BALANCE SHEET  
 AS AT 7 JULY 2022

	Notes	Birr	2021 Birr
CURRENT ASSETS			
Advances		39,064,942	21,920,992
Cash and bank balances	3	<u>243,794,318</u>	<u>188,306,564</u>
		282,859,260	210,227,556
CURRENT LIABILITIES			
Accounts payable		<u>4,008,602</u>	<u>3,114,813</u>
NET CURRENT ASSET		<u>278,850,658</u>	<u>207,112,743</u>
FINANCES BY			
ACCUMULATED FUND	5	<u>278,850,658</u>	<u>207,112,743</u>

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT  
 PROGRAM (UIIDP-IPF)

IDA GRANT NUMBERS No.D2770-ET, P163452 AND AFD 1703 1 U  
 STATEMENT OF SOURSES AND USES OF FUNDS  
 FOR THE YEAR ENDED 7 JULY 2022

SOURCE	Note	Birr	Cumulative from	Year ended
			26 December 2018 To 7 July 2022 Birr	7 July 2022 Birr
Initial deposit		-	130,190,207	-
IDA Grant D277-ET		231,949,709	548,818,634	235,765,096
AFD Grant		36,838,236	36,838,236	-
Direct Payment		95,607,481	95,607,481	-
Gain on foreign exchange	4	<u>19,277,822</u>	<u>43,985,563</u>	<u>15,369,681</u>
		<u>383,673,248</u>	<u>855,440,121</u>	<u>251,134,777</u>
<b>USES</b>				
Goods		48,078,121	54,902,442	4,623,928
Consultancy services		217,463,208	418,743,771	104,848,520
Training and work shop		36,836,042	88,883,273	21,364,225
Operating costs		<u>9,557,962</u>	<u>14,059,977</u>	<u>3,123,049</u>
		<u>311,935,333</u>	<u>576,589,463</u>	<u>133,959,722</u>
<b>EXCESS OF SOURCES OVER USES</b>		<u>71,737,915</u>	<u>278,850,658</u>	<u>117,175,055</u>

**MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT  
 PROGRAM (UIIDP-IPF)  
 USD DESIGNATED ACCOUNT STATEMENT**

For the year ended 7 July 2022  
 Account number 0100101300560  
 Depository bank National Bank of Ethiopia  
 Address Addis Ababa, Ethiopia  
 Related Grant AFD 1703 1 U, P163452  
 Currency EURO

	<b>EURO</b>	<b>BIRR</b>
AFD Grant during the year	667,727.08	36,868,235.91
Less: Transfer to Ministry of Urban Development Institutions	<u>471,932.41</u> 195,794.67	<u>26,167,425.11</u> 10,670,810.80
Gain on foreign exchange		<u>(266,693.21)</u>
Ending balance -7 July 2022	<u>195,794.67</u>	<u>10,404,117.59</u>

**MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT  
PROGRAM (UIIDP-IPF)  
USD DESIGNATED ACCOUNT STATEMENT**

For the year ended	7 July 2022
Account number	0100101300560
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related Grant	IDA GRANT No. D2770-ET AND AFD 1703 1 U
Currency	USD

	<b>USD</b>	<b>BIRR</b>
Opening balance -7 July 2021	1,117,360.14	48,977,470.49
Add: IDA Grant during the year	<u>4,703,606.93</u> 5,820,967.07	<u>231,949,699.60</u> 280,927,170.09
Less: Transfer to Birr account	<u>4,565,000.00</u> 1,255,967.07	<u>223,183,438.49</u> 57,743,731.60
Gain on foreign exchange		<u>7,603,858.26</u>
Ending balance -7 July 2022	<u>1,255,967.07</u>	<u>65,347,589.86</u>

**MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM  
 (UIIDP-IPF)  
 SCHEDULE OF MOVEMENTS IN THE BIRR ACCOUNT**

For the year ended	7 July 2022	
Account number	0100101040695	
Depository bank	National Bank of Ethiopia	
Address	Addis Ababa, Ethiopia	
Related Grant	IDA Grant No. D277-ET, P163452 and AFD 1073 1 U	
Currency	Ethiopian Birr	
Beginning Balance - 7 July 2021		2,650,886.52
Transfer from USD Designated Account		<u>223,183,438.49</u> <u>225,834,325.01</u>
Less: Transfer to beneficiaries		219,071,551.06
Ministry of Urban Development, Housing and Construction		2,679,500.00
Ministry of Finance - Administration		<u>1,258,605.55</u>
Bank charge		<u>223,009,656.61</u>
Ending Balance 7 July 2022		<u><b>2,824,668.40</b></u>

**MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE  
DEVELOPMENT PROGRAM (UIIDP-IPF)  
IDA GRANT NUMBERS No.D2770-ET P163452 AND AFD 1703 1 U  
NOTES TO THE FINANCIAL STATEMENTS**

**1. PROJECT INFORMATION**

UIIDP-IPF Project is used to fund a range of institutional and capacity development intervention at or coordinated by Ministry of Urban Development, Housing and Construction (MUDCo).

The MUDCo will undertake activities in five areas:

- a) developing capacity, systems and organization of federal entities;
- b) developing capacity, systems and organization of regional and ULG entities;
- c) conducting project preparation studies, pre-feasibilities and feasibility studies for ULGs with specific needs for further investments;
- d) UIIDP management and monitoring and evaluation, and
- e) Procuring and managing APAs and V f M audits.

The financial agreement was entered into between IDA and Agence Francaise De Development and The Federal Democratic Republic of Ethiopia by Grant No. D2770-ET, P163452 and ADF 1073 I U, on 20 March 2018 and 21 June 2018 respectively. The closing date of the Project is July 2023.

This IPF window has a total funding of US \$34.57 million. It will support MUDCo to administer and coordinate the operation, and to strengthen its capacity to support and guide the region and ULGs (US\$ 32.57 From IDA; and US\$ 2.0 million (approx. EURO1.8 million) from ADF.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted by the Project, which are consistent with those applied in the preceding year, are stated below:-

- a) Basis of preparation

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

- 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. Cash balances denominated in foreign currencies are translated into Birr at the exchange rates ruling at the date of statement of financial position.



MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM  
 (UIIDP-IPF)  
 IDA GRANT NUMBERS No.D2770-ET ,P163452 AND AFD 1703 1 U  
 NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CASH AND BANK BALANCES

	Birr	2021 Birr
USD Designated account	75,751,708	48,977,471
USD-Ministry of Urban Development and Construction	71,684,452	108,279,653
Ethiopian Birr Designated Account	2,824,668	2,650,887
Ministry of Urban Development and Construction	91,714,282	24,064,066
Ministry of Finance	<u>1,751,788</u>	<u>4,291,161</u>
	243,726,898	188,263,238
	<u>67,420</u>	<u>43,326</u>
Cash on hand	<u>243,794,318</u>	<u>188,306,564</u>

4 GAIN FROM FOREIGN EXCHANGE  
 FLUCTUATION

	Birr	2021 Birr
Ministry of Finance	7,337,155	10,174,507
Ministry of Urban Development and Construction	<u>11,940,667</u>	<u>5,195,174</u>
	<u>19,277,822</u>	<u>15,369,681</u>

5 ACCUMULATED FUND

	Birr
Beginning balance - 7 July 2021	207,112,743
Excess of financing over expenditure	<u>71,737,915</u>
	<u>278,850,658</u>

6 DATE OF AUTHORIZATION

Channel One Programs Coordinating Directorate Director of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 9 January 2023.

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP- IPF )  
 IFR BASED WITHDRAWAL SCHEDULE  
 FOR APPLICATIONS SUBMITTED DURING THE  
 YEAR ENDED 7 JULY 2022

Withdrwal Application No.	USD	EQUIVALENT IN ETHIOPIAN BIRR
UIIDP - IPF-017	2,178,184.35	95,607,481.31
UIIDP - IPF-018	2,091,800.13	98,533,826.91
UIIDP - IPF-019	820,392.27	40,905,989.17
UIIDP- IPF-020	677,199.29	34,766,802.07
UIIDP- IPF-021	1,114,215.24	57,743,090.45
AFD	<u>667,727.08</u>	<u>36,838,235.91</u>
	<b><u>7,549,518.36</u></b>	<b><u>364,395,425.82</u></b>

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP-IPF)  
 IDA GRANT NUMBERS No.D2770-ET,163452 AND AFD 1703 1 U  
 RECONCILIATION OF QUARTERLY REPORTS DURING THE PERIOD  
 FROM 26 DECEMBER 2018 to 7 JULY 2022 WITH THE YEAR ENDED STATEMENT OF  
 SOURCE AND USES OF FUND AND BALANCE SHEET

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Cumulative
	Birr	Birr	Birr	Birr	26-Dec-18
					7 July 2022
					Birr
<b>SOURCES</b>					
<b>Opening Balance 7 July 2021</b>	-	-	-	-	207,112,743
IDA Contribution	95,607,481	135,372,063	40,905,989	92,509,893	364,395,426
Gain on foreign exchange	<u>5,838,542</u>	<u>7,006,732</u>	<u>4,285,984</u>	<u>2,146,564</u>	<u>19,277,822</u>
Total Sources	<u>101,446,023</u>	<u>142,378,795</u>	<u>45,191,973</u>	<u>94,656,457</u>	<u>383,673,248</u>
Total sources including opening					<u>590,785,991</u>
<b>USES</b>					
Program expenditure	<u>38,419,311</u>	<u>150,096,664</u>	<u>75,920,010</u>	<u>47,499,348</u>	<u>311,935,333</u>
Excess/( Deficiency) of sources					<u>278,850,658</u>
Over expenditures					243,726,898
Cash at bank					67,420
Cash on hand					39,064,942
Advances					<u>(4,008,602)</u>
Payables					<u>278,850,658</u>