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የፌዴራል ዋና አዲተር መ/ቤት
Federal Democratic Republic of Ethiopia
Office of the Federal Auditor General



#ጥር OFAG 3.9/127
Ref: No
ቀን 20/1/2022
Date

Ministry of Finance
Addis Ababa

Re: Submission of the 2013 EFY ESPES-AF/IPF 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 - Additional Financing (ESPES_AF/IPF) project 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 31 pages of the 2013 EFY ESPES-AF/IPF 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

Meseret Damtie
Deputy Audit Auditor
General

INDEPENDENT AUDITOR'S REPORT ON THE PROJECT FINANCIAL STATEMENTS OF THE MINISTRY OF FINANCE OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA AND ADDITIONAL FINANCING FOR ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE PROGRAM /ESPES-AF/ PROJECT

We have audited the accompanying Operation Financial Statements of Additional Financing for Enhancing Shared Prosperity through Equitable Service (ESPES-AF) project component of the Ministry of Finance of the Federal Democratic Republic of Ethiopia for the year ended 7 July 2021, which has been financed by IDA Financing agreements IDA D2290.

The preparation of the Project Financial Statements (PFSs) is the responsibility of the Ministry of Finance. This audit is a special purpose audit for Additional Financing for Enhancing Shared Prosperity through Equitable service /ESPES-AF/ of project component /Investment project financing/ whose terms of reference are those given in the Terms of Reference for the Additional Financing for Enhancing Shared Prosperity through Equitable Service /ESPES-AF/. These Terms of Reference include, inter alia, our responsibility to express an opinion on the Project Financial Statements based on our audit and report on material inappropriate expenditure and other pertinent matters.

We conducted our audit 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 and the World Bank relevant Guidelines for the World Bank financed projects.

These Standards requires that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. Our audit includes examining on a sample test basis of the evidence supporting the amounts and disclosures in the Financial Statements. Our audit



includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Project /Investment project Financing/ Financial Statements present fairly, in all material respects, the financial position as at 7 July 2021 and the cash receipts and disbursements for the year then ended of the Additional Financing for Enhancing Shared Prosperity through Equitable Service /ESPES/ the project component /Investment Project Financing/ of the Ministry of Finance of the Government of the Federal Democratic Republic of Ethiopia which were prepared on a modified cash basis and in accordance with the accounting policy of the Government of the Federal Democratic Republic of Ethiopia.

Emphasis of matters:

- Perdiem payments of birr 35,378.00 were made double at the same days and for the same individuals improperly in Environment and Climate change Commission.
- Additional birr 164,165.00 Perdiem was paid for local training participants for whom full accommodation (breakfast, lunch, dinner and bed service) was fully covered at Blue Nile Resort Hotel at Bahir Dar City in Federal Ethics and anticorruption Commission.

In addition, in our opinion, in all material respects:

- During the year, all external financing has been used in accordance with the conditions of the relevant financing agreements and only used for the purposes for which the financing was provided; except for the matter disclosed in the emphasis of matter paragraph and management letter.



- Counterpart funds have been provided and used in accordance with the relevant financing agreements and only for the purposes for which they were provided;
- Goods, works and services financed under the Project have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement policies and procedures;
- The necessary supporting documents, records and accounts have been maintained in respect of all project activities, including expenditures /transfers reported in Interim Unaudited Financial Reports (IFRs). In addition, the IFRs issued during the audit were in agreement with the underlying books of accounts except for the matter disclosed in the emphasis of matter paragraph and management letter.
- Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements, and funds disbursed out of the accounts were used only for the purpose intended in the financing agreement; except for the matter disclosed in the emphasis of matter paragraph and management letter
- National laws and regulations have been complied with and that the financial and accounting procedures approved for the Project were followed and used; except for the matter disclosed in the emphasis of matter paragraph and management letter.
- Financial performance of the project was satisfactory; and
- Assets procured from project funds existed and there was verifiable ownership by the implementing agencies or beneficiaries in line with the financing agreement except for the matter disclosed in the emphasis of matter paragraph and management letter.



MINISTRY OF FINANCE OF GOVERNMENT OF FEDERAL DEMOCRATIC
 REPUBLIC OF ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH
 EQUITABLE SERVICE-AF, INVESTMENT PROJECT FINANCING PROJECT
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 7 JULY
 2021.

		<u>7 July 2021</u>	<u>7 July 2019</u>
	<u>Notes</u>	<u>Birr</u>	<u>Birr</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash balances	3	90,444,481.11	389,742,505.00
Advances	4	<u>146,028,296.68</u>	<u>20,103,220.00</u>
Total current		236,472,777.79	409,845,725.00
Assets			
<u>CURRENT LIABILITIES</u>			
Account Payable	5	<u>18,855,258.96</u>	<u>1,226,690.00</u>
NET CURRENT ASSETS		<u>217,617,518.83</u>	<u>408,619,036.00</u>
<u>REPRESENTED BY</u>			
ACCUMULATED FUND		<u>217,617,518.83</u>	<u>408,619,036.00</u>



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MINISTRY OF FINANCE OF GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF
ETHIOPIA, CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS FOR
THE YEAR ENDED 7, JULY 2021

	<u>For the year ended</u>		<u>For the year ended 7</u>
	<u>Note</u>	<u>7 July 2021</u>	<u>July 2019</u>
		<u>Birr</u>	<u>Birr</u>
Opening Balance		243,037,079.46	0.00
Beginning Balance Adjustment		0.00	0.00
<u>Source</u>			
From IDA D2290		424,392,424.91	487,147,837.05
Gain on foreign Exchange		<u>42,918,745.27</u>	<u>3,633,249.70</u>
Total Fund Available		<u>710,348,249.64</u>	<u>490,781,086.75</u>
Total Project Expenditure		<u>492,635,504.23</u>	<u>82,162,050.93</u>
Excess of Financing over Expenditure		217,712,745.41	408,619,035.82

Note:

Expenditure of Bank Service charge amounting ETB 971,464.05 is included in this report.



MINISTRY OF FINANCE ENHANCING SHARED PROSPERITY THROUGH EQUITABLE
 SERVICE-AF, INVESTMENT PROJECT FINANCING STATEMENT OF FUND FLOW FOR THE
 YEAR ENDED JULY 07/2021
 DOLLAR ACCOUNT NO. 0100101300551

For the year ended
 Account Number
 Depository Bank
 Address
 Currency

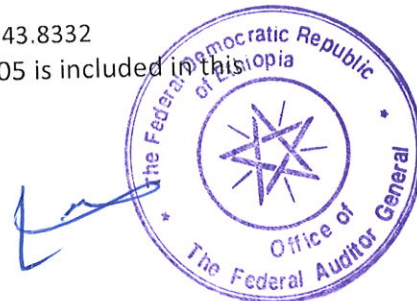
7 JULY 2021
 01001013000551
 NBE
 Addis Ababa, Ethiopia
 USD and Birr

	<u>Amount in USD</u>	<u>Amount in Birr</u>
OPENINIG BALANCE	1,803,252.90	63,189,047.15
Fund Received From: Inte. Development Association (IDA) D2290	<u>11,304,965.81</u>	<u>424,392,424.91</u>
Total	<u>13,108,218.71</u>	<u>487,581,472.06</u>
Deducted –Transfer and Expenditure		
Transfer to Birr account-	9,800,000.00	387,614,155.95
Transfer to MOF-finance	2,950,000.00	112,835,905.00
Bank charges	<u>0.00</u>	<u>971,464.05</u>
Total transfer and Expenditure	<u>12,750,000.00</u>	<u>501,421,525.00</u>
Closing balance	358,218.71	(13,840,052.94)
Actual exchange rate to date	-	15,701,872.36
Add gain or loss on foreign exchange rate	-	<u>29,541,925.30</u>
Closing balance after Gain or loss on foreign exchange	-	<u>15,701,872.36</u> (00)

Note:-

The Closing exchange rate used for ending balance(July 7/2021) is 1USD=43.8332

Note: Expenditure of Bank Service charge amounting ETB 971,464.05 is included in this report.



MINISTRY OF FINANCE
Government of Federal Democratic Republic of Ethiopia
Enhancing Shared Prosperity Through Equitable Service-AF, Investment
Project Financing

Birr ACCOUNT NO. 0100101040697
For the year ended 7 July, 2021

	BIRR	BIRR
OPENING BALANCE	64,066,172.55	64,066,172.55
Add :Transfer from Special Account:-		
Transfer from DA Account	501,421,525.00	<u>501,421,525.00</u>
Fund Available for use:-		565,487,697.55
Less:- Transfer and Expenditure		
Transfer to Regions:-		
Tigray	12,185,844.90	
Afar	9,515,696.92	
Amhara	23,366,031.53	
Oromia	51,574,410.78	
Somale	18,924,993.03	
Benshangul Gumuz	6,619,222.99	
SNNPR	32,745,335.20	
Sidama	5,079,452.40	
Gambella	8,590,670.36	
Harari	3,118,032.04	
Dire Dawa	5,525,672.25	
Addis Ababa	22,340,667.52	
Transfer to Federal Implementers:-		
Federal Public Procurement and Property Administration Agency (FPPAA)	7,393,040.00	
Transfer to Federal Ethics and Anticorruption Commission (FEACC)	20,922,500.00	
Transfer to Environment Forest and Climate Change Commission (EFCC)	10,553,967.00	



Transfer to Central Statistical Agency (CSA)	88,483,999.60	
Transfer to Ethiopian Institute of Ombudsman (EIO)	18,227,382.16	
Transfer to Ministry of Education (MOE)	6,500,000.00	
Transfer to Ministry of Health (MOH)	20,717,789.82	
Transfer to Ministry of Agriculture (MOA)	7,000,000.00	
Transfer to Ministry of Water, irrigation and Energy (MOWIE)	12,726,400.00	
Transfer to Office of Federal Auditor General (OFAG)	9,947,367.45	
Transfer to MoF-Public Expenditure Mgt. and Control Reform (EMCP)	-	
Transfer to MoF-Channel 1 Program Coordinating Directorate (COPCD)	<u>149,335,905.00</u>	
Total transfer	<u>551,394,380.95</u>	
Expenditures:-		
Bank Services Charges	971,464.05	
Total transfer & expenditure	<u>552,365,845.00</u>	<u>552,365,845.00</u>
Closing balance		<u>13,121,852.55</u>

Note:-The Closing exchange rate used for ending balance(July 7/2021) is 1USD=43.8332



MINISTRY OF FINANCE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC
OF ETHIOPIA ENHANCING SHARED PROSPORITY THRUOY EQIUTABLE
SERVICE(ESPES)AND ADDITIONAL FINANCING FOR ESPES DECLARATION OF
NON-PROCUREMENT OF MATERIAL ASSETS FOR THE YEAR ENDED 7, JULY 2021

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 project funds financed by donors.



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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
2021

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 /woredas/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 project discussed as below:

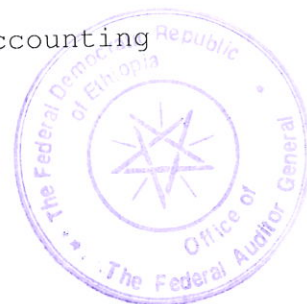
Project /IPF/: It is a Grant portion of the operation that aim to improve the performance of basic service system through providing Goods, consulting service, non-consulting service and Financing the Operation Cost.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project 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 Project for reporting consolidated transactions.

a) 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.



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Ministry of Finance
 Government of Federal Democratic Republic of Ethiopia
 Enhancing Shared Prosperity Through Equitable Service-AF,
 Investment Project Financing
 Notes to the consolidated Financial Statements
 7, July 2021

		Birr
3. Cash on hand and at bank		
Balance in Dolar account No. 0100101300551		15,701,872.36
Balance in Birr account No. 0100101040697		13,121,852.55
Balance at		
Bank MOF		28,823,724.91
Balance at Implementer:-		
Cash on hand	148,145.39	
Cash at bank	<u>61,472,610.81</u>	
Total		
Cash Balance	61,620,756.20	90,444,481.11
		<u>90,444,481.11</u>
4. Advances		Total
Tigray	-	-
Afar	1,001,897.60	1,001,897.6
Amhara	143,072.05	143,072.1
Oromia	131,781.20	131,781.2
Somalie	-	-
Benshangul	544,503.90	544,503.9
SNNPR	881,069.94	881,069.9
Sidama	7,786.56	7,786.6
Gambella	-	-
Harar	118,218.00	118,218.0
DireDawa	-	-
Addis Ababa	136,841.34	136,841.3
FPPPA	9,200.99	9,201.0
FEACC	0.02	0.0
EFCC	460,086.55	460,086.6



CSA	13,619,645.32		13,619,645.3
EIO	46,671.43		46,671.4
MOE	-		-
MOH	9,097,200.82		9,097,200.8
MOA	83,000.00		83,000.0
WDC	-		-
OFAG	378,098.62		378,098.6
MOF-EMCP	81,270.40		81,270.4
MOF-COPCD	<u>119,287,951.94</u>		<u>119,287,951.9</u>
TOTAL	<u>146,028,296.68</u>	-	<u>146,028,296.68</u>
5. Accounts Payable			
Tigray	-	-	-
Afar	151,463.00		151,463.00
Amhara	119,468.10		119,468.10
Oromia	519.08		519.08
Somalie	-		-
Benshangul	76,724.00	-	76,724.00
SNNPR	1,277,849.18	-	1,277,849.18
Sidama	-		-
Gambella	-		-
Harari	44,739.52		44,739.52
DireDawa	-		-
Addis Ababa	380,604.76		380,604.76
FPPPA	7,754.19		7,754.19
FEACC	-		-
EFCC	57,122.55		57,123
CSA	10,216,234.81		10,216,235
EIO	1,562,734.15		1,562,734



MOE	-	-
MOH	4,351,199.98	4,351,199.98
MOA	37,880.40	37,880.40
WDC	12,391.42	12,391.42
OFAG	558,573.82	558,573.82
MOF-EMCP	-	-
MOF-COPCD	-	-
TOTAL	<u>18,855,258.96</u>	<u>18,855,258.96</u>
Total Ending balance		<u>217,617,518.83</u>



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Ministry of Finance
Government of Federal Democratic Republic of Ethiopia
Enhancing Shared Prosperity Through Equitable Service-AF, Investment
Project Financing
Note to the Consolidated Financial Statements
At 07, July 2021

7. Expenditure of IPF

Personal Services	106,087,755.78
Goods and Services	364,037,103.47
Fixed Assets	<u>22,510,644.98</u>
Total	<u>492,635,504.23</u>



GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
THE OPERATION, BOTH THE PROGRAM AND THE PROJECT
A RECONCILIATION OF AMOUNTS "RECEIVED BY THE PROJECT 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"	Understa ted amount Received by the Operatio n	OPERATION	Remark
1	International Development Association (IDA) D2290	USD 11,304,965.81	USD 11,304,965.81	-	Project	Advance

Note:

- International Development Association (IDA): Grant Number D2290-ET



MINISTRY OF FINANCE OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF, INVESETEMNET PROJECT FINANCING AUDIT FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES ON THE ACCOUNTS FOR THE YEAR ENDED 7 JULY 2021

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 Investment project Financing for the year ended 7 July 2021 (Sene 30,2013 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 Project Financial Statements (PFS) of Enhancing Shared Prosperity through Equitable Service program.

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 -AF, investment project financing is:

- International Development Association (IDA) Financing Agreements IDA D2290

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

