

Re: Submission of the 2017 EFY HCO-P4R 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 Human Capital Operation-Program for Results (HCO-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 58 pages of the 2017 EFY HCO-P4R Annual audit report.
 We welcome any enquiries on the audit report.

Sincerely yours

Meseret Damtie
 Auditor General


Ministry of Finance
Channel One Programs Coordinating Directorate (COPCD)
Addis Ababa

Ref No: **OPAC 3.8/336**
 Date: **06/03/2026**

ETHIOPIA HUMAN CAPITAL OPERATION.

We have audited the accompanying Operation Financial Statements of Ethiopian human capital operation component of the Ministry of Finance of the Federal Democratic Republic of Ethiopia for the year ended 7 July 2025, which has been financed by IDA financing agreements IDA E206-ET.

The preparation of the Project Financial Statements (PFS) is the responsibility of the Ministry of Finance. This audit is a special purpose audit for Ethiopian human capital operation whose terms of reference are those given in the Terms of Reference for the Ethiopian human capital operation. 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 require 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 also 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 /Human Capital Operation Financial Statements present fairly, in all material respects, the



financial position as at 7 July 2025 and the cash receipts and disbursements for the year then ended of the Ethiopian human capital operation/HCO/ 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. 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 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 addition, the financial report issued during the audit is in agreement with the underlying books of accounts except for the matter disclosed in the management letter.

- Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements, and funds disbursed out of the accounts are used only for the purpose intended in the financing agreement; except for the matter disclosed in the management letter.

the financial and accounting procedures approved for the National laws and regulations have been complied with and that





Project were followed and used; except for the matter disclosed in the management letter.

Financial performance of the project is satisfactory; and Assets procured from project funds existed and there is verifiable ownership by the implementing agencies or beneficiaries in line with the financing agreement except for the matter disclosed in the management letter.



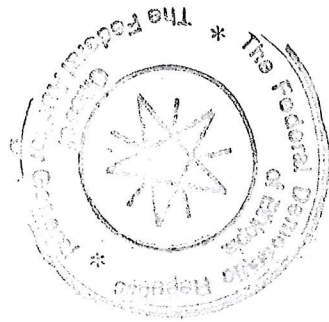
MINISTRY OF FINANCE

GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

HUMAN CAPITAL OPERATION/HCO/ STATEMENT OF SOURCES AND USES OF

FUNDS FOR THE YEAR ENDED 7, JULY 2025

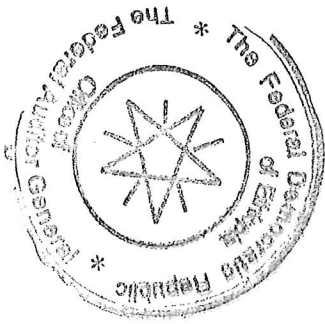
For the year ended 7 July 2025	Not e	
Birr		
		Opening Balance
2,304,252,806.13		HCO Financing
		IDA E 2060-GPG
-		IDA E 2060-SPG
2,304,252,806.13		Sub Total Financing
119,832,745,343.30		Contribution by the Ethiopian Govt.
2,518,542,770.07		Gain on foreign Exchange
124,655,540,920.00		Total Financing
124,633,233,343.00		HCO-P4R Expenditure



MINISTRY OF FINANCE
GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA HUMAN
CAPITAL OPERATION (HCO) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 7, JULY 2025

	Expenditure of HCO-P4R
Education	90,360,817,720.00
Health (including HIV/ AIDS)	25,958,166,870.00
Agriculture and Natural Resources	6,615,980,130.00
Water Supply and Sanitation	1,698,268,630.00
Total	124,633,233,343.00





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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.

MINISTRY OF FINANCE
GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA HUMAN
CAPITAL OPERATION HCO DECLARATION OF NON-PROCUREMENT OF MATERIAL
ASSETS FOR THE YEAR ENDED 7, JULY 2024

1. BACKGROUND

The objective of the operation is to improve learning outcomes and nutrition services for girls and boys, and to strengthen service delivery and accountability, in all regions including areas affected by conflict, droughts and high levels of refugees.

The Program consists of the part of the Recipient's system for the delivery of basic services in education, health, agriculture and water and sanitation in Woredas with a particular focus on areas affected the most by conflicts and droughts as well as refugee-hosting communities. The Program activities are designed to: (1) strengthen basic service delivery systems to mitigate the impact of the crises (including conflict, droughts and high levels of refugees) on access and quality of basic services nationally through investment in health, education, agriculture and water and sanitation; and (2) improve learning outcomes and address stunting in selected Woredas.

The Program is supported by the federal government through intergovernmental fiscal transfers to Woredas in form of: (1) general purpose grants ("GPGs") to Woredas for strengthening nutrition and learning outcomes nationally; and (2) specific purpose grants ("SPGs") to selected Woredas for piloting a range of multi sectoral and innovative interventions and investments to improve human capital outcomes as well as strengthen community resilience (including refugee-hosting areas) to various crises ("SPG Woredas").

The GPGs and SPGs support Program activities which are relevant to the achievement of a specific set of agreed results. The key





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results sought to be achieved are Disbursement Linked Indicators ("DLIs") numbers 1 to 8 which correspond to the Disbursement Linked Results ("DLRs") set out in the table in Section IV.A.2 of Schedule 2 to this Agreement.

The Project will finance a package of interventions designed to improve human capital outcomes with a particular focus on areas affected by conflict, droughts, and high levels of refugees, and to provide technical assistance and capacity building support for strengthening systems and delivery of quality services, all through the financing of goods, consulting services, non-consulting services, Training and Operating Costs.

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.

b) CURRENCY:

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

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 by Proclamation Number 1146/2019). Our audit followed the audit requirements included in the Terms of Reference (TOR) for the audit of Human capital operation for the year ended 7 July 2025 (Sene 30, 2017 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 of Human capital operation 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

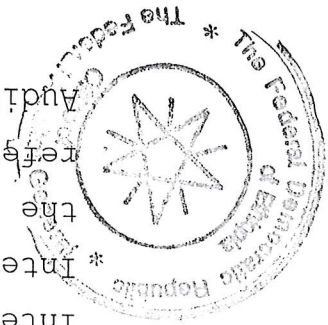
The relevant Financing Agreements between the Government of the Federal Democratic Republic of Ethiopia and the Financiers for human capital operation is:

- International Development Association (IDA) Financing Agreements IDA E206-ET

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 audits at Woredas and Regions of human capital operation that such review ensured that the financial managements were reasonably accurate, reliable and timely.

c) Discussions were held with staffs of the Ministry of Finance (MoF) and the Project 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 human capital operation.

IV. FIELD VISITS

In addition to the audit reports already submitted to the MoF and then to the development partners (including the World Bank) for the year ended July 7, 2025 (Sene 30, 2017 EC), we have also visited the various beneficiaries in all regions and woreda levels for verifying project financial statements.

