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



ቁጥር OPAG. 3-8/208
Ref. No
ቀን 01/03/2024
Date

Ministry of Finance
Addis Ababa

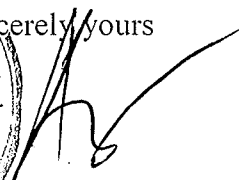
Re: Submission of the 2015 EFY ESPES-AF/P4R Annual audit report

It is to be recalled that the Ethiopian Government and the Development Partners (including IDA) have reached an agreement regarding the annual audit of 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 104 pages of the 2015 EFY ESPES-AF/P4R 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

Abera Tadesse
Deputy Auditor General

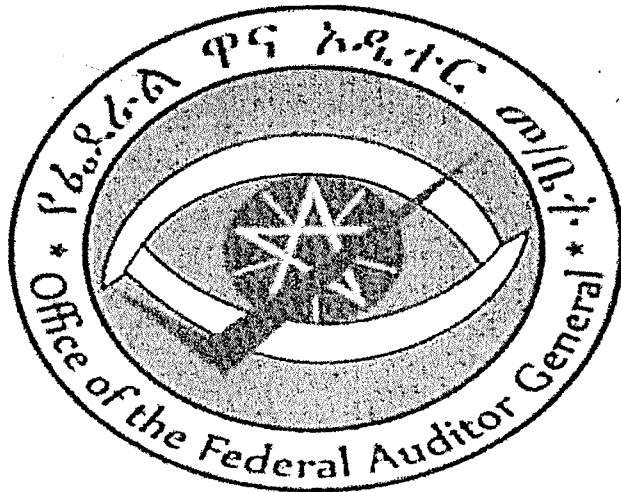


OFFICE OF THE FEDERAL
AUDITOR GENERAL



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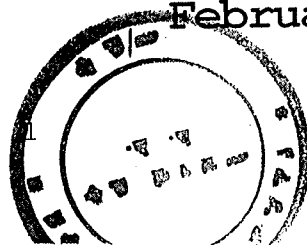
OFFICE OF THE FEDERAL AUDITOR GENERAL



ESPEs_AF PROGRAM /P4R/ ANNUAL

AUDIT REPORT FOR THE 2015 EFY

February 2016 E.C



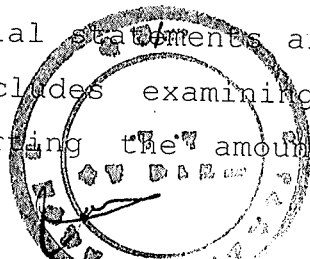
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE
MINISTRY OF FINANCE OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE PROGRAM
(ESPES) AND ADDITIONAL FINANCING FOR ENHANCING SHARED PROSPERITY
THROUGH EQUITABLE SERVICE /P4R/ PROGRAM.

We have audited the accompanying Program Financial Statements of the Enhancing Shared Prosperity through Equitable Service (ESPES) and Additional Financing for Enhancing Shared Prosperity through Equitable Service (ESPES-AF) of the Ministry of Finance of the Federal Democratic Republic of Ethiopia for the year ended 7 July 2023, which has been financed by IDA 6131 Financing agreement.

The preparation of the program Financial Statement is the responsibility of the Ministry of Finance. This audit is a special purpose audit for Enhancing shared prosperity through Equitable service (ESPES) and Additional Financing for Enhancing Shared Prosperity through Equitable service /P4R/ whose terms of reference are those given in the Terms of Reference for the audit of Enhancing Shared Prosperity through Equitable Service (ESPES) and 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 Program Financial Statement 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 Program Financial Statement presents fairly, in all material respects, the financial position as at 7 July 2008 and the cash receipts and disbursements for the year then ended. The Financial Statements for the Project are the Financial Statements for Enhancing Shared Prosperity through Equitable Service /ESPES/ and Additional Financing for Enhancing Shared Prosperity through Equitable Service /ESPES-AF/ 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.

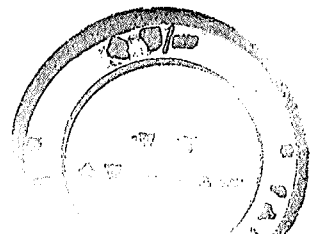
In addition, in our opinion, in all material respects:

- 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.
- 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 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.

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MINISTRY OF FINANCE
GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE PROGRAM
CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS FOR THE YEAR
ENDED 7, JULY 2023

	Note	For the year ended 7 July 2023 Birr	For the year ended 7 July 2022 Birr
Opening Balance		4,210,831,589.00	3,615.00
Beginning Balance Adjustment ESEPS and AD Financing		0.00	0.00
International Development Association (IDA) 57160		3,770.07	0.00
From IDA 68830		5,212,041,380.00	493,153,021.00
From IDA 6131		519,410,774.00	3,705,363,769.00
From TFA 7523		00.00	140,274,686.00
Sub Total Financing		9,942,287,513.07	4,338,795,091.00
Contribution by the Ethiopian Govt.		148,333,681,480.00	137,887,891,470.00
Gain on foreign Exchange		69,168,196.00	29,847,055.00
Total Financing		158,345,133,419.00	142,197,533,616.00
ESPES & ESPES-P4R Expenditure		158,237,051,250.00	137,986,702,026.00

MINISTRY OF FINANCE

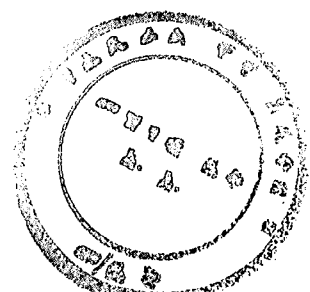
GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

ESPEs - ADDITIONAL FINANCING

DESIGNATED DOLLAR ACCOUNTS WITH EQUIVALENT BIRR AMOUNT STATEMENT

For the year ended		7 JULY 2023
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	80,931,233.88.02	4,210,827,819.41
Fund Received From:		
IDA (61310)	9,717,840.00	519,410,773.73
IDA (68830)	97,229,043.66	5,212,041,380.09
Total	<u>187,878,117.54</u>	<u>9,942,279,973.23</u>
Deducted -Transfer to:-		
Government Treasury account-Birr	145,000,000.00	7,726,428,000.00
Government Treasury account-USD	40,900,000.00	2,176,941,770.00
Bank Service Charge	0.00	0.00
Total Fund Available	<u>185,900,000.00</u>	<u>9,903,369,770.00</u>
Closing balance	1,978,117.54	38,910,203.23
Gain on foreign exchange	0.00	69,168,006.99
ENDING BALANCE-7 JULY 2022	<u>1,978,117.54</u>	<u>108,078,210.22</u>

Note: The closing exchange rate used for ending balance is 1 USD = 54.6369



Ministry Of Finance		
Government Of Federal Democratic Republic Of Ethiopia		
Designated Accounts Statement- ESPES		
For the year ended	7, July 2023	
Account Number	010010/1300528	
Depository bank	NBE	
Address	Addis Ababa , ETHIOPIA	
Currency	USD	
	Amount in USD.	Amount in Birr
Opening balance	72.46	3,770.07
Fund received from		
IDA (57160)	0.00	0.00
Total	72.46	3,770.07
Deducted-Transfer to:-		
Government Treasury account-Birr	0.00	0.00
Bank Service Charge	0.00	
Closing balance	72.46	3,770.07
Gain on foreign exchange	0.00	188.92
Ending balance-7, July 2022	72.46	3,958.99
NB:-the Closing exchange rate used for ending balance is 1USD=54.6369		

MINISTRY OF FINANCE

GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

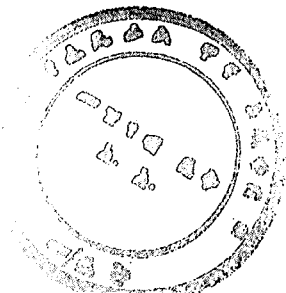
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE (ESPES) NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENT

FOR THE YEAR ENDED 7, JULY 2023

Expenditure of ESPES-P4R.

Education	89,946,000,897.00
Health (including HIV/AIDS)	41,460,774,557.00
Agriculture and Natural Resources	22,305,984,562.00
Water Supply and Sanitation	3,313,375,752.00
Rural Road	<u>1,210,915,482.00</u>
Total	<u>158,237,051,250.00</u>



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 2023

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 2023

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's) 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 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 2023

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 2023 (Sene 30, 2015 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 Agreement between the Government of the Federal Democratic Republic of Ethiopia and the Financiers for ESPES and /AF-for ESPES/ program is:

International Development Association (IDA) Financing Agreement
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, 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 2023 (Sene 30, 2015 EC), we have also visited the various Implementing agencies and beneficiaries of all regions Financial Statements purpose.