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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  
ETHIOPIA DIGITAL FOUNDATIONS PROJECT ID P171034**

We have audited the financial statements of the Federal Democratic Republic of Ethiopia, Ministry of Finance, Ethiopia Digital Foundations Project ID P171034, financed under Project Preparation Advance No.IDAV2980-ET ("PPA") (hereinafter referred to as the Program), which comprise the balance sheet as at 7 July 2021, and the statement of sources and uses of funds 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 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.

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**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF FINANCE  
ETHIOPIA DIGITAL FOUNDATIONS PROJECT  
ID P171034 (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 Ministry of Finance, the Ethiopia Digital Foundations Project, Project Preparation Advance No.IDAV2980-ET ("PPA") as at 7 July 2021 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 described in note 2 to the financial statements.

**Reports on other requirements**

As required by the terms of reference for financial audit and the World Bank guidelines we report that, to the extent we can assess:

- a) All external financing has been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- b) Goods, works and services to be financed will be procured in accordance with the relevant financing agreements 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;
- d) 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 purposes intended in the financing agreements;
- e) National laws and regulations have been complied with and that the financing and accounting procedures approved for the Project were followed and used;
- f) Financial performances of both the Project and of implementing partners are satisfactory;

*Audit Service Corporation*

6 January 2022



THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
 MINISTRY OF FINANCE  
 ETHIOPIA DIGITAL FOUNDATIONS PROJECT  
 ID P171034  
 BALANCE SHEET  
 AS AT 7 JULY 2021

	Notes	Birr	2020 Birr
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash at bank	3	72,510,202	78,988,304
Advances	4	<u>71,744,072</u>	-
		<b>144,254,274</b>	<b>78,988,304</b>
<b>CURRENT LIABILITIES</b>			
Tax payable	5	<u>3,661,795</u>	<u>240,701</u>
<b>NET CURRENT ASSETS</b>		<b><u>140,592,479</u></b>	<b><u>78,747,603</u></b>
<b>FINANCED BY</b>			
<b>FUND BALANCE</b>	6	<b><u>140,592,479</u></b>	<b><u>78,747,603</u></b>



**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
 MINISTRY OF FINANCE  
 ETHIOPIA DIGITAL FOUNDATIONS PROJECT  
 ID P171034  
 STATEMENT OF SOURCES AND USES OF FUNDS  
 FOR THE YEAR ENDED 7 JULY 2021**

<b>SOURCE</b>	<b>Birr</b>	<b>Cumulative from From 9 January 2020 to 7 July 2021 Birr</b>
IDA Grant	54,343,977.49	78,302,272
Gain on foreign exchange	<u>20,934,932.10</u>	<u>2,215,247</u>
<b>TOTAL SOURCES</b>	<b><u>75,278,909.59</u></b>	<b><u>80,517,519</u></b>
<b>USES</b>		
Contracted professional Services	13,020,229.17	1,769,916
Bank Services Charges	<u>413,804.88</u>	=
	<b><u>13,434,034.05</u></b>	<b><u>1,769,916</u></b>
<b>EXCESS OF SOURCES OVER USES</b>	<b><u>61,844,875.54</u></b>	<b><u>78,747,603</u></b>



**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF FINANCE  
ETHIOPIA DIGITALFOUNDATIONS PROJECT  
ID P171034  
DESIGNATED ACCOUNT STATEMENT**

For period ended	7 July 2021	
Account number	0100101300578	
Depository bank	National Bank of Ethiopia	
Address	Addis Ababa, Ethiopia	
Related Credit	“PPA”No.V298-ET	
Currency	<b>USD</b>	<b>BIRR</b>
<b>Beginning balances - 8 July 2020</b>	<b>2,143,479.39</b>	<b>75,111,161.39</b>
Transfer from donors	<u>1,383,900.60</u>	<u>54,343,977.49</u>
	3,527,379.99	129,455,138.88
<b>Deduct</b>		
To Dollar poll birr account	10,000	352.684
To MoF-Finance Directorate- EDFP	300,000	11,037,840
To Dollar poll birr account	100,000	3,703,810
To MoF-Finance Directorate- EDFP	110,353.29	4,179,387.7
To MoF-Finance Directorate- EDFP	<u>2,000,000</u>	<u>82,246,800</u>
	<u>2,520,353.29</u>	<u>101,520,521.70</u>
	<u>1007026.70</u>	<u>27,934,617.18</u>
<b>Gain on Foreign Exchange</b>		<u>16,206,585.57</u>
<b>Ending balance - 7 July 2021</b>	<b><u>1,007,026.70</u></b>	<b><u>44,141,202.75</u></b>



THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
 MINISTRY OF FINANCE  
 ETHIOPIA DIGIAL FOUNDATIONS PROJECT  
 ID P171034  
 SCHEDULE OF MOVEMENTS IN POOL DOLLAR ACCOUNT

For the period ended	7 July 2021	
Account number	0100101300593	
	Pool Bank Account	
Depository bank	National Bank of Ethiopia	
Address	Addis Ababa, Ethiopia	
Currency	<b>USD</b>	
Transfer from 'PPA' No.V298- ET	2,657,223.14	104,633,669.44
<b>DEDUCT</b>		
Payments to professionals	346,476.64	12,747,856.11
Advance payments	1,697,229.07	69,795,829.93
Bank Service Charge	<u>8,651.92</u>	<u>305,139.38</u>
	<u>2,052,357.63</u>	<u>82,848,825.42</u>
		21,784,844.02
<b>Gain on Foreign Exchange</b>		<u>4,728,346.44</u>
<b>Ending balance – 7 July 2021</b>	<b><u>604,865.51</u></b>	<b><u>26,513,190.46</u></b>



**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF FINANCE  
ETHIOPIA DIGITAL FOUNDATIONS PROJECT  
ID P171034  
NOTES TO THE FINANCIAL STATEMENTS**

**1. PROJECT INFORMATION**

The objective of the Ethiopia Digital Foundations Project (EDFP), ID P171034 to facilitate the preparation of proposed project activities designed to increase public access to high quality and affordable internet services, promote digital entrepreneurship and facilitate job creation, and to help Ethiopia compete in the digital age. It has three components.

Component 1: Digital economy, enabling legal and regulatory environment. In particular policy-making, regulation and skills.

Component 2: Digital Connectivity, seeks to assist Ethiopia in extending affordable broadband internet access to all firms, citizens and government entities by 2030 and doubling broadband penetration by 2011.

Component 3: Nurturing digital entrepreneurship and industries. It aims to build a healthy pipeline of digital entrepreneurs in Ethiopia and to lay the foundations for high-growth digital industries.

**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 dates of the balance sheet.



**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
 MINISTRY OF FINANCE  
 ETHIOPIA DIGITAL FOUNDATIONS PROJECT  
 ID P171034  
 NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. CASH AT BANK**

	<b>Birr</b>	<b>Birr</b>
Designated "PPA" No.V298-ET	44,141,203	75,111,161
Balance in pool USD account number 0100101300593	26,513,190	3,877,142
Birr account 0100101040707	1,696,353	-
Birr account 0100101040708	<u>159,456</u>	-
	<b><u>72,510,202</u></b>	<b><u>78,988,304</u></b>

**4. ADVANCES PAYMENT**

	<b>Birr</b>	<b>Birr</b>
Smj solutions fze	43,670,305.30	-
Deloitte consulting limited	<u>28,073,766.93</u>	-
	<b><u>71,744,072.23</u></b>	<b><u>-</u></b>

**5. ACCOUNT PAYABLE**

	<b>Birr</b>	<b>Birr</b>
Account payable to supplier	2,319,137	-
VAT Payable	<u>1,342,658</u>	<u>240,701</u>
	<b><u>3,661,795</u></b>	<b><u>240,701</u></b>





**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF FINANCE  
ETHIOPIA DIGITAL FOUNDATIONS PROJECT  
ID P171034  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. FUND BALANCE**

	<b>Birr</b>
Balance at 7 July 2020	78,747,603
ADD: Excess of sources over uses	<u>61,844,875</u>
Balances at 7 July 2021	<u><b>140,592,479</b></u>

**6. DATE OF AUTHORIZATION**

The Channel One Programmers' Coordinating Directorate Director of the Ministry of Finance Authorized the issue of these financial statements on 6 January 2022.

