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**The Federal Democratic Republic of Ethiopia  
Audit Services Corporation**

**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF THE MINISTRY OF FINANCE  
URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT (UPSNJP)-P169943**

We have audited the accompanying financial statements of Urban Productive Safety Net and Jobs Project of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed by IDA grant number D732-ET, which comprise the balance sheet as at 7 July 2021, and the statement of sources and uses of funds and a Designated Account 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 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.

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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.

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 Urban Productive Safety Net and Jobs Project of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed under IDA grant number D732-ET, 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.

### **Report on other requirements**

As required by the terms of reference and the World Bank guidelines we must report, in addition to our opinion, that

- during the period 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;
- goods, works and services financed have been provided in accordance with the relevant financing agreement and disbursement letters;
- all necessary supporting documents, records and accounts have been maintained in respect of all Project activities;

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- Designated Account has been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreement;
- National laws and regulations have been complied with and that the financing and accounting procedures approved for the Project;
- Financial performance of the Project is satisfactory;
- Assets procured from Project funds exist and there is a verifiable ownership by the Project implementing beneficiaries in line with the financing agreement;
- we did not come across with any ineligible expenditures included in withdrawal applications; and
- our examination revealed no major weaknesses or irregularities in the system of internal control over financial expenditures.

Furthermore, with respect to the interim financial reports (IFRs) submitted during the year and listed on page 11, in our opinion, submitted

- i) the reports, together with the procedures and internal controls involved in their preparation, can be relied upon to support the relevant withdrawals;
- ii) adequate supporting documentation has been maintained to support claims to IDA.;  
and
- iii) expenditures are eligible for financing under IDA grant number D732-ET.

*AUDIT SERVICES CORPORATION*

Date: 31 December, 2021

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT – P169943

BALANCE SHEET

AS AT 07 JULY 2021

	<u>Notes</u>	<u>Birr</u>	<u>2020</u> <u>Birr</u>
<b><u>ASSETS</u></b>			
CURRENT ASSETS			
Cash and Bank Balances	3	476,786,745	—
Debtors	4	<u>138,121</u>	—
		476,924,866	
CURRENT LIABILITIES			
Creditors	5	<u>2,506,673</u>	—
NET CURRENT ASSETS		<u>474,418,193</u>	
<b>REPRESENTED BY</b>			
FUND BALANCE	6	<u>474,418,193</u>	—



MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT – P169943

STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE PERIOD ENDED 07 JULY, 2021

		<u>Cumulative</u> <u>from 01 Jan. 2021</u> <u>2020</u> <u>to 07 July 2021</u>	<u>2020</u>
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
<b>Sources</b>			
Grant from IDA D7320 ET	505,455,889	505,455,889	-
Government Contribution	-	-	-
Gain on Foreign Exchange	<u>901,993</u>	<u>901,993</u>	-
	<u>506,357,882</u>	<u>506,357,882</u>	
<b>Uses</b>			
Capital Expenditure for Public Works	2,245,514	2,245,514	-
Federal Capacity Building	12,258,358	12,258,358	-
Regional Capacity Building	570,397	570,397	-
Targeting and Citizen Engagement	2,746,545	2,746,545	-
Cities Administration	10,082,118	10,082,118	-
Regional Management	2,775,578	2,775,578	-
Federal Management	<u>1,261,179</u>	<u>1,261,179</u>	-
	<u>31,939,689</u>	<u>31,939,689</u>	-
<b>Excess of Sources over Uses</b>	<b><u>474,418,193</u></b>	<b><u>474,418,193</u></b>	-

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT – P169943

USD DESIGNATED ACCOUNT STATEMENT

FOR THE PERIOD ENDED 7 JULY, 2021

For Year Ended	07 July 2021	
Account Number	100101300597	
Depository Bank	National Bank of Ethiopia	
Address	Addis Ababa, Ethiopia	
Related Credit	IDA Grant D7320 ET	
Currency	USD	
	<u>USD</u>	<u>Equivalent in Birr</u>
Balance at 07 July 2020	-	-
<u>Add:</u>		
IDA Deposit	12,051,191.38	505,455,889.34
<u>Deduct:</u>		
Transfer to Pool Birr Account	<u>12,000,000.00</u>	<u>504,114,000.00</u>
	51,191.38	1,341,889.34
Gain on Foreign Exchange		<u>901,992.66</u>
<b>Ending Balance 07 July 2021</b>	<b><u>51,191.38</u></b>	<b><u>2,243,882.00</u></b>

**MINISTRY OF FINANCE**  
**URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT -P169943**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. BACKGROUND**

The Project was established to support the Recipient in improving the incomes of the urban poor and the labor market inclusion of disadvantaged urban youth. These financial statements reflect the receipts and disbursements of grant given by International Development Association IDA grant number D732-ET. The Closing Date is December 31, 2025.

The Project consists of the following parts:

- I. Expand the Urban Productive Safety Net to Improve the Urban Environment,
- II. Foster Urban Youth Employment
- III. Strengthen Social assistance and Services for the Urban Poor Destitute
- IV. Institutional Strengthening, Project Management and Monitoring and Evaluation
- V. Contingent Emergency Response

**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 Government's accounting system outlined in the 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. Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rate ruling at the date of the balance sheet.

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT – P169943

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. CASH AND BANK BALANCE

	Birr	<u>7-Jul-2020</u>
		<u>Birr</u>
IDA Credit No. D7320 ET	2,243,882	—
Balance in Pool Birr Account	82,562,017	—
Oromia National Regional State	36,908,473	—
Amhara National Regional State	22,631,813	—
Southern Nations, Nationalities and Peoples Regional State	13,819,978	—
Tigray National Regional State	12,169,859	—
Gambella National Regional State	996,564	—
Benishangul Gumuz National Regional State	1,427,769	—
Hareri National Regional State	1,067,082	—
Afar National Regional State	870,962	—
Somali National Regional State	9,767,611	—
Sidama National Regional State	5,908,952	—
Dire Dawa City Administration	4,492,300	—
Addis Ababa City Administration	75,101,254	—
Balance at Federal Job Creation and Food Security Agency	151,577,156	—
MOLSA	12,100,000	—
MOF - Finance	-	—
JCC	43,070,013	—
Cash on Hand	<u>71,060</u>	—
<b>TOTAL</b>	<b><u>476,786,745</u></b>	



**MINISTRY OF FINANCE**

**URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT – P169943**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. FUND BALANCE**

	<u>Birr</u>
Balance at 07 July 2020	-
Excess of Financing over Expenditures of the Current Year	<u>474,418,193</u>
<b>Balance at 07 July 2021</b>	<u><b>474,418,193</b></u>

**7. DATE OF AUTHORIZATION**

The Channel One Programmes Coordinating Directorate Director of the Ministry of Finance authorized the issue of these financial statements on 29 December, 2021.

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET AND JOBS PROJECT – P169943

IFR WITHDRAWAL SCHEDULE

FOR APPLICATION SUBMITTED FROM 8 JULY 2020 TO 7 JULY, 2021

<u>Application No.</u>	<u>Reference No.</u>	<u>Amount Requested USD</u>	<u>Amount Disbursed USD</u>	<u>Equivalent in Birr</u>
0001	01/IDA D7320	12,051,191.38	12,051,191.38	505,455,889.34