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**AUDIT SERVICES
CORPORATION**

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA CREDIT NO. 6197-ET AND GRANT
NO. D277-ET AND AFD 1073 1 U
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
31 JULY 2024



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Office of the Federal Auditor General
Audit Service Corporation

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA GRANT No.D277-ET, P163452 AND AFD 1073 1 U**

We have audited the accompanying financial statements of Urban Institutional and Infrastructure Development Program (UIIDP-IPF) financed under IDA Credit numbers 6196-ET, SÜF 6197-ET, Grant No. D277- ET, P163452 and AFD 1073 1U of the Federal Democratic Republic of Ethiopia, Ministry of Finance, which comprise the balance sheet as at 31 July 2024, the statement of sources and uses of funds and the designated accounts 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 it 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
MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA GRANT No.D277-ET, P163452 AND AFD 1073 IU (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 the Urban Institutional and Infrastructure Development Program (UIIDP-IPF) financed under IDA Credit numbers 6196-ET, SUF 6197-ET, Grant No. D277- ET, P163452 and AFD 1073 IU as at 31 July 2024 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.

Reports on other requirements

As required by the World Bank guidelines we report that, to the extent we can assess:-

- during the period IDA funds have been used in accordance with the conditions of the relevant financing agreements and only for the purposes for which the financing were provided;
- counter-part funds have been provided and used in accordance with the financing agreement 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 agreements and disbursement letters;
- all necessary supporting documents, records and accounts have been maintained in respect of all Project's activities;
- funds disbursed covered expenditure that are eligible for financing under IDA Credit Nos. 6196-ET, SUF 6197-ET, Grant No. D277-ET, P163452 and AFD 1073 1 U;
- there was a clear linkage between the books of account and the financial statements; and
- our examination revealed no major weaknesses or irregularities in the system of internal controls over financial expenditure other than those mentioned in the management letter.

Audit services corporation
3 January 2025

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM
(UIIDP-IPF)
IDA CREDIT GRANT NO.D2770-ET ,P163452 AND AFD 1703 I U
BALANCE SHEET
AS AT 31 JULY 2024

	Notes	Birr	2023 Birr
CURRENT ASSETS			
Advances		-	30,133,841
Cash and bank balances	3	<u>20,216,621</u>	<u>186,723,462</u>
		20,216,621	216,857,303
CURRENT LIABILITIES			
Accounts payable		<u>9,147,850</u>	<u>17,614,284</u>
NET CURRENT ASSET		<u>11,068,771</u>	<u>199,243,019</u>
FINANCES BY			
ACCUMULATED FUND	5	<u>11,068,771</u>	<u>199,243,019</u>

MINISTRY OF FINANCE
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT
 PROGRAM (UIIDP-IPF)

IDA GRANT NUMBERS No.D2770-ET, P163452 AND AFD 1703 1 U
 STATEMENT OF SOURCES AND USES OF FUNDS
 FOR THE PERIOD FROM JULY 2023 TO 31 JULY 2024

SOURCE	Note	Birr	Cumulative from	Year ended
			26 December 2018 To 31 July 2024 Birr	7 July 2023 Birr
Initial deposit		-	130,190,207	-
IDA Grant D277-ET		134,726,680	943,737,853	260,192,539
AFD Grant		-	36,838,236	-
Direct Payment		83,306,425	178,913,906	-
Gain on foreign exchange	4	<u>10,573,173</u>	<u>60,298,339</u>	<u>5,739,601</u>
		<u>228,606,278</u>	<u>1,349,978,541</u>	<u>265,932,140</u>
USES				
Goods		47,093,549	110,209,470	6,829,672
Consultancy services		154,338,828	677,847,638	269,050,138
Non Consultancy services		46,930,457	198,673,791	-
Training and work shop		134,998,638	286,884,120	64,104,293
Operating costs		<u>33,419,055</u>	<u>65,294,751</u>	<u>5,555,676</u>
		<u>416,780,527</u>	<u>1,338,909,770</u>	<u>345,539,779</u>
EXCESS OF SOURCES OVER USES				
		<u>(188,174,249)</u>	<u>11,068,771</u>	<u>(79,607,639)</u>

**MINISTRY OF FINANCE
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT
 PROGRAM (UIIDP-IPF)
 USD DESIGNATED ACCOUNT STATEMENT**

For the year ended 31 July 2024
 Account number 0100101300559
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related Grant AFD 1703 1 U, P163452
 Currency EURO

	EURO	BIRR
Opening Balance - 7 July 2023	<u>95,794.67</u>	<u>5,692,943.13</u>
Less Transfer to Birr account	<u>95,794.67</u>	<u>5,694,753.64</u>
	0.00	(1,810.51)
Add. Gain on foreign exchange	<u>0.00</u>	<u>1,810.51</u>
Ending Balance-31 July 2024	<u>0.00</u>	<u><u>0.00</u></u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT
PROGRAM (UIIDP-IPF)
USD DESIGNATED ACCOUNT STATEMENT**

For the year ended 31 July 2024
 Account number 0100101300560
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related Grant IDA GRANT No. D2770-ET AND AFD 1703
 1 U
 Currency USD

	USD	BIRR
Opening Balance - 7 July 2023	1,535,130.19	83,874,754.68
Add: IDA Grant during the year	2,385,468.86	134,726,679.73
Refund received from MUI	<u>143,781.14</u>	<u>8,265,905.85</u>
	4,064,380.19	<u>226,867,340.26</u>
Less: Transfer to Birr account	3,313,544.00	191,817,541.00
Transfer to MUDI -USD Account	<u>589,554.59</u>	<u>32,953,257.46</u>
	<u>3,903,098.59</u>	<u>224,770,798.46</u>
	161,281.60	2,096,541.80
Add - Gain on foreign exchange	<u>0.00</u>	<u>9,901,841.55</u>
Ending Balance - 31 July 2024	<u>161,281.60</u>	<u>11,998,383.35</u>

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM
(UIIDP-IPF)
SCHEDULE OF MOVEMENTS IN THE BIRR ACCOUNT

For the year ended	31 July 2024
Account number	0100101040695
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related Grant	IDA Grant No. D277-ET, P163452 and AFD 1073 1 U
Currency	Ethiopian Birr
Opening Balance - 7 July 2023	7,653,259.00
Add-Transfer from USD Designated Account	197,512,294.64
Transfer from EURO Designated Account	<u>0.00</u>
	<u>205,165,553.64</u>
Less- Transfer to MOUD	184,028,347.62
Transfer to MOF	19,162,083.06
Service charge	<u>1,975,122.96</u>
	<u>205,165,553.64</u>
Ending Balance- 31 July 2024	<u>0.00</u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA GRANT NUMBERS No.D2770-ET P163452 AND AFD 1703 1 U
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

UIIDP-IPF Project is used to fund a range of institutional and capacity development intervention at or coordinated by Ministry of Urban Development now Ministry of Urban and Infrastructure, Housing and Construction (MUDCo).

The MUDCo will undertake activities in five areas:

- a) developing capacity, systems and organization of federal entities;
- b) developing capacity, systems and organization of regional and ULG entities;
- c) conducting project preparation studies, pre-feasibilities and feasibility studies for ULGs with specific needs for further investments;
- d) UIIDP management and monitoring and evaluation, and
- e) Procuring and managing APAs and V f M audits.

The financial agreement was entered into between IDA and Agence Francaise Development and The Federal Democratic Republic of Ethiopia Grant No. D2770-ET, P163452 and ADF 1073 I U, on 20 March 2018 and 21 June 2018 respectively. The closing date of the Project is July 2023.

This IPF window has a total funding of US \$34.57 million. It will support MUDCO and now MUI to administer and coordinate the operation, and to strengthen its capacity to support and guide the region and ULGs (US\$ 32.57 From IDA; and US\$ 2.0 million (approx. EURO1.8 million) from ADF.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project, which are consistent with those applied in the preceding year, are stated below:-

- a) Basis of preparation

These financial statements have been prepared in accordance with the Ethiopian Governments 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. Cash balances denominated in foreign currencies are translated into Birr at the exchange rates ruling at the date of statement of financial position.

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM
(UIIDP-IPF)
IDA GRANT NUMBERS No.D2770-ET, P163452 AND AFD 1703 1 U
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CASH AND BANK BALANCES

	Birr	2023 Birr
USD and EURO Designated account	11,998,383	89,567,698
USD-Ministry of Urban Development and Construction	-	25,244,393
Ethiopian Birr Designated Account	-	7,653,259
Ministry of Urban Development and Construction	363,602	63,457,396
Ministry of Finance	<u>7,854,636</u>	<u>785,720</u>
	20,216,621	186,708,465
Cash on hand	<u>-</u>	<u>14,997</u>
	<u>20,216,621</u>	<u>186,723,462</u>

**4 GAIN FROM FOREIGN EXCHANGE
FLUCTUATION**

	Birr	2023 Birr
Ministry of Finance	9,903,652	3,341,613
Ministry of Urban Development and Construction	<u>669,521</u>	<u>2,397,988</u>
	<u>10,573,173</u>	<u>5,739,601</u>

5 ACCUMULATED FUND

	Birr
Beginning balance - 7 July 2023	199,243,020
Excess (Deficit) of financing over expenditure	<u>(188,174,249)</u>
Ending Balance 31 July 2024	<u>11,068,771</u>

6 DATE OF AUTHORIZATION

Head of Channel One Programs Coordinating Department of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 3 January 2025.

MINISTRY OF FINANCE
 URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP- IPF)
 IFR BASED WITHDRAWAL SCHEDULE
 FOR APPLICATIONS SUBMITTED DURING THE
 YEAR ENDED 7 JULY 2024

Withdrawal			EQUIVALENT IN	
Application No.	Date		USD	ETHIOPIAN BIRR
UIIDP- IPF- DP2 0033	06 Feb. 2024	Direct payment	455,117.80	25,580,669.65
UIIDP- IPF- DP2 0038	23 Aug. 2024	Direct payment	348617.36	37284452.34
UIIDP- IPF- DP2 0039	01 Oct. 2024	Direct payment	<u>174554.59</u>	<u>20441302.54</u>
			<u>978,289.75</u>	<u>83,306,424.53</u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA GRANT NUMBERS No.D2770-ET,163452 AND AFD 1703 1 U
RECONCILIATION OF QUARTERLY REPORTS DURING THE PERIOD
31 JULY 2024 WITH THE
SOURCE AND USES OF FUND AND BALANCE SHEET**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Cumulative
	Birr	Birr	Birr	Birr	26-Dec-18 31 July 2024 Birr
SOURCES					
Opening Balance 7 July 2023					199,243,019
IDA Contribution	-	-	134,726,680	-	134,726,680
Direct paymet UN HABITAT	-	-	25,580,670	57,725,755	83,306,425
Gain on foreign exchange	1,340,072	1,162,750	544,405	7,525,947	10,573,174
Total Sources	<u>1,340,072</u>	<u>1,162,750</u>	<u>160,851,755</u>	<u>65,251,702</u>	<u>228,606,279</u>
Total sources including opening					<u>427,849,298</u>
USES					
Program expenditure	50,197,921	55,708,121	108,443,177	202,431,308	416,780,527
Excess/(Deficiency) of sources	<u>(48,857,849)</u>	<u>(54,545,371)</u>	<u>52,408,578</u>	<u>(137,179,606)</u>	<u>(188,174,248)</u>
Over expenditures					<u><u>11,068,771</u></u>
Cash at bank					20,216,621
Cash on hand					-
Advances					-
Payables					(9,147,850)
					<u><u>11,068,771</u></u>