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 Federal Democratic Republic of Ethiopia  
 Office of the Federal Auditor General



ቁጥር OFAG 3.8/2024  
 Ref. No  
 ቀን 22/01/2024  
 የገጽ ቁጥር

**Ministry of Finance**  
Addis Ababa

Re: Submission of the 2015 EFY ESPES-AF/IPF 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/IPF) project 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 31 pages of the 2015 EFY ESPES-AF/IPF 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 Tadesso**  
 Deputy Auditor General

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

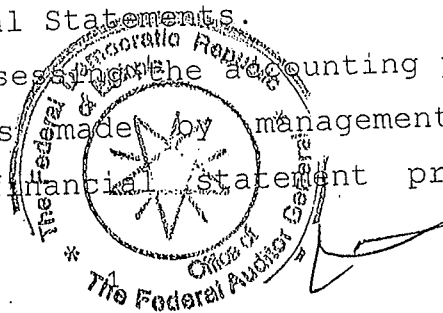
We have audited the accompanying Operation Financial Statements of Additional Financing for Enhancing Shared Prosperity through Equitable Service (ESPES-AF) project component of the Ministry of Finance of the Federal Democratic Republic of Ethiopia for the year ended 7 July 2023, which has been financed by IDA Financing agreements IDA D229.

The preparation of the Project Financial Statements (PFSs) is the responsibility of the Ministry of Finance. This audit is a special purpose audit for Additional Financing for Enhancing Shared Prosperity through Equitable service /ESPES-AF/ of project component /Investment project financing/ whose terms of reference are those given in the Terms of Reference for the 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 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.

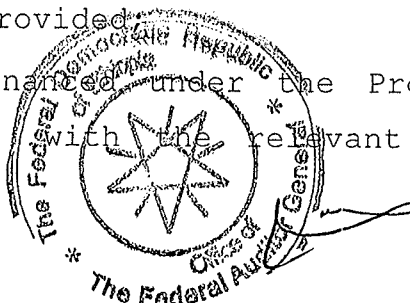
In our opinion, the Project /Investment project Financing/ Financial Statements present fairly, in all material respects, the financial position as at 7 July 2023 and the cash receipts and disbursements for the year then ended of the Additional Financing for Enhancing Shared Prosperity through Equitable Service /ESPES/ the project component /Investment Project Financing/ 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.

Emphasis of matters: ✓

- ❖ As stated in Note 4 to the financial statement of the project year end current asset, from the total advance amounting to ETB 254,861,841.99, only ETB 40,967,114.76 is from the fund flowed to the project account on MoF, whereas the rest amount ETB 213, 894,727.23 advance is non-cash to the account, directly made by the world bank by the Special Commitment for procurement made by /UNOPS/ for which the goods purchased were not received yet.

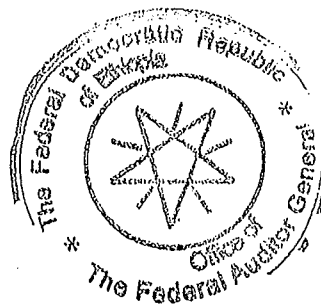
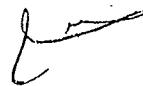
In addition, in our opinion, in all material respects:

- 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;

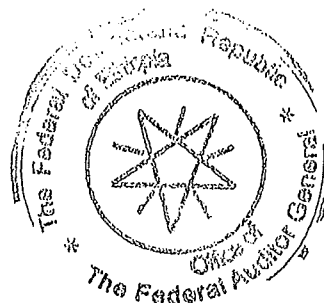
- The necessary supporting documents, records and accounts have been maintained in respect of all project activities, including expenditures /transfers reported. In addition, the financial report issued is in agreement with the underlying books of accounts except for the matter disclosed in the management letter.
- Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements, and funds disbursed out of the accounts were 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 was satisfactory; and
- Assets procured from project funds existed and there was verifiable ownership by the implementing agencies or beneficiaries in line with the financing agreement except for the matter disclosed in the management letter.



GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
ENHANCING SHARED PROSPORITY THROUGH EQUITABLE SERVICE-AF,  
INVESTMENT PROJECT FINANCING POJECT CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION AS OF 7 JULY 2023.

		<u>7 July 2023</u>	<u>7 July 2022</u>
	<u>Notes</u>	<u>Birr</u>	<u>Birr</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash balances	3	535,939,256.38	871,307,495.02
Advances	4	254,861,841.99	109,545,762.70
Total current Assets		<u>790,801,098.37</u>	<u>980,853,257.72</u>
<u>CURRENT LIABILITIES</u>			
Account Payable	5	63,869,222.91	7,916,880.74
NET CURRENT ASSETS		<u>726,931,875.46</u>	<u>972,936,376.98</u>
ACCUMULATED FUND		<u>726,931,875.46</u>	<u>972,936,376.98</u>

*[Handwritten Signature]*



MINISTRY OF FINANCE  
GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA,  
CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 7, JULY 2023

	<u>For the year ended</u>		<u>For the year ended</u>
	<u>7 July 2023</u>		<u>7 July 2022</u>
	<u>Note</u>	<u>Birr</u>	<u>Birr</u>
Opening Balance		972,936,377.32	217,712,745.41
Beginning Balance Adjustment		0.00	0.00
<u>Source</u>			
From IDA D229		1,168,208,821.97	1,406,141,645.17
Gain on foreign Exchange		26,814,535.12	103,990,710.76
Total Fund Available		✓2,167,959,734.07	1,727,845,101.34
Total Expenditure		1,441,027,858.95	754,424,321.74
Total Project Expenditure			
Excess of Financing Over expenditure		726,931,875.46 ✓	973,420,779.60

## Note:

Expenditure of Bank Service charge amounting ETB 11,532,185.00 is included in this report.

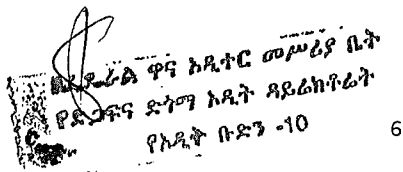
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MINISTRY OF FINANCEENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF,INVESTMENT PROJECT FINANCING STATEMENT OF FUND FLOW FORTHE YEAR ENDED JULY 07/2023DOLLAR ACCOUNT NO. 0100101300551

For the year ended	7 JULY 2023	
Account Number	01001013000551	
Depository Bank	NBE	
Address	Addis Ababa, Ethiopia	
Currency	USD and Birr	
	<u>Amount in USD</u>	<u>Amount in Birr</u>
OPENING BALANCE	12,154,078.74	632,373,070.62
Fund Received From:		
Int. Development Association (IDA) D229	<u>21,695,687.98</u> ✓	<u>1,168,208,821.97</u> ✓
Total	<u>33,849,766.72</u> ✓	<u>1,800,581,892.59</u> ✓
Deducted –Transfer and Expenditure		
Transfer to Birr account-	26,508,667.98 ✓	1,421,774,371.13 ✓
Total transfer and Expenditure	26,508,667.98	1,421,774,371.13
Closing balance	<u>7,341,098.74</u>	<u>378,807,521.46</u>
Add gain or loss on foreign exchange rate	-	<u>22,287,356.29</u>
Closing balance after Gain or loss on foreign exchange	-	<u>401,094,877.75</u>

Note:-

*The Closing exchange rate used for ending balance (July 7/2023) is 1USD = 54.6369*


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MINISTRY OF FINANCEGovernment of Federal Democratic Republic of EthiopiaEnhancing Shared Prosperity Through Equitable Service-AF, Investment Project FinancingBirr ACCOUNT NO. 0100101040697For the year ended 7 July, 2023

BIRR

OPENING BALANCE	50,881,360.45
Add :Transfer from Special Account:-	
Transfer from IDA Account	1,421,774,371.13
Fund Available for use:-	<u>1,472,652,231.58</u>
Less:- Transfer and Expenditure	
Transfer to Regions:-	
Tigray	8,016,159.00
Afar	45,809,000.00
Amhara	168,593,026.00
Oromia	110,052,791.00
Somale	52,327,605.00
Benshangul Gumuz	16,001,000.00
SNNPR	77,713,487.00
Sidama	31,623,619.00
SWEPR	26,597,090.00
Gambela	19,972,897.00
Harari	10,813,489.00
Dire Dawa	12,621,005.00
Addis Ababa	<u>36,171,433.00</u>
REGIONAL TOTAL	<u>616,312,601.00</u> ✓
Transfer to Federal Implementers:-	
Federal Public Procurement and Property Agency (FPPPA)	140,000,000.00
Transfer to Federal Ethics and Anticorruption Commission (FEACC)	48,076,000.00
Transfer to Environment Protection Authority/EPA/	18,219,747.00
Transfer to Ethiopia Statistical Service (ESS)	68,056,293.90
Transfer to Ethiopian Institute of Ombudsman (EIO)	45,947,000.00

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Transfer to Ministry of Education (MOE)	13,100,000.00
Transfer to Ministry of Health (MOH)	37,438,400.00
Transfer to Ministry of Agriculture (MOA)	40,428,000.00
Transfer to Ministry of Water and Energy(MOWE)	3,700,000.00
Transfer to Office of Federal Auditor General (OFAG)	37,000,000.00
Transfer to MoF-Public Expenditure Mgt. and Control Reform(EMCP)	42,000,000.00
Transfer to MoF-Channel 1 Program Coordinating Directorate (COPCD)	336,246,077.23 ✓
ACSO	<u>12,392,635.00</u>
FEDERAL TOTAL	<u>842,604,153.13</u> ✓
Total transfer	<u>1,458,916,754.13</u> ✓
Bank Services Charges	11,532,185.00
Total transfer & expenditure	<u>1,407,448,939.13</u> ✓
Closing balance	<u>2,203,292.45</u>

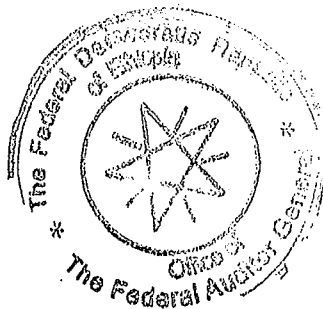
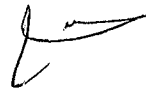
Note:-The Closing exchange rate used for ending balance (July 7/2022) is 1USD=54.6369

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MINISTRY OF FINANCE

GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
ENHANCING SHARED PROSPORITY THRUOYU EQIUTABLE SERVICE -AF AND  
ADDITIONAL FINANCING IPF 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 project 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,  
INVESTMENT PROJECT FINANCING 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) and strengthening financial transparency and accountability in service delivery and program for result, the Government of Ethiopia and International Development Association /IDA/ 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 project discussed as below:

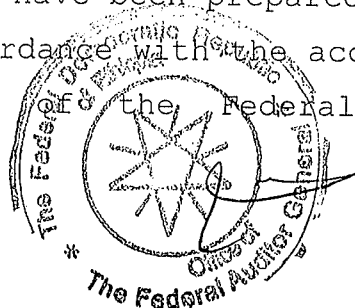
Project /IPF/: It is a Grant portion of the operation that aim to improve the performance of basic service system through providing Goods, consulting service, non-consulting service and Financing the Operation Cost.

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:

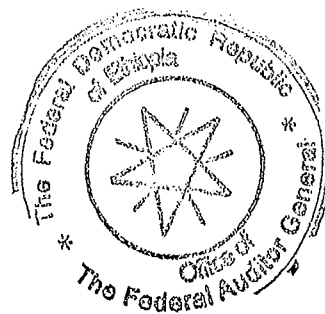
- i) These Financial Statements have been prepared based on a modified cash basis in accordance with the accounting policy of the Government of the Federal Democratic Republic of Ethiopia.



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.



Ministry of Finance

Government of Federal Democratic Republic of Ethiopia

Enhancing Shared Prosperity Through Equitable Service-AF,

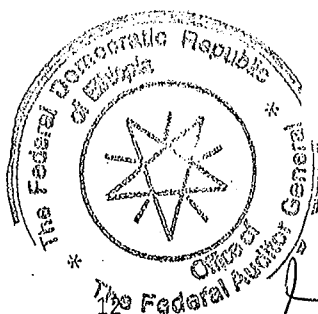
Investment Project Financing

Notes to the consolidated Financial Statements

7, July 2023

Birr

• Cash on hand and at bank		
Balance in Dollar account No. 0100101300551		401,094,877.75
Balance in Birr account No. 0100101040697		<u>2,203,292.45</u>
Balance at Bank		
MOF		403,298,170.20
Balance at Implementer:-		
Cash on hand	218,894.58	
Cash at bank	<u>132,422,191.60</u>	
Total Cash Balance	<u>132,641,086.18</u>	<u>132,641,086.18</u>
TOTAL		<u>535,939,256.38</u>
• Advances		
Tigray		43,261.10
Afar		106,505.25
Amhara		11,384.67
Oromia		71,025.63
Benshangul		340,397.21
SNNPR		1,048,714.79
Sidama		121,310.33
SWEPR		1,607,871.16
Harari		88,350.36
Addis Ababa		39,822.27
FPPPA		3,891,097.17
FEACC		15,360,448.01
EPA		277,862.02
ESS		7,352,181.92
EIO		326,125.85
MOH		2,086,010.89
MOWE		150,091.20
OFAG		284,435.03



MOF-EMCP	504,544.00
MOF-COPCD	219,250,763.40
ACSO	<u>1,899,639.73</u>
TOTAL	<u>254,861,841.99</u>

3.Accounts Payable

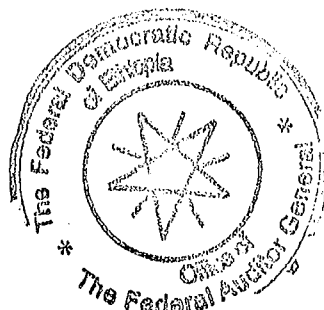
Tigray	3,390,492.43
Amhara	2,540.00
Oromia	330.49
Benshangul	139,687.77
SNNPR	150,875.37
Sidama	63,677.40
SWEPR	522,228.82
Harari	288,551.61
Addis Ababa	1,703,807.02
FPPPA	22,237,294.92
FEACC	4,334,462.70
EPA	281,480.62
ESS	25,657,146.55
EIO	187,432.24
MOH	316,959.22
MOWE	68,553.38
OFAG	35,688.98
MOF-EMCP	36,349.48
ACSO	1,262,038.80
MOF-COPCD	<u>3,189,625.11</u>
TOTAL	<u>63,869,222.91</u>
Total Ending balance	<u>726,931,875.46</u>




Ministry of Finance  
Government of Federal Democratic Republic of Ethiopia  
Enhancing Shared Prosperity Through Equitable Service-AF,  
Investment Project Financing  
Note to the Consolidated Financial Statements  
At 07, July 2023

7. Expenditure of IPF

Personal Services	153,014,481.66
Goods and Services	1,009,472,697.41
Fixed Assets	<u>278,540,679.88</u>
Total	<u>1,441,027,858.95</u>



MINISTRY OF FINANCE OF THE FEDERAL DEMOCRATIC REPUBLIC OF  
ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-  
AF, INVESETEMNET PROJECT FINANCING 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 by Proclamation Number 1146/2019). Our audit followed the audit requirements included in the Terms of Reference (ToR) for the audit of ESPES and Investment project financing for 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 Project Financial Statements (PFS) of Enhancing Shared Prosperity through Equitable Service 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.

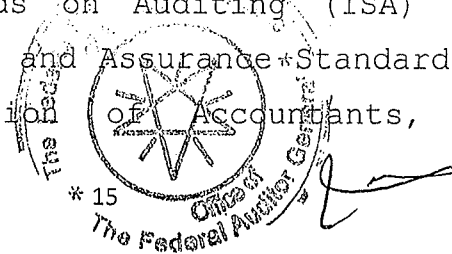
II. BACKGROUND

The relevant Financing Agreements between the Government of the Federal Democratic Republic of Ethiopia and the Financiers for ESPES -AF, investment project financing is:

- International Development Association (IDA) Financing Agreements IDA D229

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 Zones and Regions of Enhancing Shared Prosperity through Equitable Service-AF, investment project financing 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 Enhancing Shared Prosperity through Equitable Service (ESPES-AF) Investment project Financing.

#### 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, 2023 (Sene 30, 2015 EC), we have also visited the various implementing agencies and beneficiaries in all regions and zone levels for verifying project financial statements.

