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**AUDIT SERVICES
CORPORATION**

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-P4R)
IDA CREDIT NOS. 6196-ET, SUF 6197-ET, AND GRANT
NO. D377-ET AND AFD 1073 01 U
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2019



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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
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM
(UIIDP-P4R)**

We have audited the accompanying financial statements of Urban Institutional and Infrastructure Development Program (UIIDP-P4R) financed IDA Credit Nos.6196-ET, SUF 6197-ET and Grant No.D277-ET and AFD 1703 1 U of the Federal Democratic Republic of Ethiopia, Ministry of Finance, which comprise the balance sheet as at 7 July 2019, the statement of sources and uses of funds and the designated accounts statement for the period from 3 July 2018 to 7 July 2019, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM
(UIIDP-P4R) (continued)**

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-P4R) financed under IDA Credit Nos.6196-ET, SUF 6197-ET and Grant No.D277-ET and AFD 1703 1 U as at 7 July 2019 and of its sources and uses of funds for the period from 3 July 2018 to 7 July 2019 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;
- the funds disbursed covered expenditure that are eligible for financing under IDA Credit Nos.6196-ET, SUF 6197-ET and Grant No.D277-ET and AFD 1703 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

6 January 2020

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM(UIIDP-P4R)
IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
BALANCE SHEET
AS AT 7 JULY 2019

	Notes	Birr
CURRENT ASSETS		
Advances	3	185,754,301
Cash and bank balances	4	<u>784,437,585</u>
		970,191,886
CURRENT LIABILITIES		
Accounts payable	5	<u>365,006,356</u>
NET ASSET		<u>605,185,530</u>
FINANCED BY		
FUND BALANCE		<u>605,185,530</u>

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM(UIIDP-P4R)
IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
STATEMENT OF SOURCE AND USES OF FUNDS
FOR THE PERIOD FROM 3 JULY 2018 To 7 JULY 2019

SOURCES	Birr
Credit from IDA	1,716,794,479
Contribution from Regions and cities	567,099,091
Gain on foreign exchange	<u>52,150,082</u>
	2,336,043,652
USES	
Works	1,647,540,731
Consultancy services	13,007,471
Training	<u>70,309,920</u>
	<u>1,730,858,122</u>
EXCESS OF FINANCING OVER	
EXPENDITURES	<u>605,185,530</u>

**MINISTRY OF FINANCE
 URBAN INSTITUTIONAL AND INFRASTRUCTURE
 DEVELOPMENT PROGRAM(UIIDP-P4R)
 IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
 GRANT NO. D277-ET AND AFD 1073 01 U
 DESIGNATED ACCOUNT STATEMENT**

For the Period	From 3 July 2018 To 7 July 2019
Account number	0100101300554
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related credit	IDA Credit No.6196-ET,SUF6197 AND Grant No. D377-ET AND AFD 1073 01 U
Currency	USD

	USD	BIRR
Add: IDA Grant during the period	62,951,040.41	1,716,794,478.96
Less: Transfer to Birr account	<u>62,940,000.00</u>	<u>1,768,625.086.00</u>
	11,040.41	(51,830,607.04)
Gain on foreign exchange	<u> -</u>	<u>52,150,082.28</u>
Ending balance -7 July 2019	<u>11,040.41</u>	<u>319,475.24</u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM(UIIDP-P4R)
IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
SCHEDULE OF MOVEMENTS IN THE BIRR ACCOUNT**

For the period	From 3 July 2018 to 7 July 2019
Account number	0100101040692
Depository bank	National Bank of Ethiopia
Address	Addis Ababa,Ethiopia
Related credit	IDA Credit No. 6196-ET, SUF 6197-ET,Grant No. D377-ET and AFD 1073 01 U
Currency	Ethiopian Birr
Transfer from USD Designated Account	<u>1,768,625,086</u>
Less: Transfer to beneficiaries	
Oromia	461,405,665
Amhara	420,826,996
Southern Nations, Nationalities and peoples Regional State	313,535,107
Tigray	262,949,821
Ministry of Urban Development, Housing and Construction	58,244,026
Dire Dawa	104,309,361
Somali	60,758,162
Harari	41,378,266
Gambella	14,035,011
Benshangul Gumuz	15,223,910
Afar	<u>10,491,014</u>
	1,763,157,339
Bank charge	<u>4,421,563</u>
	<u>1,767,578,902</u>
Ending balance 7 July 2019	<u>1,046,184</u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP- P4R)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND
GRANT NUMBER D277-ET AND AFD 1073 01 U
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The Urban Institutional and Infrastructure Development Program (UIIDP) is executed by Ministry of Urban Development and Construction (MUDCo), and financed by a financing agreement entered between the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) and French Development Agency on 20 March 2018 and 21 June 2018 respectively, under IDA Credit No. 6196-ET, SUF 6197-ET, Grant No. D277-ET and AFD 1073 01 U with a Program-for-Results (P for R) financing instrument modality at the regional and ULG levels.

The UIIDP will be implemented over a period of 5 years and four months (from March 2018 to July 2023), with four rounds of performance-based grant allocations:

- EFY 2012 (2019/20),
- EFY 2013 (2020/21),
- EFY 2014 (2021/22), and
- EFY 2015 (2022/23).

Total UIIDP expenditures over this period are estimated at Ethiopian Birr (ETB) 23.5 billion (US\$ 859.5 million), of which ETB 16.4 billion (US\$ 600 million) - 70% - will be provided by the World Bank and ETB 296 million (US\$10.8 million)¹. -1%- will be provided by AFD and ETB 6.8 billion (US\$248.7 million) – 29% - will be provided by regions and ULGs as matching fund contributions. Funding available under the UIIDP will depend on the performance of each city and RG assessed annually against verifiable results described in the POM.

The UIIDP will provide Performance Grants (PGs) for investments in infrastructure and services and in capacity building for 117 urban local governments (ULGs) and capacity building in all nine Regional Governments (RGs), MUDCo and several Federal Ministries/Agencies. Cities and Regional States will contribute to UIIDP investments with their own funds.

MoF is responsible for fund flow, disbursement, reporting and arranging program auditing for the Operation

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP- P4R)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND
GRANT NUMBER D377-ET AND AFD 1073 01 U
NOTES TO THE FINANCIAL STATEMENTS (continued)**

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 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 balance sheet.

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM(UIIDP-P4R)
IDA CREDIT NOS. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 ADVANCES

	Birr
Advance payment to:-	
Contractors	137,083,857
Suppliers	11,474,318
Co-operatives	14,219,174
Purchase advance to staff	1,177,164
Other advances within government	16,014,679
Others	<u>5,785,109</u>
	<u>185,754,301</u>

4 CASH AND BANK BALANCES

	Birr
USD Designated account	319,475
Ethiopian Birr Designated Account	1,046,185
Ministry of Urban Development and Construction	58,243,332
Other Birr Account	724,574,067
Cash on hand	<u>254,526</u>
	<u>784,437,585</u>

5 ACCOUNT PAYABLE

	Birr
Retentions	51,645,271
Contractors	162,615,072
Other payable within government	113,539
Taxes payable	76,492,766
Others	<u>74,139,708</u>
	<u>365,006,356</u>

6 DATE OF AUTHORIZATION

Channel One Programs Coordinating Directorate Director of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 6 January 2020.

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-P4R)
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITTED DURING THE
PERIOD FROM 3 JULY 2018 TO 7 JULY 2019

<u>Withdrawal Application No.</u>	<u>USD</u>	<u>EQUIVALENT IN ETHIOPIAN BIRR</u>
UIIDP 001	<u>62,951,040.41</u>	<u>1,716,794,478.96</u>

MINISTRY OF FINANCE
 URBAN INSTITUTIONAL AND INFRASTRUCTURE
 DEVELOPMENT PROGRAM (UIIDP- P for R)
 IDA CREDIT Nos. 6196-ET, SUF 6197-ET , Grant No. D277-ET And AFD 1073 01 U
 RECONCILIATION OF SEMI ANNUAL REPORTS DURING THE PERIOD
 FROM 3 JULY 2018 TO 7 JULY 2019 WITH THE PERIOD ENDED STATEMENT OF
 SOURCE AND USES OF FUND AND BALANCE SHEET

	1st Semi Annual Birr	2nd Semi Annual Birr	Cumulative 29 June 2018 to 7 July 2019 Birr
SOURCE			
IDA Contribution	1,716,794,479	-	1,716,794,479
Regional Contribution	60,155,996	180,480,925	240,636,921
ULGs Contribution	35,585,515	290,876,655	326,462,170
Gain on foreign exchange	42,249,997	9,900,085	52,150,082
Total Sources	<u>1,854,785,987</u>	<u>481,257,665</u>	<u>2,336,043,652</u>
USES			
Program expenditures	<u>18,649,750</u>	<u>1,712,208,372</u>	<u>1,730,858,122</u>
EXCESS/(DEFICENCY) OF SOURCES OVER USES	<u>1,836,136,237</u>	<u>(1,230,950,707)</u>	<u>605,185,530</u>
Cash at bank			784,183,059
Cash on hand			254,526
Advances			185,754,301
Payables			<u>(365,006,357)</u>
			<u>605,185,530</u>