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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT (UPSNP)- P151712**

We have audited the accompanying financial statements of Urban Productive Safety Net Project-P151712 of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed by IDA Credit No.57560-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.

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

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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.

Qualified Opinion

In our opinion the financial statements give a true and fair view of the financial position of Urban Productive Safety Net Project of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed under IDA Credit No.57560-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;
- 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;

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- Assets procured from Project funds exist and there is a verifiable ownership by the Project implementing beneficiaries in line with the financing agreement except the case mentioned in the management letter particularly in Hawassa City;
- 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;

Furthermore, with respect to the interim financial reports (IFRs) submitted during the year and listed on page 12, 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 Credit No.57560-ET.

AUDIT SERVICES CORPORATION

Date: 04 January,2022

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET PROGRAMME- P151712

BALANCE SHEET

AS AT 07 JULY 2021

	<u>Notes</u>	<u>Birr</u>	<u>2020</u> <u>Birr</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Bank Balance	3	1,791,653,102	2,453,093,134
Debtors	4	<u>57,855,937</u>	<u>59,888,477</u>
TOTAL CURRENT ASSET		1,849,509,039	2,512,981,611
CURRENT LIABILITIES			
Creditors	5	<u>60,013,578</u>	<u>629,401,678</u>
NET CURRENT ASSETS		<u>1,789,495,461</u>	<u>1,883,579,933</u>
<u>REPRESENTED BY</u>			
FUND BALANCE	6	<u>1,789,495,461</u>	<u>1,883,579,933</u>

MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT -P151712
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 07 JULY, 2021

	<u>Birr</u>	<u>Cumulative</u> <u>from 12 Jan. 2016</u> <u>to 07 July 2021</u>	2020 <u>Birr</u>
	<u>Birr</u>	<u>Birr</u>	
Sources			
Credit From IDA 57560- ET	2,004,266,133	7,817,254,705	1,633,059,451
Government Contribution	1,571,556,190	3,248,180,746	1,090,936,747
Refund from UNOPS	-	2,002,049	-
UNICEF	138,868,806	138,868,806	-
WFP	11,248,589	11,248,589	-
Gain or loss on exchange	<u>90,863,335</u>	<u>134,556,012</u>	<u>12,897,230</u>
	<u>3,816,803,053</u>	<u>11,352,110,907</u>	<u>2,736,893,428.00</u>
Uses			
Public Work	728,399,690	3,922,085,781	1,227,297,161
Support Transfer	333,833,217	816,260,108	230,070,794
Contract For Client SPE.N.	260,706,158	297,090,494	36,384,336
Capital Expenditures For public work	1,001,279,507	1,657,255,850	268,715,524
Sub contract for with SNADM	5,164,568	5,164,568	-
UNICEF DS	107,710,704	107,710,704	-
UNICEF TDS	8,170,200	8,170,200	-
UNICEF DS ADM	491,307	491,307	-
WFP.TRANSFER	10,738,845	10,738,845	-
WFP ADMI	312,577	312,577	-
Livelihood skill Training and coaching	180,418,018	307,939,027	38,177,327
Livelihoods Transfer	1,118,207,444	1,813,577,764	695,370,320
Youth employment	405,520	405,520	-

Targeting and MIS development	7,212,828	22,367,340	3,883,405
Evaluation and Audit	882,452	20,184,147	8,565,081
Citizen Engagement and social accountability	9,332,518	28,220,176	9,732,223
Capacity Building	49,876,746	206,658,584	5 2,645,731
City Administration	47,643,601	185,464,603	4 6,482,700
Regional and Federal management	<u>39,328,598</u>	<u>151,744,824</u>	3 2,712,193
	3,910,114,498	9,561,842,419	2,6 5 0,036,795
Prior Year Adjustment	-	<u>773,027</u>	-
	<u>3,910,114,498</u>	<u>9,562,615,446</u>	<u>2,650,036,795</u>
Excess of sources over uses	<u>(93,311,445)</u>	<u>1,789,495,461</u>	<u>86,856,633</u>

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET PROGRAMME (UPSNP) - P151712

DESIGNATED ACCOUNT STATEMENT

For Year Ended	07 July 2021	
Account Number	0100101300506	
Depository Bank	National Bank of Ethiopia	
Address	Addis Ababa, Ethiopia	
Related Credit	IDA Credit 57560 ET	
Currency	USD	
	<u>USD</u>	<u>Equivalent in Birr</u>
Balance at 07 July 2020	6,844,922.46	239,857,719.37
Refund From UNOPS	32,513.84	1,152,514.84
Grant fund received -IDA	38,289,961.45	1,407,110,135.33
Grant fun received -IDA	14,493,049.78	596,003,483.32
Gain on Foreign Exchange	-	<u>90,863,334.89</u>
	<u>59,660,447.53</u>	<u>2,334,987,187.75</u>
DEDUCT		
Bank error	5,764,071.00	200,851,936.03
Transfer to pool account	<u>38,000,000.00</u>	<u>1,437,346,200.00</u>
	<u>43,764,071.00</u>	<u>1,638,198,136.03</u>
Ending Balance – 7 July 2021	<u>15,896,376.53</u>	<u>696,789,051.71</u>

MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND

The Project was established to support the Recipient to improve income of the targeted poor households and establish urban safety net mechanisms. These financial statements reflect the receipts and disbursements of credit given by International Development Association (IDA) Credit No.57560-ET, to finance safety net activities, including public works program sub-projects and support to labor-poor households, and institutional support. This Project phased out in July 2021.

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 PROGRAMME- P151712

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 07 JULY, 2021

3. CASH AND BANK BALANCE

	<u>Birr</u>	<u>2020</u> <u>Birr</u>
IDA Credit No. -57560-ET	696,789,052	239,857,719
Balance in Pool Birr Account	157,607,990	701,764,484
Oromia National Regional State	35,478,067	3,668,736
Amhara National Regional State	6,456,301	13,956,282
SNNP Regional State		70,102,077
Tigray National Regional State	68,656,940	13,026,758
Gambella National Regional State	4,583,128	6,283,944
BenishangulGumuz National Regional State	1,453,486	2,749,371
Hareri National Regional State	398,650	1,570,260
Afar National Regional State	1,573,952	1,162,583
Somali National Regional State	7,033,845	9,882,561
Sidama National Regional State	13,755,020	-
Dire Dawa City Administration	72,231,119	85,615,034
Addis Ababa City Administration	698,927,198	1,243,230,350
Balance at Federal Job Creation and Food Security Agency	24,648,349	57,804,279
MOLSA	1,709,345	2,330,500
MOF - Finance	282,288	22,885
Cash on Hand	68,370	65,311
	<u>1,791,653,102</u>	<u>2,453,093,134</u>

MINISTRY OF FINANCE
 URBAN PRODUCTIVE SAFETY NET PROGRAMME-P151712
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 07 JULY 2021

4. Debtors

	<u>Birr</u>	<u>2020</u> <u>Birr</u>
Advance to Contractors	11,812,898	3,644,059
Advance to Staff	2,049,902	168,255
Purchase Advance	23,847,319	1,135
Receivable with in Government	-	26,138,160
Advance to supplier	2,102,255	-
Receivable outside Government	11,648,973	-
Others	<u>6,394,590.</u>	<u>29,936,868</u>
	<u>57,855,937</u>	<u>59,888,477</u>

5. Creditors

	<u>Birr</u>	<u>2020</u> <u>Birr</u>
Pension Payable	1,073,324	108,668
Salary Payable	7,689,677	947,295
Income Tax Payable	-	1,214,046
Withholding Tax Payable	300,307	181,839
Payable to Beneficiaries	477,077	361,275
VAT Payable	3,417,363	84,683
Sundry Creditors	53,780	81,878
Other Payable within Government	7,875	626,306,027
Other Payroll Deductions	4,632	115,967
Grace period payable	17,054,744	-
Other creditors	4,374,646	-
Retention payable	<u>25,560.153</u>	-
	<u>60,013,578</u>	<u>629,401,678</u>

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET PRODUCTIVE -- P151712

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 07 JULY, 2021

6. FUND BALANCE

	<u>Birr</u>
Balance at 07 July 2020	1,883,579,933
Prior year adjustment	(773,027)
Excess of Sources over Uses	<u>(93,311,445)</u>
Balance at 07 July 2021	<u>1,789,495,461</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 04 January,2022.

MINISTRY OF FINANCE

URBAN PRODUCTIVE SAFETY NET PROGRAMME- P151712

IFR WITHDRAWAL SCHEDULE

FOR APPLICATIONS SUBMITTED DURING THE PERIOD FROM 08JULY, 2020 TO
07 July 2021

<u>Application</u>	<u>Reference</u>	<u>Amount</u> <u>Requested</u>	<u>Amount</u> <u>Disbursed</u>	<u>Equivalent in</u>
<u>No.</u>	<u>No.</u>	<u>USD</u>	<u>USD</u>	<u>Birr</u>
20	IDA Creditor 57560-ET	38,289,961.45	38,289,961.45	1,407,110,135.33
22	IDA Creditor 57560-ET	14,493,049.78	14,493,049.78	596,003,483.32
		52,783,011.23	52,783,011.23	2,003,113,618.65
-	Refund from UNOPS	32,513.84	32,513.84	1,152,514.84
		<u>52,815,525.07</u>	<u>52,815,525.07</u>	<u>2,004,266,133.49</u>