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AUDIT SERVICES
CORPORATION

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA GRANT No.D2770-ET AND AFD 1073 1 U
MANAGEMENT LETTER
FOR THE YEAR ENDED 7 JULY 2020



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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 INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP-IPF) IDA GRANT No.D277-ET 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, SUF 6197-ET, Grant No. D277- ET and AFD 1073 1U of the Federal Democratic Republic of Ethiopia, Ministry of Finance, which comprise the balance sheet as at 7 July 2020, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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 AND AFD 1073 IU (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-IPF) financed under IDA Credit numbers 6196-ET, SUF 6197-ET,Grant No. D277- ET and AFD 1073 1U as at 7 July 2020 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 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

8 January 2021

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM
(UIIDP-IPF)
IDA CREDIT GRANT NO.D2770-ET AND AFD 1703 I U
BALANCE SHEET
AS AT 7 JULY 2020

	Notes	Birr	2019 Birr
CURRENT ASSETS			
Advances		7,333,647	-
Cash and bank balances	3	<u>83,215,418</u>	<u>113,564,532</u>
		90,549,065	
CURRENT LIABILITIES			
Accounts payable		611,377	4,300
NET CURRENT ASSET		<u>89,937,688</u>	<u>113,560,532</u>
FINANCES BY			
ACCUMULATED FUND	5	<u>89,937,688</u>	<u>113,560,532</u>

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

IDA GRANT NUMBERS No.D2770-ET AND AFD 1703 1 U

STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE YEAR ENDED 7 JULY 2020

SOURCE	Note	Birr	Cumulative from	Year ended
			26 December 2018	
			To 7 July 2020	7 July 2019
			Birr	Birr
Initial deposit		-	130,190,207	130,190,207
IDA Grant D277-ET		81,103,829	81,103,829	-
Gain on foreign exchange	4	<u>6,288,813</u>	<u>9,338,060</u>	<u>3,049,247</u>
		<u>87,392,642</u>	<u>220,632,096</u>	<u>3,049,247</u>
USES				
Goods		1,548,793	2,200,393	651,600
Consultancy services		84,686,754	96,432,043	11,745,289
Training and work shop		23,528,348	30,683,006	7,154,658
Operating costs		<u>1,252,491</u>	<u>1,379,866</u>	<u>127,375</u>
		<u>111,016,386</u>	<u>130,695,308</u>	<u>19,678,922</u>
EXCESS OF SOURCES OVER USES		<u>(23,623,744)</u>	<u>89,936,788</u>	<u>(16,629,676)</u>

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

For the year ended 7 July 2020
 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 2019	3,194,309.31	92,433,409.07
Add: IDA Grant during the year	<u>2,567,380.59</u> <u>5,761,689.90</u>	<u>81,103,829.27</u> <u>173,537,238.34</u>
Less: Transfer to Birr account	2,300,000.00	72,726,690.00
Transfer to Ministry of Urban Development, Housing and Construction	<u>2,650,000.00</u> 811,689.90	<u>78,308,500.00</u> 22,502,048.34
Gain on foreign exchange	-	<u>5,940,945.62</u>
Ending balance -7 July 2020	<u>811,689.90</u>	<u>28,442,993.96</u>

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

For the year ended	7 July 2020
Account number	0100101040695
Depository bank	National Bank of Ethiopia
Address	Addis Ababa,Ethiopia
Related Grant	IDA Grant No. D277-ET and AFD 1073 1 U
Currency	Ethiopian Birr
Beginnning Balance - 8 July 2019	2,281,799.02
Transfer from USD Designated Account	<u>72,726,690.00</u> <u>75,008,489.02</u>
Less: Transfer to beneficiaries	
Ministry of Urban Development, Housing and Construction	56,709,943.95
Ministry of Finance - Administration	2,000,000.00
Bank charge	<u>181,816.73</u> <u>58,891,760.68</u>
Ending Balance 7 July 2020	<u>16,116,728.34</u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA GRANT NUMBERS No.D2770-ET 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, 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 VfM audits.

The financial agreement was entered into between IDA and Agence Francaise De Development and The Federal Democratic Republic of Ethiopia by Grant No. D2770-ET 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 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 AND AFD 1703 1 U
NOTES TO THE FINANCIAL STATEMENTS (continued)**

3 CASH AND BANK BALANCES

	Birr	7 July 2019 Birr
USD Designated account	28,442,994	92,433,409
USD-Ministry of Urban Development and Construction	234,889	-
Ethiopian Birr Designated Account	16,116,729	2,281,799
Ministry of Urban Development and Construction	37,170,631	18,849,624
Ministry of Finance	<u>1,241,000</u>	-
Cash on hand	83,206,243	113,564.832
	<u>9,175</u>	-
	<u>83,215,418</u>	<u>113,564,832</u>

**4 GAIN FROM FOREIGN EXCHANGE
FLUCTUATION**

	Birr	7 July 2019 Birr
Minstry of Finance	5,940,946	-
Ministry of Urban Development and Construction	<u>347,867</u>	-

5 ACCUMULATED FUND

	Birr
Beginning balance	113,560,532
Prior year adjustment	<u>900</u>
Excess of financing over expenditure	<u>113,561,432</u>
	<u>(23,623,744)</u>
	<u>89,937,688</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 8 January 2021.

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP- IPF)
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITTED DURING THE
YEAR ENDED 7 JULY 2020

Withdrwal Application No.	USD	EQUIVALENT IN ETHIOPIAN BIRR
UIIDP - IPF-003	567,380.59	17,433,279.27
UIIDP - IPF-004	1,500,000.00	47,391,450.00
UIIDP - IPF-006	<u>500,000.00</u>	<u>16,279,100.00</u>
	<u>2,567,380.59</u>	<u>81,103,829.27</u>

MINISTRY OF FINANCE URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UINDP-IPF) IDA GRANT NUMBERS No.D2770-ET AND AFD 1703 1 U					
RECONCILIATION OF QUARTERLY REPORTS DURING THE PERIOD ENDED FROM 26 DECEMBER 2018 to 7 JULY 2020 WITH THE YEAR ENDED STATEMENT OF SOURCE AND USES OF FUND AND BALANCE SHEET					
SOURCES	Cumulative 26-Dec-18				
	1st Quarter Birr	2nd Quarter Birr	3rd Quarter Birr	4th Quarter Birr	7 July 2020 Birr
Opening Balance 7 July 2019 Prior year adjustment					113,560,532
IDA Contribution	64,824,729		16,279,100		<u>900</u>
Regional Contribution					113,561,432
ULGs Contribution	<u>1,273,891</u>	<u>2,405,970</u>	<u>756,707</u>	<u>1,852,245</u>	<u>6,288,813</u>
Gain on foreign exchange	<u>67,230,699</u>	<u>17,035,807</u>		<u>1,852,245</u>	<u>87,392,642</u>
Total Sources					
Total sources including opening					<u>200,954,074</u>
USES					
Program expenditure	<u>7,174,135</u>	<u>30,431,953</u>	<u>31,647,288</u>	<u>41,763,010</u>	<u>111,016,386</u>
Excess/(Deficiency) of sources					
Over expenditures					<u>89,937,688</u>
Cash at bank					83,206,243
Cash on hand					9,175
Advances					7,333,647
Payables					(611,377)
					<u>89,937,688</u>