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AUDIT SERVICES
CORPORATION

MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET
MANAGEMENT LETTER
FOR THE YEAR ENDED 7 JULY 2017



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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 AND ECONOMIC COOPERATION URBAN PRODUCTIVE SAFETY NET PROJECT IDA CREDIT NO. 57560-ET

We have audited the accompanying financial statements of Urban Productive Safety Net Project of the Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Cooperation, financed under IDA Credit No.57560-ET, which comprise the balance sheet as at 7 July 2017, 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 and Economic Cooperation 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 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 AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Urban Productive Safety Net Project of the Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Cooperation, financed under IDA Credit No.57560-ET, as at 7 July 2017 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 for financial audit and the World Bank guidelines we report that, to the extent we can assess:

- All external financing has been used in accordance with the conditions of the relevant financing agreement, 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 including specific provisions of the World Bank Procurement Policies and Procedures;
- 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 were followed and uses;
- Financial performance of the Project is satisfactory;
- Assets procured from Project funds exist and there is a verifiable ownership by the Project implementing agencies or beneficiaries in line with the financing agreement; and
- Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Account.

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FINANCIAL STATEMENTS OF
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MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET (continued)**

Furthermore, with respect to the Interim Financial Reports (IFRS) submitted during the year and listed on page 11, in our opinion,

- i) the reports, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals;
- ii) adequate supporting documentation has been maintained to support the expenditures incurred; and
- iii) which expenditures are eligible for financing under IDA Credit No.57560-ET.

Audit Services Corporation
3 January 2018

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET (continued)
BALANCE SHEET
AS AT 7 JULY 2017

	Notes	Ethiopian Birr	2016 Ethiopian Birr
ASSETS			
CURRENT ASSETS			
Cash and bank balances	2b,3	573,152,968	64,411,545
Advances		<u>252,118</u>	<u>379,931</u>
		573,405,086	64,791,476
CURRENT LIABILITIES			
Accounts payable	4	<u>19,230,076</u>	<u>8,418,596</u>
NET CURRENT ASSETS		<u>554,175,010</u>	<u>56,372,880</u>
REPRESENTED BY			
ACCUMULATED FUND	5	<u>554,175,010</u>	<u>56,372,880</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET (continued)
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2017**

	Year ended 7 July 2017 Ethiopian Birr	Cumulative from 12 January 2016 to 7 July 2017 Ethiopian Birr	For the period from 12 January to 7 July 2016 Ethiopian Birr
SOURCES			
IDA-IFR Procedures	622,177,243	693,428,687	71,251,444
Gain on foreign exchange	<u>4,803,076</u>	<u>6,785,389</u>	<u>1,982,313</u>
TOTAL SOURCES	<u>626,980,319</u>	<u>700,214,076</u>	<u>73,233,757</u>
USES			
Public works	36,895,264	36,895,264	-
Support transfer	4,337,356	4,337,356	-
Capital expenditure for public work	17,536,851	17,536,851	-
Targeting and MIS development	8,901,684	8,901,684	-
Capacity building	38,582,535	55,381,624	16,799,089
City administration	5,280,948	5,280,948	-
Regional and Federal management	<u>17,643,551</u>	<u>17,705,339</u>	<u>61,788</u>
TOTAL USES	<u>129,178,189</u>	<u>146,039,066</u>	<u>16,860,877</u>
EXCESS OF SOURCES OVER USES	<u>497,802,130</u>	<u>554,175,010</u>	<u>56,372,880</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET (continued)
DESIGNATED ACCOUNT STATEMENT**

For year ended	7 July 2017
Account number	0100101300506
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related Credit	IDA Credit 57560-ET
Currency	USD

	USD	Equivalent in Ethiopian Birr
Balance at 7 July 2016	2,947,613.00	64,348,749.88
Advance received	<u>27,657,392.77</u>	<u>622,177,242.95</u>
Deduct:		
Transfer to pool Birr account	<u>(28,716,802.77)</u>	<u>(647,657,014.42)</u>
Gain on foreign exchange	1,888,203.00	38,868,978.41
	<hr/>	<hr/>
Ending balance - 7 July 2017	<u>1,888,203.00</u>	<u>43,672,054.20</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET (continued)
SCHEDULE OF MOVEMENTS IN THE POOL BIRR ACCOUNT**

For the year ended	7 July 2017
Account number	0100101040674
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related loan	IDA Credit 57560-ET
Currency	Ethiopian Birr
Balance at 7 July 2016	18,058
Transfer from the Designated Account	<u>618,579,240</u>
	618,597,298
Deduct:	
Transfer to Implementers	(312,756,086)
Bank service charge	<u>(1,546,448)</u>
	<u>(314,302,534)</u>
 Ending balance – 7 July 2017	 <u>304,294,764</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET (continued)
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The Project was established to support the Government 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 The International Development Association (IDA) to finance safety net activities, including public works program, sub-projects and support to labor-poor households, and institutional support. This Project will phase 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 Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

b) Currency

These financial statements are presented in Birr. Transactions in foreign currencies are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rates ruling at the date of the balance sheet.

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. CASH AND BANK BALANCES

	Ethiopian Birr	2016 Ethiopian Birr
USD Account No. 0100101300506	43,672,054	64,348,750
Balance in Pool Birr account	304,294,764	18,058
Tigray National Regional State	6,491,621	-
Amhara National Regional State	8,752,715	-
Oromia National Regional State	16,071,603	-
Southern Nations, Nationalities and Peoples Regional State	20,050,261	-
Harari National Regional State	7,738,738	-
Afar National Regional State	19,251	-
Somali National Regional State	7,036,616	-
Dire Dawa City Administration	27,039,086	-
Benishangul Gumuz National Regional State	1,844,212	-
Gambela National Regional State	3,831,924	-
Addis Ababa City Administration	94,707,463	-
Balance at Federal Job Creation and Food Security Agency	28,100,658	44,737
Ministry of Labour and Social Affairs	3,357,458	-
MOFEC-Finance	121,938	-
Cash on hand	<u>22,606</u>	<u>-</u>
	<u>573,152,968</u>	<u>64,411,545</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET
NOTES TO THE FINANCIAL STATEMENTS (continued)**

4. ACCOUNTS PAYABLE

	Ethiopian Birr	2016 Ethiopian Birr
Pension payable	93,960	-
Salary payable	70,975	-
Income tax payable	3,845	4,050
Withholding tax payable	89,574	60,885
Payable to beneficiaries	16,550,730	-
VAT payable	76,348	459,720
Sundry creditors	2,333,530	38,320
Other payroll deductions	11,114	-
Payable to ULGDP	-	7,855,621
	<u>19,230,076</u>	<u>8,418,596</u>

5. ACCUMULATED FUND

	Ethiopian Birr
Balance at 7 July 2016	56,372,880
Excess of sources over uses for the year	<u>497,802,130</u>
Balance at 7 July 2017	<u>554,175,010</u>

6. DATE OF AUTHORIZATION

The Channel One Programs Coordinating Directorate Provisional Coordinator of the Ministry authorized the issue of these financial statements on 3 January 2018.

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
URBAN PRODUCTIVE SAFETY NET PROJECT
IDA CREDIT NO. 57560-ET
IFR WITHDRAWAL SCHEDULE

for applications submitted during the year 7 July 2017

<u>Application No.</u>	<u>Amount requested USD</u>	<u>Amount disbursed USD</u>	<u>Equivalent in Ethiopian Birr</u>
02	16,280,452	16,280,452	362,176,571
03	4,783,897	4,783,897	108,895,360
04	<u>6,593,044</u>	<u>6,593,044</u>	<u>151,105,312</u>
	<u>27,657,393</u>	<u>27,657,393</u>	<u>622,177,243</u>