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AUDIT SERVICES
CORPORATION

MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT-P151712
IDA CREDIT NO. 57560-ET
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2018



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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 PRODUCTIVE SAFETY NET PROJECT- 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 2018, 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 based on a modified cash basis of accounting described in note 2 to the financial statements 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
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712 (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, financed under IDA Credit No.57560-ET as at 7 July 2018 and its sources and uses of funds for the year then ended in accordance with the Ethiopian Government's Manual of the Federal Accounting System based on a modified cash basis of accounting described in note 2 to the financial statements.

Reports on other requirements

As required by the terms of reference and 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 agreements;
- 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;
- non-expendable equipment procured from Project funds exist and there is a verifiable ownership by the Project implementing beneficiaries in line with the financing agreement;
- we did not come across with any ineligible expenditures included in withdrawal applications; and
- our examination reveals no major weaknesses or irregularities in the system of internal control over financial expenditures other than that mentioned in the management letter.

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712 (continued)**

Furthermore, with respect to the statements of expenditures submitted during the year and listed on page 12, in our opinion,

- i) the statements, 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 for reimbursements of expenditures incurred; and
- iii) which expenditures are eligible for financing under IDA Credit No.57560-ET.

Audit Services Corporation

3 January 2019

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT - P151712
BALANCE SHEET
AS AT 7 JULY 2018

	Notes	Ethiopian Birr	2017 Ethiopian Birr
ASSETS			
CURRENT ASSETS			
Cash and bank balances	2b,3	847,839,452	573,152,968
Accounts receivable	4	<u>11,367,999</u>	<u>252,118</u>
		859,207,451	573,405,086
CURRENT LIABILITIES			
Accounts payable	5	<u>32,169,113</u>	<u>19,230,076</u>
NET CURRENT ASSETS		<u>827,038,338</u>	<u>554,175,010</u>
REPRESENTED BY			
ACCUMULATED FUND	6	<u>827,038,338</u>	<u>554,175,010</u>

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
 MINISTRY OF FINANCE
 URBAN PRODUCTIVE SAFETY NET PROJECT - P151712
 STATEMENT OF SOURCES AND USES OF FUNDS
 FOR THE YEAR ENDED 7 JULY 2018

	Year ended 7 July 2018 Ethiopian Birr	Cumulative from 12 January 2016 to 7 July 2018 Ethiopian Birr	Year ended 7 July 2017 Ethiopian Birr
FINANCING			
Credit from IDA 57560-ET	1,004,781,641	1,698,210,328	622,177,243
Government contribution	171,316,420	171,316,420	-
Gain on foreign exchange	8,072,027	14,857,416	4,803,076
TOTAL FINANCING	1,184,170,088	1,884,384,164	626,980,319
PROJECT EXPENDITURES			
Public works	602,074,785	638,970,049	36,895,264
Support transfer	68,981,018	73,318,374	4,337,356
Capital expenditure for public work	121,829,993	139,366,844	17,536,851
Livelihood skill training monitoring and coaching	28,985,451	28,985,451	-
Targeting and MIS development	1,096,627	9,998,311	8,901,684
Evaluation and audit	9,969,033	9,969,033	-
Citizen engagement and social accountability	3,608,361	3,608,361	-
Capacity building	18,205,312	73,586,936	38,582,535
City administration	30,706,837	35,987,785	5,280,948
Regional and Federal management	25,849,343	43,554,682	17,643,551
TOTAL EXPENDITURES	911,306,760	1,057,345,826	129,178,189
EXCESS OF FINANCING OVER EXPENDITURES	272,863,328	827,038,338	497,802,130

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT - P151712
DESIGNATED ACCOUNT STATEMENT**

For year ended	7 July 2018
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 2017	1,888,202.82	43,672,054.20
IDA Deposit	<u>36,899,992.66</u>	<u>1,004,781,640.43</u>
Deduct:		
Transfer to pool Birr account	38,788,195.48	1,048,453,694.63
	<u>31,598,000.00</u>	<u>860,329,734.00</u>
	7,190,195.48	188,123,960.63
Gain on foreign exchange	-	<u>8,072,027.35</u>
Ending balance 7 July 2018	<u>7,190,195.48</u>	27.2866 <u>196,195,987.98</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT - P151712
DESIGNATED ACCOUNT STATEMENT**

For year ended	7 July 2018
Account number	0100101040674
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related loan	IDA Credit 57560-ET
Currency	ETB
 Balance at 7 July 2017	 304,294,764
Transfer from IDA-57560-ET	860,329,734
Government contribution	<u>171,316,420</u>
	<u>1,031,646,154</u>
	1,335,940,918
Deduct;	
Transfer to Implementers	1,279,770,492
Bank service charge	<u>2,150,824</u>
	<u>1,281,921,316</u>
 Ending balance – 7 July 2018	 <u>54,019,602</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2018**

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 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 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.

c) Recognition of financial assets and financial liabilities

The Project recognizes a financial asset or a financial liability on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when, and only when, the control over the contractual rights is lost. A financial liability is derecognized when, and only when, it is extinguished.

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
 MINISTRY OF FINANCE
 URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 7 JULY 2018

3. CASH AND BANK BALANCE

MINISTRY OF FINANCE (MoF)

	Ethiopian Birr	2017 Ethiopian Birr
IDA Credit No. 57560-ET	196,195,988	43,672,054
Balance in Pool Birr account	54,019,602	304,294,764
Tigray National Regional State	9,769,244	6,491,621
Amhara National Regional State	22,140,830	8,752,715
Oromia National Regional State	24,967,138	16,071,603
Southern Nations, Nationalities and Peoples Regional State	43,657,112	20,050,261
Harari National Regional State	5,165,569	7,738,738
Afar National Regional State	3,008,336	19,251
Somali National Regional State	16,866,655	7,036,616
Dire Dawa City Administration	86,680,128	27,039,086
Benishangul Gumuz National Regional State	9,877,077	1,844,212
Gambela National Regional State	19,111,730	3,831,924
Addis Ababa City Administration	326,703,130	94,707,463
Balance at Federal Job Creation and Food Security Agency	26,858,543	28,100,658
MOLSA	2,545,543	3,357,458
MOFEC-Finance	141,214	121,938
Cash on hand	<u>131,613</u>	<u>22,606</u>
	<u>847,839,452</u>	<u>573,152,968</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
NOTES TO THE FINANCIAL STATEMENTS (continued)
7 JULY 2018**

4. ACCOUNTS RECEIVABLE

	Ethiopian Birr	2017 Ethiopian Birr
Advance to contractors	173,610	-
Advance to staff	15,782	37,662
Receivable with in Government	<u>5,885,238</u>	165,414
Others	<u>5,293,369</u>	49,042
	<u>11,367,999</u>	<u>252,118</u>

5. ACCOUNTS PAYABLE

	Ethiopian Birr	2017 Ethiopian Birr
Pension payable	92,781	93,960
Salary payable	939,285	70,975
Income tax payable	113,524	3,845
Withholding tax payable	539,698	89,574
Payable to beneficiaries	<u>23,241,180</u>	16,550,730
VAT payable	323,716	76,348
Sundry creditors	6,642,050	2,333,530
Other payroll deductions	19,738	11,114
Payable with in Government	<u>257,141</u>	-
	<hr/>	<hr/>
	<u>32,169,113</u>	<u>19,230,076</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
NOTES TO THE FINANCIAL STATEMENTS (continued)
7 JULY 2018**

6. ACCUMULATED FUND

	Ethiopian Birr
Balance at 7 July 2017	554,175,010
Excess of financing over expenditures of the current year	<u>272,863,328</u>
Balance at 7 July 2018	<u>827,038,338</u>

7. DATE OF AUTHORIZATION

The Channel I Project Coordinating Unit Head of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 3 January 2019.

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
IFR WITHDRAWAL SCHEDULE**

for applications submitted during the year 7 July 2018

8.	<u>Application No.</u>	<u>Reference No.</u>	<u>Amount requested</u> <u>USD</u>	<u>Amount disbursed</u> <u>USD</u>	<u>Equivalents in Ethiopian Birr</u>
	08	IDA Credit 57560-ET	21,710,743	21,710,743	590,873,065
	09	" "	<u>15,189,250</u>	<u>15,189,250</u>	<u>413,908,575</u>
			<u>36,899,993</u>	<u>36,899,993</u>	<u>1,004,781,640</u>