

የኢትዮ ፈዴራል
አገልግሎት ከፍተኛ



AUDIT SERVICES
CORPORATION

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA CREDIT NOs.6196-ET,SUF 6197-ET, AND GRANT
NO.D277-ET AND AFD 17031 U
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2019



ኢትዮጵያ ፌዴራል-ለዋ የጥናኩራ-ከታታይ ሪፖርት
የሂሳብ ማረጋገጫ አገልግሎት ከርምጃዎች

**The Federal Democratic Republic of Ethiopia
Audit Services Corporation**

6 January 2020

The Minister
Federal Democratic Republic of Ethiopia
Ministry of Finance
Addis Ababa

Dear Sir,

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND IDA GRANT No.D277-ET
AND AFD 1073 01U
MANAGEMENT LETTER
FOR PERIOD FROM 26 DECEMBER 2018 TO 7 JULY 2019**

INTRODUCTION

We have pleasure in submitting our findings and recommendations on weaknesses in internal control and other matters which came to our attention during the audit of the financial statements of the Urban Institutional and Infrastructure Development Program (UIIDP-IPF) financed under IDA Credit Nos. 6196-ET, SUF 6197-ET, IDA Grant No.D277-ET and AFD 1073 01 U (hereinafter referred to as the Project) for the period from 26 December 2018 to 7 July 2019.

We attach the following for reference:-

Independent auditor's report on the financial statements
Balance sheet
Statement of sources and uses of funds
Designated account statements
Notes to the financial statements
Withdrawal Application schedule

It must be appreciated that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily with a view to the expression of our opinion on the financial statements of the Project, and therefore, our examination cannot be expected to disclose all possible weaknesses in internal control and to uncover all other findings which a more extensive special examination might reveal.

As part of our audit of the financial statements, we have visited Ministry of Urban Development and Construction.

1. MINISTRY OF FINANCE

GENERAL

1.1 Finding

Fund utilization by the executing agency can be put as follows:-

<u>Implementer</u>	<u>Available Fund for the year Birr</u>	<u>Utilized Portion during the period under review Birr</u>	<u>Percentage of unutilized Portion</u>
Ministry of Urban Development, Housing and Construction	130,190,207	19,678,922	85%

Implication

The target might not be meeting as much as intended.

Management Response

Finding accepted. Effort will be made to utilize the Project fund more effectively as scheduled.

Recommendation

Due attention should be given to effectively utilize the fund allocated.

1.2 Finding

We have seen instances where perdiem payments were effected to training participants without signing on the attendance sheets.

Implication

Lack of control and supervision.

Management Response

Finding accepted. Corrective measure will be taken in the future.

Recommendation

Payment to trainees should be supported by appropriate attendance sheets.

CONCLUSION

We would like to express our appreciation to the management and staff of the project for the assistance and courtesy extended to our representatives during the course of our audit.

We have discussed the contents of this report with the appropriate officials of your Ministry who, in general, accept our findings and recommendations. We shall be pleased to provide further explanation that may be required.

Audit Services Corporation

Yours faithfully,



ኢትዮጵያ ፌዴራልዊ ዲሞክራሲያዊ ሪፐብሊክ
የሂሳብ ጥርጉራ አገልግሎት ከርንጻነት

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-IPF)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND
IDA GRANT No.D277-ET AND AFD 1073 01 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 01U 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 26 December 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.

ASC

**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-IPF)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND
IDA GRANT No.D277-ET AND AFD 1073 0IU (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 01U as at 7 July 2019 and of its sources and uses of funds for the period from 26 December 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, 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

6 January 2020

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA CREDIT NO.6196-ET,SUF 6197-ET,GRANT NO.D277-ET
AND AFD 1703 01 U
BALANCE SHEET
AS AT 7 JULY 2019**

	Notes	Birr
CURRENT ASSETS		
Cash and bank balances	3	<u>113,564,832</u> 113,564,832
CURRENT LIABILITIES		
Accounts payable		<u>4,300</u>
NET ASSET		<u>113,560,532</u>
FINANCES BY		
ACCUMULATED FUND		<u>113,560,532</u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT
PROGRAM (UIIDP-IPF)
IDA CREDIT NO.6196-ET,SUF 6197-ET,GRANT NO.D277-ET
AND AFD 1703 01 U
STATEMENT OF SOURCE AND USE OF FUND
FOR THE PERIOD FROM 26 DECEMBER 2018 TO 7 JULY 2019**

Birr

SOURCE

Initial deposit IDA Grant D277-ET	130,190,207
Gain on foreign exchange	<u>3,049,247</u>
	133,239,454

USES

Goods	651,600
Consultancy services	11,745,289
Training and work shop	7,154,658
Operating costs	<u>127,375</u>
	<u>19,678,922</u>

EXCESS OF SOURCES OVER USES 113,560,532

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

For the period	From 26 December 2018 to 7 July 2019
Account number	0100101300560
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related credit	IDA Credit No.6196-ET,SUF 6197-ET,GRANT NO. D277-ET AND AFD 1703 01 U
Currency	USD

	USD	BIRR
Add: IDA Grant during the year	4,644,309.31	130,190,207.44
Less: Transfer to Birr account	<u>1,450,000.00</u>	<u>40,806,045.00</u>
	3,194,309.31	89,384,162.44
Gain on foreign exchange	<u>-</u>	<u>3,049,246.63</u>
Ending balance - 7 July 2019	<u>3,194,309.31</u>	<u>92,433,409.07</u>

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

For the period From 26 December 2018 to 7 July 2019
Account number 0100101040695
Depository bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Related credit IDA Credit No. 6196-ET, SUF 6197-ET,
Grant NO. D277-ET and AFD 1073 01 U
Currency Ethiopian Birr

Transfer from USD Designated Account	40,806,045.00
Less: Transfer to beneficiaries	
Ministry of Urban Development,	
Housing and Construction	38,422,230.87
Bank charge	<u>102,015.11</u>
	<u>38,524,245.98</u>
End balance at 7 July 2019	<u>2,281,799.02</u>

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-IPF)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND
IDA GRANT No.D277-ET AND AFD 1703 01 U
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

UIIDP IPF Project is used to fund a range of institutional and capacity development interventions at or coordinated by Ministry of Urban Development and Construction (MUDCo).

The MUDCo will undertake activities in five areas:

- (a) developing capacity, systems, and organizations of federal entities;
- (b) developing capacity, systems, and organizations 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 financing agreement was entered into between IDA and Agence Francaise De Development and The Federal Democratic Republic of Ethiopia by Grant No.D277-ET and AFD 1703 1 U, on 20 March 2018 and 21 June 2018 respectively.

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 regions and ULGs (US\$32.57 from IDA; and about US\$2.0 million (approx. Euro 1.8 million) from AFD).

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 statement of financial position.

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

3 CASH AND BANK BALANCES

	Birr
USD Designated account	92,433,409
Ethiopian Birr Designated Account	2,281,799
Ministry of Urban Development and Construction	<u>18,849,624</u>
	<u>113,564,832</u>

5 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- IPF)
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITTED DURING THE
For the period from 26 December 2018 to 7 JULY 2019**

<u>Withdrwal Application No.</u>	<u>USD</u>	<u>EQUIVALENT IN ETHIOPIAN BIRR</u>
UIIDP - IPF-002	<u>4,644,309.31</u>	<u>130,190,207.44</u>

MINISTRY OF FINANCE
URBAN LOCAL GOVERNMENT DEVELOPMENT PROJECT II
IDA CREDIT No, 6196-ET,6197-ET,GRANT No. D277 AND AFD 1073 01 IU
RECONCILIATION OF QUARTERLY REPORTS DURING THE PERIOD FROM
26 DECEMBER 2018 TO 7 JULY 2019 WITH THE PERIOD ENDED STATEMENT OF
SOURCE AND USES OF FUND AND THE BALANCE SHEET

SOURCES	1st Quarter Birr	2nd Quarter Birr	3rd Quarter Birr	4th Quarter Birr	Cumulative 26-Dec-18
					7 July 2019
IDA Contribution					130,190,207
Regional Contribution					130,190,207
ULGs Contribution					
Gain on foreign exchange					
Total Sources					
USES					
Excess/(Deficiency) of sources					
Over expenditures	<u><u>-</u></u>	<u><u>130,395,021</u></u>	<u><u>(6,780,544)</u></u>	<u><u>(10,053,946)</u></u>	<u><u>113,560,532</u></u>
Cash at bank					113,564,832
Cash on hand					-
Advances					-
Payables					(4,300)
					<u><u>113,560,532</u></u>