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AUDIT SERVICES
CORPORATION

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-P4R)
IDA CREDIT NOS.6196-ET,SUF 6197-ET, AND GRANT
NO.D377-ET AND AFD 1073 01 U
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2019



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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 INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP-P4R)

We have audited the accompanying financial statements of Urban Institutional and Infrastructure Development Program (UIIDP-P4R) financed IDA Credit Nos.6196-ET, SUF 6197-ET and Grant No.D277-ET and AFD 1703 1 U 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 3 July 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.

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**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-P4R) (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-P4R) financed under IDA Credit Nos.6196-ET, SUF 6197-ET and Grant No.D277-ET and AFD 1703 1 U as at 7 July 2019 and of its sources and uses of funds for the period from 3 July 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 and Grant No.D277-ET and AFD 1703 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-P4R)
IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
BALANCE SHEET
AS AT 7 JULY 2019

| | Notes | Birr |
|----------------------------|--------------|---------------------------|
| CURRENT ASSETS | | |
| Advances | 3 | 185,754,301 |
| Cash and bank balances | 4 | <u>784,437,585</u> |
| | | 970,191,886 |
| CURRENT LIABILITIES | | |
| Accounts payable | 5 | <u>365,006,356</u> |
| NET ASSET | | <u>605,185,530</u> |
| FINANCED BY | | |
| FUND BALANCE | | <u>605,185,530</u> |

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM(UIIDP-P4R)
IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
STATEMENT OF SOURCE AND USES OF FUNDS
FOR THE PERIOD FROM 3 JULY 2018 To 7 JULY 2019**

| SOURCES | Birr |
|--|---------------------------|
| Credit from IDA | 1,716,794,479 |
| Contribution from Regions and cities | 567,099,091 |
| Gain on foreign exchange | <u>52,150,082</u> |
| | 2,336,043,652 |
| USES | |
| Works | 1,647,540,731 |
| Consultancy services | 13,007,471 |
| Training | <u>70,309,920</u> |
| | <u>1,730,858,122</u> |
| EXCESS OF FINANCING OVER EXPENDITURES | <u>605,185,530</u> |

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM(UIIDP-P4R)
IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
DESIGNATED ACCOUNT STATEMENT

| | |
|-----------------|--|
| For the Period | From 3 July 2018 To 7 July 2019 |
| Account number | 0100101300554 |
| Depository bank | National Bank of Ethiopia |
| Address | Addis Ababa, Ethiopia |
| Related credit | IDA Credit No.6196-ET,SUF6197 AND Grant No. D377-ET AND AFD 1073 01 U |
| Currency | USD |

| | USD | BIRR |
|----------------------------------|-------------------------|--------------------------|
| Add: IDA Grant during the period | 62,951,040.41 | 1,716,794,478.96 |
| Less: Transfer to Birr account | <u>62,940,000.00</u> | <u>1,768,625,086.00</u> |
| | 11,040.41 | (51,830,607.04) |
| Gain on foreign exchange | <u>-</u> | <u>52,150,082.28</u> |
| Ending balance - 7 July 2019 | <u>11,040.41</u> | <u>319,475.24</u> |

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM(UIIDP-P4R)
IDA CREDIT NOS. 6196- ET, SUF 6197-ET, AND
GRANT NO. D277-ET AND AFD 1073 01 U
SCHEDULE OF MOVEMENTS IN THE BIRR ACCOUNT

| | |
|---|---|
| For the period | From 3 July 2018 to 7 July 2019 |
| Account number | 0100101040692 |
| Depository bank | National Bank of Ethiopia |
| Address | Addis Ababa,Ethiopia |
| Related credit | IDA Credit No. 6196-ET, SUF 6197-ET,Grant No. D377-ET and AFD 1073 01 U |
| Currency | Ethiopian Birr |
| Transfer from USD Designated Account | <u>1,768,625,086</u> |
| Less: Transfer to beneficiaries | |
| Oromia | 461,405,665 |
| Amhara | 420,826,996 |
| Southern Nations, Nationalities and peoples Regional State | 313,535,107 |
| Tigray | 262,949,821 |
| Ministry of Urban Development, Housing and Construction | 58,244,026 |
| Dire Dawa | 104,309,361 |
| Somali | 60,758,162 |
| Harari | 41,378,266 |
| Gambella | 14,035,011 |
| Benshangul Gumuz | 15,223,910 |
| Afar | <u>10,491,014</u> |
| Bank charge | 1,763,157,339 |
| | <u>4,421,563</u> |
| Ending balance 7 July 2019 | <u>1,767,578,902</u> |
| | <u>1,046,184</u> |

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP- P4R)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND
GRANT NUMBER D277-ET AND AFD 1073 01 U
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The Urban Institutional and Infrastructure Development Program (UIIDP) is executed by Ministry of Urban Development and Construction (MUDCo), and financed by a financing agreement entered between the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) and French Development Agency on 20 March 2018 and 21 June 2018 respectively, under IDA Credit No. 6196-ET, SUF 6197-ET, Grant No. D277-ET and AFD 1073 01 U with a Program-for-Results (P for R) financing instrument modality at the regional and ULG levels.

The UIIDP will be implemented over a period of 5 years and four months (from March 2018 to July 2023), with four rounds of performance-based grant allocations:

- EFY 2012 (2019/20),
- EFY 2013 (2020/21),
- EFY 2014 (2021/22), and
- EFY 2015 (2022/23).

Total UIIDP expenditures over this period are estimated at Ethiopian Birr (ETB) 23.5 billion (US\$ 859.5 million), of which ETB 16.4 billion (US\$ 600 million) - 70% - will be provided by the World Bank and ETB 296 million (US\$10.8 million)¹. -1%- will be provided by AFD and ETB 6.8 billion (US\$248.7 million) – 29% - will be provided by regions and ULGs as matching fund contributions. Funding available under the UIIDP will depend on the performance of each city and RG assessed annually against verifiable results described in the POM.

The UIIDP will provide Performance Grants (PGs) for investments in infrastructure and services and in capacity building for 117 urban local governments (ULGs) and capacity building in all nine Regional Governments (RGs), MUDCo and several Federal Ministries/Agencies. Cities and Regional States will contribute to UIIDP investments with their own funds.

MoF is responsible for fund flow, disbursement, reporting and arranging program auditing for the Operation

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP- P4R)
IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND
GRANT NUMBER D377-ET AND AFD 1073 01 U
NOTES TO THE FINANCIAL STATEMENTS (continued)**

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 balance sheet.

**MINISTRY OF FINANCE
 URBAN INSTITUTIONAL AND INFRASTRUCTURE
 DEVELOPMENT PROGRAM(UIIDP-P4R)
 IDA CREDIT NOs. 6196- ET, SUF 6197-ET, AND
 GRANT NO. D277-ET AND AFD 1073 01 U
 NOTES TO THE FINANCIAL STATEMENTS (continued)**

3 ADVANCES

Birr

| | |
|----------------------------------|---------------------------|
| Advance payment to:- | |
| Contractors | 137,083,857 |
| Suppliers | 11,474,318 |
| Co-operatives | 14,219,174 |
| Purchase advance to staff | 1,177,164 |
| Other advances within government | 16,014,679 |
| Others | <u>5,785,109</u> |
| | <u>185,754,301</u> |

4 CASH AND BANK BALANCES

Birr

| | |
|--|---------------------------|
| USD Designated account | 319,475 |
| Ethiopian Birr Designated Account | 1,046,185 |
| Ministry of Urban Development and Construction | 58,243,332 |
| Other Birr Account | 724,574,067 |
| Cash on hand | <u>254,526</u> |
| | <u>784,437,585</u> |

5 ACCOUNT PAYABLE

Birr

| | |
|---------------------------------|---------------------------|
| Retentions | 51,645,271 |
| Contractors | 162,615,072 |
| Other payable within government | 113,539 |
| Taxes payable | 76,492,766 |
| Others | <u>74,139,708</u> |
| | <u>365,006,356</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 6 January 2020.

**MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP-P4R)
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITTED DURING THE
PERIOD FROM 3 JULY 2018 TO 7 JULY 2019**

| <u>Withdrwal Application No.</u> | <u>USD</u> | <u>EQUIVALENT IN ETHIOPIAN BIRR</u> |
|----------------------------------|----------------------|---|
| UIIDP 001 | <u>62,951,040.41</u> | <u>1,716,794,478.96</u> |

MINISTRY OF FINANCE
URBAN INSTITUTIONAL AND INFRASTRUCTURE
DEVELOPMENT PROGRAM (UIIDP- P for R)
IDA CREDIT Nos. 6196-ET, SUF 6197-ET , Grant No. D277-ET And AFD 1073 01 U
RECONCILIATION OF SEMI ANNUAL REPORTS DURING THE PERIOD
FROM 3 JULY 2018 TO 7 JULY 2019 WITH THE PERIOD ENDED STATEMENT OF
SOURCE AND USES OF FUND AND BALANCE SHEET

| | 1st Semi Annual Birr | 2nd Semi Annual Birr | Cumulative 29 June 2018 to 7 July 2019 Birr |
|---|-----------------------------|-------------------------------|--|
| SOURCE | | | |
| IDA Contribution | 1,716,794,479 | - | 1,716,794,479 |
| Regional Contribution | 60,155,996 | 180,480,925 | 240,636,921 |
| ULGs Contribution | 35,585,515 | 290,876,655 | 326,462,170 |
| Gain on foreign exchange | <u>42,249,997</u> | <u>9,900,085</u> | <u>52,150,082</u> |
| Total Sources | <u>1,854,785,987</u> | <u>481,257,665</u> | <u>2,336,043,652</u> |
| USES | | | |
| Program expenditures | <u>18,649,750</u> | <u>1,712,208,372</u> | <u>1,730,858,122</u> |
| EXCESS/(DEFICENCY) OF SOURCES OVER USES | | | |
| | <u>1,836,136,237</u> | <u>(1,230,950,707)</u> | <u>605,185,530</u> |
| Cash at bank | 784,183,059 | | |
| Cash on hand | 254,526 | | |
| Advances | 185,754,301 | | |
| Payables | <u>(365,006,357)</u> | | |
| | <u>605,185,530</u> | | |