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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 2019, 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.

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control over financial expenditures other than that mentioned in the management letter.
our examination reveals no major weaknesses or irregularities in the system of internal

applications; and
we did not come across with any ineligible expenditures included in withdrawal

ownership by the Project implementing beneficiaries in line with the financing agreement;
non-expendable equipment procured from Project funds exist and there is a verifiable

Financial performance of the Project is satisfactory;

National laws and regulations have been complied with and that the financing and
accounting procedures approved for the Project;

Desegnated 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;

all necessary supporting documents, records and accounts have been maintained in respect
of all Project activities;

goods, works and services financed have been provided in accordance with the relevant
financing agreements and disbursement letters;

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;

As required by the terms of reference and World Bank guidelines we must report, in addition to
Reports on other requirements

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 2019 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.

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)

**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 2019 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

2 January 2020

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT - P151712
BALANCE SHEET
AS AT 7 JULY 2019**

	Notes	Ethiopian Birr	2018 Ethiopian Birr
ASSETS			
CURRENT ASSETS			
Cash and bank balances	2b,3	1,778,282,071	847,839,452
Accounts receivable	4	<u>44,722,030</u>	<u>11,367,999</u>
		1,823,004,101	859,207,451
CURRENT LIABILITIES			
Accounts payable	5	<u>26,280,801</u>	<u>32,169,113</u>
NET CURRENT ASSETS		<u>1,796,723,300</u>	<u>827,038,338</u>
REPRESENTED BY			
ACCUMULATED FUND	6	<u>1,796,723,300</u>	<u>827,038,338</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 2019**

	Year ended 7 July 2019	Ethiopian Birr	From 12 January 2016 to 7 July 2019	Ethiopian Birr	Cumulative Year ended 7 July 2018 Ethiopian Birr
FINANCING					
Credit from IDA 57560-ET	2,481,718,792	4,179,929,120			1,004,781,641
Government contribution	414,371,389	585,687,809			171,316,420
Refund from UNOPS	2,002,049	2,002,049			-
Gain on foreign exchange	<u>15,938,032</u>	<u>30,795,448</u>			<u>8,072,027</u>
TOTAL FINANCING	<u>2,914,030,262</u>	<u>4,798,414,426</u>			<u>1,184,170,088</u>
PROJECT EXPENDITURES					
Public works	1,327,418,882	1,966,388,931			602,074,785
Support transfer	179,037,723	252,356,097			68,981,018
Capital expenditure for public work	247,893,975	387,260,819			121,829,993
Livelihood skill training monitoring and coaching	60,358,231	89,343,682			28,985,451
Targeting and MIS development	1,272,796	11,271,107			1,096,627
Evaluation and audit	767,578	10,736,611			9,969,033
Citizen engagement and social accountability	5,547,074	9,155,435			3,608,361
Capacity building	30,549,173	104,136,109			18,205,312
City administration	55,350,517	91,338,302			30,706,837
Regional and Federal management	<u>36,149,351</u>	<u>79,704,033</u>			<u>25,849,343</u>
TOTAL EXPENDITURES	<u>1,944,345,300</u>	<u>3,001,691,126</u>			<u>911,306,760</u>
EXCESS OF FINANCING OVER EXPENDITURES	<u>969,684,962</u>	<u>1,796,723,300</u>			<u>272,863,328</u>

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

For year ended	7 July 2019
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 2018	7,190,195.48	196,195,987.98
IDA Deposit	88,311,032.76	2,481,718,792.59
Refund from UNOPS	<u>72,130.04</u>	<u>2,002,048.20</u>
Deduct:		
Transfer to pool Birr account	92,636,700.00	2,610,864,985.73
Transfer to UNOPS on behalf of UJC and FSA	<u>831,789.21</u> <u>93,468,489.21</u>	<u>24,081,489.40</u> <u>2,634,946,475.13</u>
	2,104,869.07	44,970,354.04
Gain on foreign exchange	<u>-</u>	<u>15,938,031.75</u>
Ending balance 7 July 2019	<u>2,104,869.07</u>	<u>28.9369</u>
		<u>60,908,385.79</u>

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

For year ended	7 July 2019
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 2018	 54,019,602
Transfer from IDA-57560-ET	2,610,864,985
Government contribution	<u>414,371,389</u>
	<u>3,025,236,374</u>
	3,079,255,976
 Deduct;	
Transfer to Implementers	2,767,475,446
Bank service charge	<u>6,527,162</u>
	<u>2,774,002,608</u>
 Ending balance – 7 July 2019	 <u>305,253,368</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2019**

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 2019

3. CASH AND BANK BALANCE

MINISTRY OF FINANCE (MoF)

	Ethiopian Birr	2018 Ethiopian Birr
IDA Credit No. 57560-ET	60,908,386	196,195,988
Balance in Pool Birr account	305,253,368	54,019,602
Tigray National Regional State	33,530,250	9,769,244
Amhara National Regional State	48,806,038	22,140,830
Oromia National Regional State	70,340,329	24,967,138
Southern Nations, Nationalities and Peoples Regional State	110,039,884	43,657,112
Harari National Regional State	29,909,012	5,165,569
Afar National Regional State	1,737,468	3,008,336
Somali National Regional State	16,078,291	16,866,655
Dire Dawa City Administration	190,549,855	86,680,128
Benishangul Gumuz National Regional State	6,701,681	9,877,077
Gambela National Regional State	22,670,877	19,111,730
Addis Ababa City Administration	776,543,135	326,703,130
Balance at Federal Job Creation and Food Security Agency	100,242,983	26,858,543
MOLSA	4,639,954	2,545,543
MOF-Finance	208,583	141,214
Cash on hand	<u>121,977</u>	<u>131,613</u>
	<u>1,778,282,071</u>	<u>847,839,452</u>

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
NOTES TO THE FINANCIAL STATEMENTS (continued)
7 JULY 2019

4. ACCOUNTS RECEIVABLE

	Ethiopian Birr	2018 Ethiopian Birr
Advance to contractors	24,793,395	173,610
Advance to staff	3,453	15,782
Receivable with in Government	19,365,605	5,885,238
Purchase advance	126,970	-
Others	<u>432,607</u>	<u>5,293,369</u>
	<u>44,722,030</u>	<u>11,367,999</u>

5. ACCOUNTS PAYABLE

	Ethiopian Birr	2018 Ethiopian Birr
Pension payable	264,435	92,781
Salary payable	-	939,285
Income tax payable	-	113,524
Withholding tax payable	654,922	539,698
Payable to beneficiaries	23,514,295	23,241,180
VAT payable	290,695	323,716
Sundry creditors	1,444,224	6,642,050
Other payroll deductions	28,565	19,738
Payable with in Government	<u>83,665</u>	<u>257,141</u>
	<u>26,280,801</u>	<u>32,169,113</u>

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
URBAN PRODUCTIVE SAFETY NET PROJECT- P151712
NOTES TO THE FINANCIAL STATEMENTS (continued)
7 JULY 2019**

6. ACCUMULATED FUND

	Ethiopian Birr
Balance at 7 July 2018	827,038,338
Excess of financing over expenditures of the current year	<u>969,684,962</u>
Balance at 7 July 2019	<u>1,796,723,300</u>

7. DATE OF AUTHORIZATION

The Channel I Project Coordinating Directorate of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 2 January 2020.