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Federal Democratic Republic of Ethiopia
Office of the Federal Auditor General



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TIME



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Ref No: 07093.8/241

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Date: 10/03/2025

Ministry of Finance

Channel One Programs Coordinating Directorate (COPCD)

Addis Ababa

Re: Submission of the 2016 EFY ESPES-AF/IPF Annual audit report

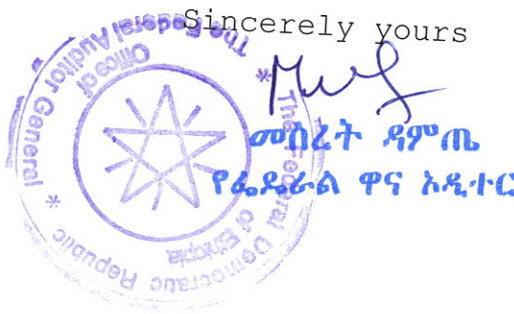
It is to be recalled that the Ethiopian Government and the Development Partners (including IDA) have reached an agreement regarding the annual audit of Enhancing Shared Prosperity through Equitable service - Additional Financing (ESPES_AF/IPF) project annual audit to be carried out and a summarized audit report to be submitted to MoF by the Office of the Federal Auditor General.

We have, therefore, attached here with 33 pages of the 2016 EFY ESPES-AF/IPF Annual audit report.

Furthermore, we also request the ministry to develop and submit action plan to rectify the audit findings.

We welcome any enquiries on the audit report.

Sincerely yours



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AUDIT FOR THE BENEFIT OF CITIZENS



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INDEPENDENT AUDITOR'S REPORT ON THE PROJECT FINANCIAL STATEMENTS
OF THE MINISTRY OF FINANCE OF THE FEDERAL DEMOCRATIC REPUBLIC OF
ETHIOPIA, ADDITIONAL FINANCING FOR ENHANCING SHARED PROSPERITY
THROUGH EQUITABLE SERVICE PROGRAM /ESPES-AF/ PROJECT

We have audited the accompanying Operation Financial Statements of Additional Financing for Enhancing Shared Prosperity through Equitable Service (ESPES-AF) project component of the Ministry of Finance of the Federal Democratic Republic of Ethiopia for the year ended 7 July 2024, which has been financed by IDA Financing agreements IDA D229.

The preparation of the Project Financial Statements (PFSs) is the responsibility of the Ministry of Finance. This audit is a special purpose audit for Additional Financing for Enhancing Shared Prosperity through Equitable service /ESPES-AF/ of project component /Investment project financing/ whose terms of reference are those given in the Terms of Reference for the Additional Financing for Enhancing Shared Prosperity through Equitable Service /ESPES-AF/. These Terms of Reference include, inter alia, our responsibility to express an opinion on the Project Financial Statements based on our audit and report on material inappropriate expenditure and other pertinent matters.

We conducted our audit in accordance with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants with special reference to ISA 800 and the World Bank relevant Guidelines for the World Bank financed projects.

These Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. Our audit includes examining on a sample test basis of the evidence supporting the amounts and disclosures in the Financial Statements.

Our audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We

believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Project /Investment project Financing/ Financial Statements present fairly, in all material respects, the financial position as at 7 July 2024 and the cash receipts and disbursements for the year then ended of the Additional Financing for Enhancing Shared Prosperity through Equitable Service /ESPES/ the project component /Investment Project Financing/ of the Ministry of Finance of the Government of the Federal Democratic Republic of Ethiopia which were prepared on a modified cash basis and in accordance with the accounting policy of the Government of the Federal Democratic Republic of Ethiopia.

In our opinion, in all material respects:

- During the year, all external financing has been used in accordance with the conditions of the relevant financing agreements and only used for the purposes for which the financing was provided; except for the matter disclosed in the management letter.
- Counterpart funds have been provided and used in accordance with the relevant financing agreements and only for the purposes for which they were provided;
- Goods, works and services financed under the Project have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement policies and procedures;
- The necessary supporting documents, records and accounts have been maintained in respect of all project activities, including expenditures /transfers reported. In addition, the financial report issued is in agreement with the underlying books of accounts except for the matter disclosed in the management letter.
- Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements, and

funds disbursed out of the accounts were used only for the purpose intended in the financing agreement; except for the matter disclosed in the management letter

- National laws and regulations have been complied with and that the financial and accounting procedures approved for the Project were followed and used; except for the matter disclosed in the management letter
- Financial performance of the project was satisfactory; and
- Assets procured from project funds existed and there was verifiable ownership by the implementing agencies or beneficiaries in line with the financing agreement except for the matter disclosed in the management letter.



GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF,
INVESTMENT PROJECT FINANCING PROJECT CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS OF 7 JULY 2024.

		<u>7 July 2024</u>	<u>7 July 2023</u>
	<u>Notes</u>	<u>Birr</u>	<u>Birr</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash balances	3	51,066,320.71	535,939,256.38
Advances	4	181,753,911.01	254,861,841.99
Total current Assets		<u>232,820,231.72</u>	<u>790,801,098.37</u>
<u>CURRENT LIABILITIES</u>			
Account Payable	5	<u>11,014,308.56</u>	<u>63,869,222.91</u>
NET CURRENT ASSETS		<u>221,805,923.16</u>	<u>726,931,875.46</u>
ACCUMULATED FUND		<u>221,805,923.16</u>	<u>726,931,875.46</u>

[Handwritten Signature]



MINISTRY OF FINANCE
GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA,
CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7, JULY 2024

	<u>For the year ended</u> <u>7 July 2024</u>	<u>For the year ended</u> <u>7 July 2023</u>
<u>Note</u>	<u>Birr</u>	<u>Birr</u>
Opening Balance	728,167,579.88	972,936,377.32
Beginning Balance Adjustment	0.00	0.00
<u>Source</u>	728,167,579.88	
From IDA D229	762,069,120.00	954,314,094.74
Received from IDA for direct payment	102,834,894.56	-
Gain on foreign Exchange	<u>18,366,157.27</u>	<u>26,814,535</u>
Total Fund Available	<u>1,611,437,751.71</u>	<u>1,954,065,007.06</u>
Total Expenditure	<u>1,389,631,828.55</u>	<u>1,441,027,858.95</u>
Total Project Expenditure		
Excess of Financing Over expenditure	221,805,923.16	513,037,148.11

Note:

Expenditure of Bank Service charge amounting ETB 10,783,230.68 is included in this report.



MINISTRY OF FINANCE

ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE-AF,
INVESTMENT PROJECT FINANCING STATEMENT OF FUND FLOW FOR
THE YEAR ENDED JULY 07/2024
DOLLAR ACCOUNT NO. 0100101300551

For the year ended	7 JULY 2024	
Account Number	01001013000551	
Depository Bank	NBE	
Address	Addis Ababa, Ethiopia	
Currency	USD and Birr	
	<u>Amount in USD</u>	<u>Amount in Birr</u>
OPENINIG BALANCE	7,341,098.74	401,094,877.75
Fund Received From:		
Int. Development Association (IDA) D229	<u>13,800,000.00</u>	<u>762,069,120.00</u>
Total	<u>21,141,098.74</u>	<u>1,163,163,997.75</u>
Deducted –Transfer and Expenditure		
Transfer to Birr account-	20,958,900.00	1,166,723,602.84
Total transfer and Expenditure	<u>20,958,900.00</u>	<u>1,166,723,602.84</u>
Closing balance	<u>182,198.74</u>	(3,559,605.09)
Add gain or loss on foreign exchange rate	-	<u>14,012,365.02</u>
Closing balance after Gain or loss on foreign exchange	-	<u>10,452,759.93</u>

Note:-

The Closing exchange rate used for ending balance (July 7/2024) is 1USD = 57.3701

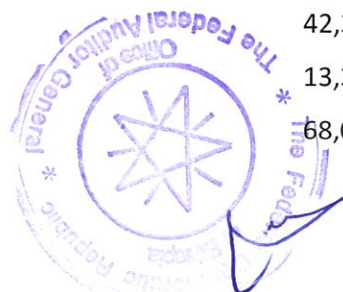


MINISTRY OF FINANCE

Government of Federal Democratic Republic of Ethiopia
Enhancing Shared Prosperity Through Equitable Service-AF,
Investment Project Financing

Birr ACCOUNT NO. 0100101040697
For the year ended 7 July, 2023

	BIRR
OPENING BALANCE	2,203,292.45
Add :Transfer from Special Account:-	
Transfer from IDA Account	1,067,158,686.16
Fund Available for use:-	<u>1,069,361,978.61</u>
Less:- Transfer and Expenditure	
Transfer to Regions:-	
Tigray	12,515,954.00
Afar	24,015,954.00
Amhara	38,915,954.00
Oromia	82,915,954.00
Somale	50,965,954.00
Benshangul Gumuz	18,715,954.00
SNNPR	4,457,128.06
Sidama	27,915,954.00
SWEPR	19,915,954.00
Gambela	27,115,954.00
Harari	12,715,954.00
Dire Dawa	14,515,954.00
Addis Ababa	29,700,000.00
CER	43,284,955.18
SER	43,757,916.76
REGIONAL TOTAL	451,425,494.00
Transfer to Federal Implementers:-	
Federal Public Procurement and Property Agency (FPPPA)	150,000,000.00
Transfer to Federal Ethics and Anticorruption Commission (FEACC)	42,329,261.00
Transfer to Environment Protection Authority/EPA/	13,300,000.00
Transfer to Ethiopia Statistical Service (ESS)	68,000,000.00



Transfer to Ethiopian Institute of Ombudsman (EIO)	35,200,000.00
Transfer to Ministry of Education (MOE)	29,396,000.00
Transfer to Ministry of Health (MOH)	5,040,000.00
Transfer to Ministry of Agriculture (MOA)	2,987,000.00
Transfer to Ministry of Water and Energy(MOWE)	20,000,000.00
Transfer to Office of Federal Auditor General (OFAG)	50,629,676.63
Transfer to MoF-Public Expenditure Mgt. and Control Reform(EMCP)	17,171,295.00
Transfer to MoF-Channel 1 Program Coordinating Directorate (COPCD)	177,962,412.00
ACSO	4,000,000.00
Transfer from pool to MoF COPCD USD account	(88,785,536.00)
FEDERAL TOTAL	<u>616,193,517.63</u>
Total transfer	<u>1,067,619,011.63</u>
Bank Services Charges	3,850.00
Total transfer & expenditure	<u>1,067,622,861.63</u>
Closing balance	<u>1,739,116.98</u>

Note:-The Closing exchange rate used for ending balance (July 7/2024) is 1USD=57.3701



MINISTRY OF FINANCE

GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE -AF AND
ADDITIONAL FINANCING IPF DECLARATION OF NON-PROCUREMENT OF
MATERIAL ASSETS FOR THE YEAR ENDED 7, JULY 2024

We hereby declare that there were no procurements acquired or procured to date that worth (i) works, estimated to cost fifty million dollar equivalent or more per contract; (ii) goods, estimated to cost thirty million dollar equivalent or more per contract; (iii) non-consulting services, estimated to cost thirty million dollar equivalent or more per contract; (iv) consultant's services, estimated to cost fifteen million dollar equivalent or more per contract with the project funds financed by donors.



MINISTRY OF FINANCE GOVERNMENT OF THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA ENHANCING SHARED PROSPERITY THROUGH
EQUITABLE SERVICES (ESPES) AND ADDITIONAL FINANCING FOR
ENHANCING SHARED PROSPERITY THROUGH EQUITABLE SERVICE,
INVESTMENT PROJECT FINANCING NOTES TO THE PROJECT FINANCIAL
STATEMENTS FOR THE YEAR ENDED 7, JULY 2024

1. BACKGROUND

With the objective of expanding access and improving the quality of basic services in Education, Health, Agriculture, Water and Sanitation, and Rural Roads delivered by sub-national governments (Woreda's/ Town Administration) and strengthening financial transparency and accountability in service delivery and program for result, the Government of Ethiopia and International Development Association /IDA/ signed the Additional Financing for Enhancing Shared Prosperity through Equitable Service /that aim to provide financing to activities related to the Original program/ which commenced in September 29, 2017. This Financing Agreement has two parts, the Program and the project which jointly referred as the "Operation". The operation is implemented by MoF.

Project /IPF/: It is a Grant portion of the operation that aim to improve the performance of basic service system through providing Goods, consulting service, non-consulting service and Financing the Operation Cost.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project which are consistent with those applied in the preceding period are stated below:

a) BASIS OF PREPARATION:

- i) These Financial Statements have been prepared based on a modified cash basis in accordance with the accounting policy of the Government of the Federal Democratic Republic of Ethiopia.

ii) The Operation Financial Statement of the Project for reporting consolidated transactions.

b) CURRENCY:

These financial statements are presented in birr. Transactions in foreign currency are converted into birr at the approximate rate of exchange prevailing at the date of the transaction.



Ministry of Finance
Government of Federal Democratic Republic of Ethiopia
Enhancing Shared Prosperity Through Equitable Service-AF,
Investment Project Financing
Notes to the consolidated Financial Statements
7, July 2024

		Birr
• Cash on hand and at bank		
Balance in Dollar account No. 0100101300551		10,452,759.93
Balance in Birr account No. 0100101040697		<u>1,739,116.98</u>
Balance at Bank		
MOF		12,191,876.91
Balance at Implementer:-		
Cash on hand	116,361.91	
Cash at bank	<u>38,758,081.89</u>	
Total Cash Balance	<u>38,874,443.80</u>	<u>38,874,443.80</u>
TOTAL		<u>51,066,320.71</u>
• Advances		
Tigray		81,000.00
Afar		-
Amhara		-
Oromia		-
Benshangul		610,637.53
SNNPR		-
Sidama		0.61
SWEPR		219,459.16
CER		126,139.75
SER		6.95
Harari		-
DireDawa		-
Addis Ababa		217,084.87
FPPPA		-
FEACC		2,909,220.56
EPA		-
ESS		20,101,518.11
EIO		-



MOH	2,826,005.94
MOWE	-
OFAG	23,702.00
MOF-EMCP	-
MOF-COPCD	153,659,931.53
ACSO	<u>979,104,.00</u>
TOTAL	<u>181,753,911.01</u>

3.Accounts Payable

Tigray	-
Afar	2,500.00
Amhara	-
Oromia	-
Benshangul	150,565.27
SNNPR	-
Sidama	-
SWER	3,125,370.53
CER	2,298,822.40
SER	16,019.72
Dire Dawa	-
Harari	-
Addis Ababa	587,495.57
FPPPA	-
FEACC	2,846,286.78
EPA	-
ESS	302,559.33
EIO	-
MOH	1,662,286.96
MOWE	-
OFAG	22,402.00
MOF-EMCP	-
ACSO	-
MOF-COPCD	-
TOTAL	<u>11,014,308.56</u>
Total Ending balance	<u>221,805,923.16</u>



Ministry of Finance

Government of Federal Democratic Republic of Ethiopia
Enhancing Shared Prosperity Through Equitable Service-AF,

Investment Project Financing

Note to the Consolidated Financial Statements

At 07, July 2024

7. Expenditure of IPF

Personal Services	1,037,818,618.98
Goods and Services	10,641,384.50
Fixed Assets	<u>341,171,825.07</u>
Total	<u>1,389,631,828.55</u>

