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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT**

We have audited the accompanying financial statements of Ethiopian Roads Authority, Road Sector Support Project, financed under IDA Credit No. 5371 ET, which comprise the balance sheet as at 7 July 2021 and the statement of sources and uses of funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

Ethiopian Roads Authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis described in note 2(a) to the financial statements and for such internal control as the Authority 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.

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**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT (continued)**

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Ethiopian Roads Authority, Road Sector Support Project, financed under IDA Credit No. 5371 ET as at 7 July 2021 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 which is based on a modified cash basis of accounting.

Report on other requirements

We have performed the procedures as required by the World Bank guidelines we report that, to the extent we can assess:-

- a) All external financing has been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- b) Counterpart funds from the Government of Ethiopia have been provided and used in accordance with the financing agreement and only for the purpose for which the financing was provided;
- c) Goods and services financed have been provided in accordance with the relevant financing agreement and disbursement letters; and
- d) Designated Account has been maintained in accordance with the provisions of the relevant financing agreement.

Furthermore, with respect to the statements of expenditures submitted during the year and listed on page 9, in our opinion,

- a) The statements, together with the procedures and internal controls involved in their preparation can be relied upon to support the related withdrawals;
- b) Adequate supporting documentation has been maintained to support claims to the world bank for reimbursements of expenditures incurred; and
- c) Said expenditures are eligible for financing under IDA credit no. 5371 ET.

Audit Services Corporation

13 December 2021

ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT
IDA CREDIT NO 5371 ET
BALANCE SHEET
AS AT 7 JULY 2021

	Notes	Birr	2020 Birr
CURRENT ASSETS			
Accounts receivable		808,414,908	781,666,920
Cash at bank	3	<u>955,325,442</u>	<u>142,519,530</u>
		1,763,740,350	924,186,449
CURRENT LIABILITY			
Accounts payable		<u>201,244,643</u>	<u>91,587,168</u>
NET CURRENT ASSETS		<u>1,562,495,707</u>	<u>832,599,281</u>
REPRESENTED BY			
ACCUMULATED FUND	5	<u>1,562,495,707</u>	<u>832,599,281</u>

**ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT
IDA CREDIT NO 5371 ET
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2021**

	Note	Birr	Cumulative for the Six years ended 7 July 2021 Birr	7 July 2020 Birr
SOURCES				
IDA - initial deposit		-	235,090,800	-
IDA - direct payment		589,613,962	1,308,064,278	234,465,729
IDA-SOE procedures		461,634,104	1,646,862,608	344,222,709
Ethiopian Government contribution		233,538,688	779,335,997	184,067,421
Gain on foreign exchange	4	<u>262,443,621</u>	<u>330,464,269</u>	<u>16,478,709</u>
		1,547,230,375	4,299,817,952	779,234,568
USES				
Civil works		656,347,264	2,315,993,985	588,564,571
Consultants' services		40,198,701	175,409,393	42,540,036
Capacity building costs		-	5,009,814	-
Right of way settlements		118,112,632	230,906,836	23,908,426
Bank Charges		<u>2,675,352</u>	<u>10,002,217</u>	<u>1,241,666</u>
		817,333,949	2,737,322,245	656,254,698
EXCESS OF SOURCES OVER USES				
		<u>729,896,426</u>	<u>1,562,495,707</u>	<u>122,979,870</u>

**ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT
IDA CREDIT NO.5371 ET
DESIGNATED ACCOUNT STATEMENT**

For year ended	7 July 2021
Account number	0100231300038
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related credit	IDA 5371 ET
Currency	USD

	USD	Ethiopian Birr
Balance at 8 July 2020	4,067,140.85	142,519,529.52
Add:-World bank replenishments	<u>11,074,229.59</u>	<u>461,634,104.21</u>
	15,141,370.44	604,153,633.73
Less:- Payments to consultants and contractors	<u>8,312,742.00</u>	<u>329,817,852.73</u>
	6,828,628.44	274,335,781.00
Add:- Gain on foreign exchange rate	<u>-</u>	<u>24,984,855.14</u>
Balance at 7 July 2021	<u>6,828,628.44</u>	<u>299,320,636.14</u>

**ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT
IDA CREDIT NO 5371 ET
NOTES TO THE FINANCIAL STATEMENTS**

1 PROJECT INFORMATION

The objective of the Project is to reduce travel time and cost along selected inter-regional corridors and support the sustainability of the federal network. The Project consists of the following parts.

Part 1: Upgrading of Critical Link Road

- a) Upgrading of about 258 kilometers of the Nekemte - Bure road to paved road standards;
- b) Provision of consulting services for monitoring and supervision of works under (a) above.

Part 2: Support to Enhancing Road Asset Management Practice

Maintenance of selected roads and strengthening road asset management capacity, including:

- a) Overlay, resealing, re-graveling and routine maintenance of about 200 kilometers of paved and gravel roads and provision of consulting services for works, monitoring and supervision;
- b) Strengthening the Authority's road asset management capacity and support for the adoption of low cost road pavement standards.

Part 3: Support to Road Safety and Institutional Development

- a) Support for the development of a safe and green road strategy and preparation of a national road safety audit manual;
- b) Establishing the Authority's institutional capacity for Output and Performance Based Road Contract design and management;
- c) Strengthening the Authority's technical capacity on contract management, financial management, construction site environmental and safety monitoring and management, transparency practices, including a social monitoring and beneficiary study of the road sector with emphasis on gender aspects;
- d) Support for the preparation of follow-on operations, including preparation of feasibility studies, detailed designs and bidding documents for future roads upgrading and rehabilitation projects, as well as road asset management contracts.

**ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT
IDA CREDIT NO 5371 ET
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 Government's Manual of the Federal Accounting System which is 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 rate ruling at the balance sheet date.

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.

**ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT
IDA CREDIT NO 5371 ET
NOTES TO THE FINANCIAL STATEMENTS (continued)
7 JULY 2021**

3 CASH AT BANK

USD Account	299,320,636
BIRR Account	656,004,806
	<u>955,325,442</u>

4 GAIN ON FOREIGN EXCHANGE RATE FLUCTUATION

Designated account	24,984,855
Reimbursement of Advance Guarantee	237,458,766
	<u>262,443,621</u>

5 ACCUMULATED FUND

Balance at 8 July 2020	832,599,281
Add:- Excess of sources over uses for the year	<u>729,896,426</u>
Balance at 7 July 2021	<u>1,562,495,707</u>

6 DATE OF AUTHORIZATION

The Authority's Financial Management Directorate Director and Corporate Services Deputy Director General authorized the issue of these financial statements on 13 December 2021.

**ETHIOPIAN ROADS AUTHORITY
ROAD SECTOR SUPPORT PROJECT
IDA CREDIT NO 5371 ET
SOE WITHDRAWAL SCHEDULE
For STATEMENT OF EXPENDITURES
Submitted during the
YEAR ENDED 7 July 2021**

Withdrawal Application No.	USD	Birr
ERA NO. 27	1,369,059.23	51,990,845.67
ERA NO. 28	3,362,622.82	132,686,406.38
ERA NO. 31	6,342,547.54	276,956,852.16
	<u>11,074,229.59</u>	<u>461,634,104.21</u>