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**AUDIT SERVICES
CORPORATION**

MINISTRY OF HEALTH
OF THE GOVERNMENT OF THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE
FUND (SDG PF)
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2019

Public Disclosure Authorized

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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 HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND (SDG PF)

We have audited the financial statements of Sustainable Development Goals Performance Fund (SDG PF) of the Federal Democratic Republic of Ethiopia, Ministry of Health, which comprise the balance sheet as at 7 July 2019, 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.

Management's Responsibility for the Financial Statements

The Ministry of Health 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 the Ministry 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 HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND (SDG PF) (continued)

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Sustainable Development Goals Performance Fund (SDG PF) of the Federal Democratic Republic of Ethiopia, Ministry of Health as at 7 July 2019 and of 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.

Reports on other requirements

As required by the terms of reference for the audit of SDG PF we report that, to the extent we can assess:

- a) SDG PF has been used in accordance with the conditions of the Joint Financing Arrangement, with due attention to effective implementation in alignment with the budgetary and accountability system and legislation of the Federal Ministry of Health;
- b) SDG Funds have been provided and used in accordance with the programmatic priorities and activities jointly agreed, with due attention to economy, effectiveness and efficiency, and only for the purposes for which they were provided;
- c) Goods, works and services financed have been procured in accordance with the relevant governmental financial and procurement policy;
- d) All necessary supporting documents, records, and accounts have been maintained in respect of all fund activities;
- e) Designated Accounts have been maintained in accordance with the provisions of the relevant SDG fund joint financing arrangement and funds disbursed out of the Accounts were used according to the joint financing arrangement;
- f) National laws and regulations have been complied with, and that the financial and accounting procedures of Ethiopian Government were followed and used;
- g) Assets procured from the fund exist and there is verifiable ownership by the implementing agencies or beneficiaries in line with the joint financing arrangement, with the exception of the irregularities reported in the management letter.

Audit Services Corporation

7 July 2020

MINISTRY OF HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND
BALANCE SHEET
AS AT 7 JULY 2019

	Notes	2019 Ethiopian Birr	2018 Ethiopian Birr
ASSETS			
CURRENT ASSETS			
Advance payments	3	8,095,847,639	6,430,632,594
Sundry receivables	4	145,998,559	81,727,369
Cash and bank balances	5	<u>1,016,803,067</u>	<u>2,683,566,938</u>
		9,258,9649,265	9,195,926,901
CURRENT LIABILITIES			
Sundry creditors	6	<u>320,278,751</u>	<u>5,180,189</u>
NET CURRENT ASSETS		<u>8,938,370,514</u>	<u>9,190,746,712</u>
REPRESENTED BY			
FUND BALANCE	7	<u>8,938,370,514</u>	<u>9,190,746,712</u>

The notes on pages 5 to 9 form an integral part of these financial statements.

MINISTRY OF HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2019

	Notes	Year ended 7 July 2019 Ethiopian Birr	Cumulative from 15 April 2009 to 7 July 2019 Ethiopian Birr	Year ended 7 July 2018 Ethiopian Birr
SOURCES				
Spanish Government		31,925,200	616,639,856	31,375,500
DFID		2,532,072,762	16,604,821,486	2,899,205,031
Irish Aid		176,023,809	976,990,833	159,041,264
UNFPA		-	84,308,779	-
WHO		1,385,810	28,878,424	-
UNICEF		14,081,130	77,464,856	-
Australian Aid		-	455,538,771	-
Italian Co-operation		-	229,473,930	-
World Bank		973,546,004	4,605,175,122	2,013,138,455
Netherlands Embassy		305,775,244	1,732,814,623	315,880,617
GAVI-HPF		434,022,220	2,425,990,022	417,952,325
European Union		-	517,187,202	-
Gain on foreign exchange		<u>144,853,932</u>	<u>1,034,064,489</u>	<u>136,234,532</u>
		<u>4,613,686,111</u>	<u>29,389,348,393</u>	<u>5,972,827,724</u>
USES				
Construction, training and others	8	1,324,474,896	3,793,199,923	723,788,814
Goods and equipment	9	975,334,598	7,131,539,538	893,925,940
Operating costs	10	<u>2,566,252,815</u>	<u>9,542,767,603</u>	<u>1,259,959,651</u>
		<u>4,866,062,309</u>	<u>20,467,507,064</u>	<u>2,877,674,405</u>
(DEFICIT)/EXCESS OF SOURCES OVER USES				
		(252,376,198)	8,921,841,329	3,095,153,319
Prior year adjustment - refund from suppliers		<u>-</u>	<u>16,529,185</u>	<u>-</u>
		<u>(252,376,198)</u>	<u>8,938,370,514</u>	<u>3,095,153,319</u>

The notes on pages 5 to 9 form an integral part of these financial statements.

**MINISTRY OF HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND
NOTES TO THE FINANCIAL STATEMENTS**

1. PROGRAM INFORMATION

The Sustainable Development Goals Performance Fund (SDG PF) is a pooled funding mechanism managed by the Federal Ministry of Health using the Ethiopian Government's procedures. SDG PF provides specific federal grant for public goods and capacity building activities within the framework of health system strengthening. The fund includes the joint funding arrangement that sets out the jointly agreed terms and procedures for SDG fund management, governance framework, decision making, reporting, review and evaluation, audit and supply chain management. In the framework of the Ethiopian International Health Partnership (IHP) compact, it provides flexible resources, consistent with the One Plan, One Budget and One Report concept, to secure additional finance to the Health Sector Transformation Plan (HSTP). It is one of the Government's preferred modalities for scaling up development partner's assistance in support of HSTP, which became effective on 15 April 2009 and was revised in December 2011 and July 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Program are stated below. These policies are consistent with those applied in the preceding year.

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 currencies are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Foreign currency balances are translated into Birr at exchange rates ruling at the balance sheet date.

MINISTRY OF HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. ADVANCE PAYMENTS

	2019 Ethiopian Birr	2018 Ethiopian Birr
Advance to regions	3,123,826,405	1,594,218,008
Pharmaceuticals Fund and Supply Agency	2,813,995,861	2,463,426,729
UNICEF	1,591,595,955	1,611,726,265
UNOPS	157,829,379	205,806,855
Purchase advance	897,007	270,173
Advance to contractors	11,536,869	16,647,756
Advance to suppliers	<u>396,166,163</u>	<u>538,536,808</u>
	<u>8,095,847,639</u>	<u>6,430,632,594</u>

4. SUNDRY RECEIVABLES

UNFPA	114,175	114,175
JICA International Fund	2,545	2,545
UNICEF HPE	67,504,171	67,504,171
UNICEF	7,240	7,240
UNICEF International Fund	551,250	-
CDC International Fund	494,400	494,400
Yellow Fever	113,460	113,459
Global Fund – Malaria	-	2,816,752
Staff debtors	7,723,712	3,084,659
VAT Receivable	17,267,992	7,589,968
Imperial Fund	111,850	-
World Health Organization	6,262,854	-
UNOPS	41,036,305	-
Ministry of Finance	1,194,068	-
National Bank of Ethiopia	<u>3,614,537</u>	-
	<u>145,998,559</u>	<u>81,727,369</u>

5. CASH AND BANK BALANCES

USD Designated Account No. 0261516300000	768,285,460	1,385,823,460
USD Designated Account No. 0261501377500	119,817,443	1,144,736,744
SDG-Birr Account No. 0160101352600 - NBE	128,052,341	153,006,734
SDG-Birr Account No. 1000148975338 - CBE	<u>647,823</u>	-
	<u>1,016,803,067</u>	<u>2,683,566,938</u>

MINISTRY OF HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. SUNDRY CREDITORS

	2019 Ethiopian Birr	2018 Ethiopian Birr
VAT payable	1,598,632	624,623
Withholding tax payable	1,068,784	1,037,652
Retention payable	4,035,022	3,172,632
Yellow Fever	307,065,133	-
Other payable	<u>6,511,180</u>	<u>345,282</u>
	<u>320,278,751</u>	<u>5,180,189</u>

7. FUND BALANCE

	Ethiopian Birr
Balance at 7 July 2018	9,190,746,712
Less: Deficit of sources over uses for the year	<u>(252,376,198)</u>
Balance at 7 July 2019	<u>8,938,370,514</u>

8. CONSTRUCTION, TRAINING AND OTHERS

	Year ended 7 July 2019 Ethiopian Birr	Cumulative from 15 April 2009 to 7 July 2019 Ethiopian Birr	Year ended 7 July 2018 Ethiopian Birr
Construction of health centers	683,129,923	2,171,168,678	459,411,669
Advocacy and training	<u>641,344,973</u>	<u>1,622,031,245</u>	<u>264,377,145</u>
	<u>1,324,474,896</u>	<u>3,793,199,923</u>	<u>723,788,814</u>

MINISTRY OF HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. GOODS AND EQUIPMENT

	Year ended 7 July 2019 Ethiopian Birr	Cumulative from 15 April 2009 to 7 July 2019 Ethiopian Birr	Year ended 7 July 2018 Ethiopian Birr
Medical equipment	731,967,542	4,876,352,587	175,597,590
Furniture	1,125,357	1,601,524	245,558
Motor vehicles (see note below)	<u>242,241,699</u>	<u>2,253,585,427</u>	<u>718,082,792</u>
	<u>975,334,598</u>	<u>7,131,539,538</u>	<u>893,925,940</u>

Included in the expenditure for motor vehicles is Birr 278,985,497 representing the cost of 247 ambulances purchased from MOENCO using the SDG fund. This is in addition to the 350 ambulances costing Birr 401,290,733 that were received and accounted for in the prior year.

10. OPERATING COSTS

	Year ended 7 July 2019 Ethiopian Birr	Cumulative from 15 April 2009 to 7 July 2019 Ethiopian Birr	Year ended 7 July 2018 Ethiopian Birr
Travel and per diem	285,238,370	802,257,632	166,187,392
Medical supplies	2,021,657,498	7,650,692,905	912,228,109
Printing and stationery	35,652,389	136,226,631	4,726,369
Fuel and lubricants	33,003,435	106,699,537	20,841,750
Advertising	3,144,547	31,319,467	2,922,929
Bank charges	6,887,711	32,665,434	1,976,836
Uniforms	683,053	3,319,713	762,040
Office supplies	7,939,901	24,261,050	4,533,258
Vehicles maintenance	13,018,065	40,781,172	855,345
Rent	7,395,114	89,345,985	7,314,655
Audit fee	-	69,000	-
Community health insurance	93,073,803	386,923,956	64,896,829
Contribution and subsidy to hospitals	-	13,681,246	-
Salary to contractual staff	1,780,845	65,121,411	20,842,735
Miscellaneous	<u>56,778,084</u>	<u>159,402,464</u>	<u>51,871,404</u>
	<u>2,566,252,815</u>	<u>9,542,767,603</u>	<u>1,259,959,651</u>

**MINISTRY OF HEALTH
SUSTAINABLE DEVELOPMENT GOALS PERFORMANCE FUND
NOTES TO THE FINANCIAL STATEMENTS (continued)**

11. DATE OF AUTHORIZATION

The Director, Finance and Procurement Directorate of the Ministry authorized the issue of these financial statements on 7 July 2020.