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Office of the Federal Auditor General  
Audit Service Corporation

**INDEPENDENT AUDITOR'S REPORT  
TO DEVELOPMENT BANK OF ETHIOPIA**

**Report on the Audit of the Financial Statements of the Electricity Network Reinforcement and Expansion Project, financed by Grants TF A4038 and TF A4039**

*Opinion*

We have audited the financial statements of Development Bank of Ethiopia, Electricity Network Reinforcement and Expansion Project, financed by Grants TF A4038 and TF A4039 (the Project), which comprise the balance sheet as at 30 September 2022, and the statement of receipts and use of funds for the period from 11 June 2018 to 30 September 2022 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 30 September 2022 and of its receipts and use of funds for the period then ended in accordance with the modified cash basis of accounting described in note 2 to the financial statements.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**INDEPENDENT AUDITOR'S REPORT  
TO DEVELOPMENT BANK OF ETHIOPIA (continued)**

**Report on the Audit of the Financial Statements of the Electricity Network Reinforcement  
and Expansion Project, financed by Grants TF A4038 and TF A4039 (continued)**

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Correct recording of expenditure**

The risk was that expenditure pertaining to a Grant was recorded as expenditure of the other. We checked the expenditure disbursements with original documentation starting with the original request to see that it was properly authorized and part of the specific grant's programme; that payment was made from the correct bank account; and that it was properly recorded. We found no inaccuracies.

***Management's Responsibilities for the Financial Statements***

The Management of the Development Bank of Ethiopia is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**INDEPENDENT AUDITOR'S REPORT  
TO DEVELOPMENT BANK OF ETHIOPIA (continued)**

**Report on the Audit of the Financial Statements of the Electricity Network Reinforcement  
and Expansion Project, financed by Grants TF A4038 and TF A4039 (continued)**

***Auditors' Responsibilities for the Audit of the Financial Statements (continued)***

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The engagement audit director on the audit resulting in this independent auditor's report is Woizero Azeb Tekle Selassie.

**Report on Other Requirements**

***Report on Other Requirements***

In our opinion,

- during the period 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 procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement Policies and Procedures;

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**INDEPENDENT AUDITOR'S REPORT  
TO DEVELOPMENT BANK OF ETHIOPIA (continued)**

**Report on Other Requirements (continued)**

***Report on Other Requirements (continued)***

- all necessary supporting documents, records and accounts have been maintained in respect of all Project activities, including expenditures reported under Statements of Expenditure (SOE) method of reporting;
- the 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;
- national laws and regulations have been complied with;
- in respect to the financial performance of the Project less than half of the funds granted were disbursed;
- assets procured from Project funds exist and there is verifiable ownership by the Bank in line with the financing agreement; and
- there was no ineligible expenditure included in withdrawal applications.

*Audit Services Corporation*

30 December 2022





**DEVELOPMENT BANK OF ETHIOPIA**  
**ELECTRICITY NETWORK REINFORCEMENT AND**  
**EXPANSION PROJECT**  
**GRANTS TF A4038 and TF A4039**  
**STATEMENT OF RECEIPTS AND USE OF FUNDS**  
**FOR THE PERIOD FROM 11 JUNE 2018 TO 30 SEPTEMBER 2022**

	United States dollar	Ethiopian Birr
<b>RECEIPTS</b>		
Grant A4038	205,000	6,227,527
Grant A4039	106,183	3,025,934
Gain on foreign exchange	=	6,073,174
<b>TOTAL RECEIPTS</b>	<b><u>311,183</u></b>	<b><u>15,326,635</u></b>
<b>USE OF FUNDS</b>		
Grant A4038		-
Consultancy	31,918	1,128,150
Goods	22,339	1,026,154
Training	<u>31,209</u>	<u>1,610,927</u>
	<u>85,466</u>	<u>3,765,231</u>
Grant A4039		
Service	31,029	1,321,142
Goods	5,371	197,654
Training	<u>7,797</u>	<u>401,114</u>
	<u>44,197</u>	<u>1,919,910</u>
<b>TOTAL PAYMENTS</b>	<b><u>129,663</u></b>	<b><u>5,685,141</u></b>
<b>EXCESS OF RECEIPTS OVER USE OF FUNDS</b>	<b><u>181,520</u></b>	<b><u>9,641,494</u></b>



DEVELOPMENT BANK OF ETHIOPIA  
ELECTRICITY NETWORK REINFORCEMENT AND  
EXPANSION PROJECT  
GRANTS TF A4038 and TF A4039  
BALANCE SHEET  
AS AT 30 SEPTEMBER 2022

		United States dollar	Ethiopian Birr
<b><u>ASSETS</u></b>			
Bank balances	3	<u>181,520</u>	<u>9,641,494</u>
<b>TOTAL ASSETS</b>		<b><u>181,520</u></b>	<b><u>9,641,494</u></b>
<b><u>LIABILITIES</u></b>			
IBRD Trust Funds	4	<u>181,520</u>	<u>9,641,494</u>
<b>TOTAL LIABILITIES</b>		<b><u>181,520</u></b>	<b><u>9,641,494</u></b>





**DEVELOPMENT BANK OF ETHIOPIA  
ELECTRICITY NETWORK REINFORCEMENT AND EXPANSION PROJECT  
GRANTS TF A4038 and TF A4039  
NOTES TO THE FINANCIAL STATEMENTS**

**1 PROJECT INFORMATION**

The objective of the Project was to build capacity of the Development Bank of Ethiopia to manage and coordinate carbon finance activities nationwide in support of domestic biogas and Off-grid Emission Reduction Purchase Agreement. Finance was provided by grants TF A4038 and TF A4039 from the Trust Fund for Energy SME Support in Sub-Saharan Africa.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

These financial statements have been prepared on a modified cash basis whereby non-monetary assets are expensed when acquired and monetary assets and liabilities are carried at fair value.

**b) Currency**

These financial statements are presented in United States dollar and Ethiopian 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 balance sheet date.





**DEVELOPMENT BANK OF ETHIOPIA  
ELECTRICITY NETWORK REINFORCEMENT AND  
EXPANSION PROJECT  
GRANTS TF A4038 and TF A4039  
NOTES TO THE FINANCIAL STATEMENTS**

United States dollar    Ethiopian Birr

**3 BANK BALANCES**

National Bank of Ethiopia-		
A/c No.0101171300043		
T FA4038 - Clean Cooking	119,534	6,349,084
A/c No.101171300045		
T FA 4039 - Off-Grid	<u>61,986</u>	<u>3,292,410</u>
	<u>181,520</u>	<u>9,641,494</u>

**4 LIABILITIES**

IBRD Trust Funds		
T FA4038 - Clean Cooking	119,534	6,349,084
T FA 4039 - Off-Grid	<u>61,986</u>	<u>3,292,410</u>
	<u>181,520</u>	<u>9,641,494</u>

**5 DATE OF AUTHORIZATION**

The Vice-President of the Bank authorized the issue of these financial statements on 30 December 2022.





**DEVELOPMENT BANK OF ETHIOPIA**  
**ELECTRICITY NETWORK REINFORCEMENT AND**  
**EXPANSION PROJECT**  
**GRANTS TF A4038 and TF A4039**  
**DESIGNATED ACCOUNT STATEMENT**

For the period	11 June 2018 to 30 September 2022
Account number	0101171300043
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related grant	TF A4038
Currency	USD

	USD	Equivalent Birr
Initial deposit from the World Bank	100,000.00	2,824,120.00
Additional deposit from the World Bank	<u>105,000.00</u>	<u>3,403,407.00</u>
	205,000.00	6,227,527.00
Less: Payments for expenses	<u>85,465.79</u>	<u>3,765,230.36</u>
	119,534.21	2,462,296.64
Add: Gain on foreign exchange	=	<u>3,886,786.82</u>
Ending balance at 30 September 2022	<u>119,534.21</u>	<u>6,349,083.46</u>



**DEVELOPMENT BANK OF ETHIOPIA**  
**ELECTRICITY NETWORK REINFORCEMENT AND**  
**EXPANSION PROJECT**  
**GRANTS TF A4038 and TF A4039**  
**DESIGNATED ACCOUNT STATEMENT**

For the period	11 June 2018 to 30 September 2022
Account number	01011713000435
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related grant	TF A4039
Currency	USD

	USD	Equivalent in Ethiopian Birr
Initial deposit from the World Bank	100,000.00	2,824,120.00
Add: Reimbursements from World Bank	<u>6,183.26</u>	<u>201,814.14</u>
	106,183.26	3,025,934.14
Less: Payments for expenses	<u>44,197.04</u>	<u>1,919,910.57</u>
	61,986.22	1,106,023.57
Add: Gain on foreign exchange	=	<u>2,186,386.90</u>
<b>Ending balance at 30 September 2022</b>	<b><u>61,986.22</u></b>	<b><u>3,292,410.47</u></b>





## ANNEX 1

DEVELOPMENT BANK OF ETHIOPIA  
ELECTRICITY NETWORK REINFORCEMENT AND  
EXPANSION PROJECT  
GRANTS TF A4038 and TF A4039  
MATERIAL ASSETS ACQUIRED FROM PROJECT FUNDS

Description	Pieces	Cost	
		Ethiopian Birr	United States dollar
<u>Grant TF A4038</u>			
Licence for Microsoft SQL Server 2019	4	1,026,000	22,335
<u>Grant TF A4039</u>			
Lap top Core i7-7000 family	6	189,960	5,155



ANNEX 2

**DEVELOPMENT BANK OF ETHIOPIA  
ELECTRICITY NETWORK REINFORCEMENT AND  
EXPANSION PROJECT  
GRANTS TF A4038 and TF A4039  
RECONCILIATION**

Amounts received by the project from the World Bank

Grant TF A4038      USD 205,000.00

Grant TF A4039      USD 106,183.26

Amounts confirmed by the World Bank as having been disbursed

Grant TF A4038      USD 205,000.00

Grant TF A4039      USD 106,183.26

