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AUDIT SERVICES  
CORPORATION

ETHIOPIAN ELECTRIC POWER  
ELECTRICITY NETWORK REINFORCEMENT  
AND EXPANSION PROJECT  
IDA CREDIT NO.51260 ET AND ADDITIONAL FINANCING  
IDA CREDIT NO. 58140 ET,PARTS 1.2 AND 4.1  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
7 JULY 2021



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The Federal Democratic Republic of Ethiopia  
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN ELECTRIC POWER**

We have audited the financial statements of Ethiopian Electric Power, Electricity Network Reinforcement and Expansion Project, financed under IDA Credit No. 51260-ET and additional financing IDA Credit No. 58140-ET, Parts 1, 2 and 4.1, which comprise the balance sheet as at 7 July 2021 and the statement of sources and uses of funds and the Designated Account statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Chief Executive Officer's Responsibility for the Financial Statements*

The Chief Executive Officer of Ethiopian Electric Power is responsible for preparation of financial statements that give a true and fair view under the modified cash basis of accounting as described in note 2 to the financial statements and for such internal control as management 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.

**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN ELECTRIC POWER (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 give a true and fair view of the financial position of Ethiopian Electric Power, Electricity Network Reinforcement and Expansion Project, financed under IDA Credit No.51260-ET and additional financing IDA Credit No.58140-ET, Parts 1, 2 and 4.1, as at 7 July 2021 and of its sources and uses of funds for the year then ended in accordance with the modified cash basis of accounting described in note 2 to the financial statements.

***Report on Other Requirements***

In our opinion

- during the period IDA funds have been used in accordance with the conditions of the relevant financing agreement and only for the purposes for which the financing was provided;
- counterpart funds have been provided and used in accordance with the financing agreement, 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;
- the funds disbursed covered expenditures that are eligible for financing under IDA Credit No. 51260-ET and additional financing IDA Credit No 51840-ET, Parts 1, 2 and 4.1;
- there was a clear linkage between the books of account and the financial statements;
- our examination reveals no major weaknesses or irregularities in the system of internal control over financial expenditures; and
- the Designated Account has been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the said Account were used only for the purposes intended in the financing agreement; and



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN ELECTRIC POWER (continued)**

- with respect to statements of expenditure, submitted during the year ended 7 July 2021 and listed on page 10, in our opinion:
  - a) the statements, together with the procedures and internal controls involved in their preparation, can be relied upon to support the relevant withdrawals,
  - b) adequate supporting documentation has been maintained to support claims to the IDA for reimbursements of expenditures incurred; and
  - c) which expenditures are eligible for financing under IDA Credit No. 51260-ET and additional financing IDA Credit No. 58140-ET

*Audit Services Corporation*

9 December 2021

**ETHIOPIAN ELECTRIC POWER  
ELECTRICITY NETWORK REINFORCEMENT  
AND EXPANSION PROJECT  
IDA CREDIT NO. 51260-ET, AND ADDITIONAL FINANCING  
IDA CREDIT NO. 58140-ET PARTS 1, 2 AND 4.1  
STATEMENT OF SOURCES AND EXPENDITURES  
FOR THE YEAR ENDED 7 JULY 2021**

	7 July 2021 Ethiopian Birr	Cumulative from 12 June 2012 to 7 July 2021 Ethiopian Birr	7 July 2020 Ethiopian Birr
<b>FINANCING</b>			
Credit from IDA			
Initial deposit to Designated Account	-	94,641,500	-
Direct payments	1,164,008,894	3,020,901,476	393,449,955
SOE Procedures	-	1,566,090,414	-
Special Commitment	-	1,269,225,658	-
EEP's contribution	23,139,464	189,642,949	33,578,780
Gain on foreign exchange	18,101,852	88,800,877	27,119,560
Advance exchange difference	45,912,820	108,691,609	16,324,365
Retention exchange difference	(107,875,963)	(225,133,457)	(59,674,298)
Payable exchange difference	-	3,122,174	3,759,013
Advances gain on exchange rate	4,909,814	4,909,814	-
<b>TOTAL FINANCING</b>	<b><u>1,148,196,881</u></b>	<b><u>6,120,893,014</u></b>	<b><u>414,557,375</u></b>
<b>PROJECT EXPENDITURES</b>			
Supplies	1,018,686,435	4,624,967,844	270,213,757
Civil works	314,672,970	1,630,639,574	373,429,256
Consultant's service	53,727,051	108,569,077	22,797,629
Training	-	8,786,746	-
Operating cost	21,421,113	117,778,371	5,126,942
<b>TOTAL EXPENDITURES</b>	<b><u>1,408,507,569</u></b>	<b><u>6,490,741,613</u></b>	<b><u>671,567,584</u></b>
<b>(DEFICIT) OF FINANCING OVER EXPENDITURES</b>	<b><u>(260,310,688)</u></b>	<b><u>(369,848,599)</u></b>	<b><u>(257,010,209)</u></b>



ETHIOPIAN ELECTRIC POWER  
ELECTRICITY NETWORK REINFORCEMENT  
AND EXPANSION PROJECT  
IDA CREDIT NO.51260-ET AND ADDITIONAL FINANCING  
IDA CREDIT NO 58140 ET  
BALANCE SHEET  
AS AT 7 JULY 2021

	Notes	2021 Ethiopian Birr	2020 Ethiopian Birr
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Advance to contractors		130,816,168	188,657,186
Cash at bank	3	<u>68,576,519</u>	<u>87,537,093</u>
		<b><u>199,392,687</u></b>	<b><u>276,194,279</u></b>
<b>CURRENT LIABILITIES</b>			
Retention		565,057,300	385,399,865
Withholding tax		<u>4,183,986</u>	<u>332,325</u>
		<b><u>569,241,286</u></b>	<b><u>385,732,190</u></b>
<b>NET CURRENT LIABILITIES</b>		<b><u>(369,848,599)</u></b>	<b><u>(109,537,911)</u></b>
<b><u>REPRESENTED BY</u></b>			
<b>FUND BALANCE</b>	4	<b><u>(369,848,599)</u></b>	<b><u>(109,537,911)</u></b>

ETHIOPIAN ELECTRIC POWER  
ELECTRICITY NETWORK REINFORCEMENT  
AND EXPANSION PROJECT  
IDA CREDIT NO. 51260-ET, AND ADDITIONAL FINANCING  
IDA CREDIT NO. 58140-ET PARTS 1, 2 AND 4.1  
DESIGNATED ACCOUNT STATEMENT

For the year ended	7 July 2021
Account number	0101181300063
Depository bank	National Bank of Ethiopia
Address	Addis ababa, Ethiopia
Related credit	IDA CREDIT NO 58140 and IDA CREDIT NO 5126
Currency	USD

	<u>USD</u>	Equivalent in Birr
<b>Balance at 7 July 2020</b>	<b><u>2,404,624.76</u></b>	<b><u>84,262,139.45</u></b>
Less; payment for works	65,404.26	2,588,907.79
Consultancy services	493,356.31	19,696,752.43
Payment for supply	331,092.53	12,967,617.83
Retention Paid	<u>43,742.34</u>	<u>1,809,148.40</u>
	<b><u>933,595.44</u></b>	<b><u>37,062,426.45</u></b>
	<b><u>1,471,029.32</u></b>	<b><u>47,199,713.00</u></b>
Gain on foreign exchange		<u>17,280,209.37</u>
<b>Ending balance 7 July 2021</b>	<b><u>1,471,029.32</u></b>	<b><u>64,479,922.37</u></b>

**ETHIOPIAN ELECTRIC POWER  
ELECTRICITY NETWORK REINFORCEMENT  
IDA CREDIT NO. 51260- ET AND IDA CREDIT NO.58140-ET, Parts 1, 2 and 4.1  
DESIGNATED ACCOUNT STATEMENT**

For the ended	7 July 2021
Account number	0101181300058(026156900000)
Depository bank	National Bank of Ethiopia
Address	Addis ababa, Ethiopia
Related credit	IDA CREDIT NO 58140 and IDA CREDIT NO 51260
Currency	USD

	USD	Equivalent in Birr
Balance at 7 July 2020	93,458.76	3,274,953.83
Gain on foreign exchange	-	821,643.13
Ending balance 7 July 2021	<u>93,458.76</u>	<u>4,096,596.96</u>



**ETHIOPIAN ELECTRIC POWER  
ELECTRICITY NETWORK REINFORCEMENT  
AND EXPANSION PROJECT  
IDA CREDIT NO. 51260-ET AND ADDITIONAL FINANCING  
IDA CREDIT NO. 58140-ET PARTS 1, 2 AND 4.1  
NOTES TO THE FINANCIAL STATEMENTS  
7 JULY 2021**

**1 PROJECT INFORMATION**

The Project was established to implement IDA credit No. 51260-ET, and IDA credit No.58140-ET which is jointly financed by the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA).The loan amounts equal to SDR 102,000,000 and SDR 127,800,000 respectively, The main objective of these parts of the Project is the reinforcement and expansion of the electricity network.

The Project became effective on 4 January 2013 for IDA Credit 51260-ET (GNREP) and for IDA Credit 58140-ET (ENREP) 31 August 2016.

**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 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.

**3 BANK BALANCES**

National Bank of Ethiopia-  
A/C NO. 0101181300058(026151690000)

**2021  
Ethiopian Birr**

**68,576,519**

**2020  
Ethiopian Birr**

**87,537,093**

**ETHIOPIAN ELECTRIC POWER  
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NOTES TO THE FINANCIAL STATEMENTS  
7 JULY 2021**

**4. ACCUMULATE FUND**

	<b>Ethiopian Birr</b>
<b>Balance at 7 July 2020</b>	<b>(109,537,911)</b>
Add: Deficit of financing over expenditure for the year	<u>(260,310,688)</u>
<b>Balance at 7 July 2021</b>	<b><u>(369,848,599)</u></b>

**5. DATE OF AUTHORIZATION**

The Chief Executive Officer of Ethiopian Electric Power authorized the issue of these financial statements on 9 December 2021.