



Grant Thornton
Mohamed Hilal

An instinct for growth™

Upper Egypt Local Development Program (UELDP)

Financial audit of Upper Egypt Local Development Program (UELDP) financed by International Bank for Reconstruction and Development (IBRD) and Government of Egypt under Loan Number 8645-EG, for the period from July 1, 2018 to June 30, 2019





Grant Thornton
Mohamed Hilal

An instinct for growth™

To: Dr. Hisham El Halbawi
General Director
Upper Egypt Local Development Program (UELDP)
Cairo, Egypt

February 11, 2020

Dear Sirs

Grant Thornton Mohamed Hilal is pleased to submit to you our final financial report which presents the results of our financial audit of Upper Egypt Local Development Program (UELDP) financed by International Bank for Reconstruction and Development (IBRD) and Government of Egypt under Loan Number 8645-EG, for the period from July 1, 2018 to June 30, 2019.

Meanwhile we would like to thank you and should you need any further information or clarification, please feel free to contact me.

Hossam El Besher, CPA
Principal Partner

Contents

	Page
INTRODUCTION	
Background	1
Objectives and Scope of Work	2
Results of Audit	3
Management Comments	4
FINANCIAL STATEMENTS	
Independent Auditor's Audit Report	5
Financial Statements and Notes	7
INTERNAL CONTROL STRUCTURE	
Independent Auditor's Audit Report	15
COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditor's Audit Report	17
Appendices	
Appendix B : Management Comments	
Appendix C: Auditor Comments	

Financial audit of Upper Egypt Local Development Program (UELDP) financed by International Bank for Reconstruction and Development (IBRD) and Government of Egypt under Loan Number 8645-EG, for the period from July 1, 2018 to June 30, 2019

To: Dr. Hisham El Halbawi
General Director
Cairo, Egypt

This report presents the results of our financial audit of Upper Egypt Local Development Program (UELDP) financed by International Bank for Reconstruction and Development (IBRD) and Government of Egypt under Loan Number 8645-EG, for the period from July 1, 2018 to June 30, 2019.

Background

The Upper Egypt Local Development Program (UELDP) loan agreement number 8645-EG was signed in October 6, 2016 between the International Bank of Reconstruction and Development (IBRD) and the Arab Republic of Egypt whereby the IBRD awarded a loan to the Arab Republic of Egypt. IBRD agreed to lend GOE the amount of US\$ 500,000,000.

The Program is co-financed by the GoE and the International Bank of Re-construction and Development (IBRD) through a Program for Results (PforR) totalling US\$ 957,000,000 and is to be completed by December 31, 2021.

The objective of the Upper Egypt Local Development Program for Results (Program) is to improve the business environment for private sector development and strengthen local government capacity for quality infrastructure and service delivery in select governorates in Upper Egypt. The primary beneficiaries of this Program are the governorates of Qena and Sohag in Upper Egypt.

The Program seeks to achieve a number of results, which fall under three results areas detailed in the Program Appraisal Document (PAD):

- Sub-Program and Results Area 1: Improving the business environment and competitiveness
- Sub-program and Results Area 2: Improving access to quality infrastructure and services
- Cross-cutting Results Area 3: Citizen and business engagement

Loan Number 8645-EG was not amended through June 30, 2019.

Follow up on Prior Audit Recommendations

We have reviewed the prior independent audit report dated February 13, 2019. The auditors did not identify any question costs or any findings related to internal control structure and/or any instances of noncompliance with laws, regulation and agreement's terms. Therefore, no follow up work was performed

Assignment Objectives and Scope

The objective of this engagement is to conduct a financial audit of Upper Egypt Local Development Program (UELDP) financed by International Bank for Reconstruction and Development (IBRD) and Government of Egypt under Loan Number 8645-EG, for the period from July 1, 2018 to June 30, 2019. The specific objectives of this audit assignment are to:

1. State whether, the financial statement of the program funded by IBRD and Government contribution under loan number 8645 – EG for the period from July 1, 2018 to June 30, 2019 does not give a true and fair view, in all material respects, of the program funds received and expenditures incurred for the period under audit in conformity with International Accounting Standards or another comprehensive basis of accounting.
2. Determine if the amounts disbursed by the Bank to the Program are transferred to the agreed/specified account(s) and reflected in the state budget.
3. Trace Program funds transferred from Program Implementing Entity to beneficiaries, contractors, etc.
4. Ensure that program funds have been used in accordance with the conditions of the loan/grant agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided.
5. Determine if all necessary supporting documents, records, and accounts have been maintained in respect of all program activities.
6. Ensure that national laws and regulations have been complied with, and that the financial and accounting procedures approved for the Program (e.g. operational manual, financial procedures manual, etc.) were followed and used.
7. Determine if all Program expenditures disbursed by the Program Implementing Entity (ies) and ensure that expenditures are incurred in accordance with applicable financial management guidelines, financial policies and procedures manual.
8. Review the compliance of Program expenditures with the associated covenants in the Loan/Grant Agreements and any other subsidiary agreements.

The preliminary planning and audit procedures started on October 29 2019 and consisted of the following actions:

1. Meeting with the recipient's management to obtain our understanding about the project activities and ascertain any concerns that should be addressed in our audit.
2. Update our understanding of the recipient's operation, including its organizational structure, and the external and internal factors affecting its operation.
3. Identifying significant accounts and accounting applications, the important budget lines items, significant provisions of laws and regulations and relevant controls over the recipient's operations.

4. Performing a preliminary risk assessment to identify high-risk areas and sample size and the proper audit procedures.

The fieldwork segment of our audit commenced on November 3 2019 and was completed on February 11, 2020.

The scope of our work was to audit costs incurred by UELDP financed by (IBRD) and GOE under Loan Number 8645-EG, during the period from July 1, 2018 to June 30, 2019. It also included an examination of the funds received from The International Bank of Re-construction and Development (IBRD) during the same period, and reconciliation of the fund balance as of June 30, 2019 with the recipient's cash balance.

Within each budget line item, we selected transactions on a judgmental basis to perform a substantive test of details.

Total expenditures incurred under the Loan from The International Bank of Re-construction and Development (IBRD) was \$ 40,969,906 total expenditures tested of \$ 39,817,119, which represents a coverage of 97% of the total expenditures incurred under the Loan Agreement during audited period.

Our tests of expenditures included but were not limited to the following:

1. Reconciling UELDP's accounting records to the Project Financial Statement issued to International Bank for Reconstruction and Development (IBRD) and testing costs for eligibility with the relevant financing agreement and adequate supporting documentation;
2. Determining whether the costs incurred by UELDP's and funded by The International Bank of Re-construction and Development (IBRD) were appropriate, consistent with the terms of the agreement and applicable rules and regulations and adequately supported.
3. Testing the adequacy of UELDP internal controls to reasonably assure that:
 - Transactions were executed in accordance with the approved budget and significant provisions of applicable laws and regulations and;
 - Transactions were properly recorded, processed and summarized to permit the preparation of the financial statement and to maintain accountability of the project's assets.

Audit Results

Financial Statements

Our audit not identify any questioned cost in expenses incurred by UELDP and reported to the International Bank for Reconstruction and during the period July 1, 2018 to June 30, 2019

Internal Control Structure

Our audit procedures did not identify any material reportable condition in connection to the project internal control structure; however, we noted other immaterial finding related to the internal control system which reported to the management of UELDP on our management letter dated February 11, 2020.

Compliance with Laws and Regulations

Our audit procedures did not identify any material instance of non-compliance with The International Bank of Re-construction and Development (IBRD) internal policies and procedures, agreement terms and applicable laws and regulations.

Management Comment

The Management of Upper Egypt Local Development Program (UELDP) have reviewed the report and agree to it.

This report is intended for the information of the Upper Egypt Local Development Program (UELDP)'s management and International Bank for Reconstruction and Development (IBRD) and others within the organization. However, this report is a matter of public record and its distribution is not limited.



Grant Thornton Mohamed Hilal,
Cairo, Egypt
February 11, 2020

Report on Financial Statements

Independent Auditor's Report

To: Dr. Hisham El Halbawi
General Director
Upper Egypt Local Development Program
Cairo, Egypt

Opinion

- We have audited the Financial Statements of Upper Egypt Local Development Program (UELDP) under Loan Number 8645-EG between the Government of Egypt and the International Bank of Re-construction and Development (IBRD), which comprise the Fund Accountability Statement for the period from July 1, 2018 to June 30, 2019, and notes to the financial statements, including a summary of significant accounting policies.
- In our opinion , the accompanying Fund accountability statement presents fairly in all material respects, the financial position of the Program, in accordance with the cash basis of accounting as described in note 2 to the financial statements .

Key Audit Matter

- Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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. For matter below, our description of how our audit addressed the matter is provided in that context.
- We Draw attention to note (2) to the Financial Statements. Which describes the basis of accounting. The Financial Statements is prepared to assist the project management to comply with the financial reporting provisions in accordance with the Note (2) of the notes to the Financial Statements .As result, the Financial Statements may not be suitable for another purpose.
- 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 UELDP in accordance with the International 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, and we have fulfilled our other ethical responsibilities in accordance with these 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.
- The programme main bank account is maintained by the Central Bank of Egypt (CBE) under the supervision of the ministry (MOF). The bank balance as of June 30th , 2019 as showed in program' records and CBE's bank statement is equal to \$187,000,000.Regardless our serral requests to receive bank confirmation from CBE to confirm the balance , the confirmation received is from MOF rather than CBE

Responsibilities of Management for the financial Statements

- Management of UELDP is responsible for the preparation and fair presentation of the fund accountability statement in accordance with IFRSs, 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.
- In preparing the financial statements, management is responsible for overseeing the project's financial reporting process.

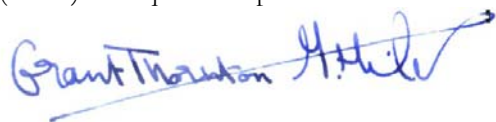
Auditor's responsibilities for the Audit of the Financial Statements

- Our objectives are to obtain reasonable assurance about whether the financial statement 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.
- As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the fund accountability statement, 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 the reasonableness of accounting estimates and related disclosures made by management.
 - We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 - From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the fund accountability statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- The program keeps proper accounting records which include all that is required by law and the statutes of the program and the accompanying financial statements in agreement therewith.
- Our report is intended solely for the ministry of Local Development and International Bank of reconstruction and Development (IBRD) and should not be used by or distributed to parties other than

Ministry of Local Development (MOLD) or the International Bank Re- construction and Development (IBRD). Our qualified opinion is not modified in respect of this matter



Grant Thornton Mohamed Hilal
Cairo, Egypt
February 11, 2020

Upper Egypt Local Development Program
 Program No. 8645 EG Implemented by Ministry of Local Development (MOLD)
 Financed through International Bank for Reconstruction and Development
 Fund Accountability Statement
 For the period from July 1, 2018 to June 30, 2019

Description	Total Budget		Prior Periods		Total Actual Expenditures This Year		Total Actual Expenditures as June 30,2019		Questioned Costs		Finding No.
	MOF	IBRD	MOF	IBRD	MOF	IBRD	MOF	IBRD	Ineligible	Unsupported	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
World Bank/Egypt Fund Received											
Fund received			29,312,845	125,000,000	48,046,021	132,000,000	77,358,866	257,000,000			
Front end Fee			-	1,250,000	-	-	-	1,250,000			
Interest						657,826					
Total funds Received			29,312,845	126,250,000	48,046,021	132,657,826	77,358,866	258,250,000			
Cash Outflow Elements											
Chapter Two	268,771,622	100,000,000	-	-	2,448,422	-	2,448,422	-			
Chapter Six	188,481,756	400,000,000	29,312,845	18,358,738	45,597,599	40,969,906	74,910,444	59,328,644			
Front end Fee			-	1,250,000	-	-	-	1,250,000			
Total	457,253,378	500,000,000	29,312,845	19,608,738	48,046,021	40,969,906	77,358,866	60,578,644	-	-	
Fund Balance			(0)	106,641,262	-	91,687,920	(0)	198,329,182			

* The accompanying notes are integral part of the Fund Accountability Statement .

Upper Egypt Local Development Program
 Program No. 8645 EG Implemented by Ministry of Local Development (MOLD)
 Financed through International Bank for Reconstruction and Development
 Fund Accountability Statement - Sohag Governorate
 For the period from July 1, 2018 to June 30, 2019

Description	Prior Periods		Total Actual Expenditures This Year		Total Actual Expenditures as June 30, 2018		Questioned Costs		Finding No.
	MOF	IBRD	MOF	IBRD	MOF	IBRD	Ineligible	Unsupported	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
World Bank/Egypt Fund Received									
Fund received from World Bank	15,269,677	20,000,000	23,984,243	12,500,000	39,253,920	32,500,000			
Front end Fee	-	-	-	-	-	-			
Interest Earned from Sohag Water Compnay				268,803					
Total funds Received	15,269,677	20,000,000	23,984,243	12,768,803	39,253,920	32,500,000			
Cash Outflow Elements									
Chapter Two	-		1,623,984		1,623,984	-			
Chapter Six	15,269,677	16,339,099	22,360,258	12,091,913	37,629,935	28,431,012			
Front end Fee	-	-	-	-	-	-			
Total	15,269,677	16,339,099	23,984,243	12,091,913	39,253,920	28,431,012	-	-	
Fund Balance	-	3,660,901	-	676,890	-	4,068,988			

* The accompanying notes are integral part of the Fund Accountability statement

Upper Egypt Local Development Program
 Program No. 8645 EG Implemented by Ministry of Local Development (MOLD)
 Financed through International Bank for Reconstruction and Development
 Fund Accountability Statement - Qena Governorate
 For the period from July 1, 2018 to June 30, 2019

Description	Prior Periods		Total Actual Expenditures This Year		Total Actual Expenditures as June 30, 2019		Questioned Costs		Finding No.
	MOF	IBRD	MOF	IBRD	MOF	IBRD	Ineligible	Unsupported	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
<u>World Bank/Egypt Fund Received</u>									
Fund received from World Bank	14,043,168	20,000,000	24,061,778	12,500,000	38,104,947	32,500,000			
Front end Fee	-	-	-	-	-	-			
Interest Earned from Qena Water Compnay				389,048					
Total funds Received	14,043,168	20,000,000	24,061,778	12,889,048	38,104,947	32,500,000			
<u>Cash Outflow Elements</u>									
Chapter Two	-		824,437		824,437	-			
Chapter Six	14,043,168	1,891,860	23,237,341	28,405,430	37,280,509	30,297,290			
Front end Fee	-	-	-	-	-	-			
Total	14,043,168	1,891,860	24,061,778	28,405,430	38,104,947	30,297,290	-	-	
Fund Balance	-	18,108,140	-	(15,516,382)	-	2,202,710			

* The accompanying notes are integral part of the Fund Accountability Statement .

Upper Egypt Local Development Program
 Program No. 8645 EG Implemented by Ministry of Local Development (MOLD)
 Financed through International Bank for Reconstruction and Development
 Fund Accountability Statement - PCO
 For the period from July 1, 2018 to June 30, 2019

Description	Prior Periods		Total Actual Expenditures This Year		Total Actual Expenditures as June 30, 2019		Questioned Costs		Finding No.
	MOF	IBRD	MOF	IBRD	MOF	IBRD	Ineligible	Unsupported	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
World Bank/Egypt Fund Received									
Fund received from World Bank	-	2,500,000.00	-	2,500,000.00	-	5,000,000.00			
Front end Fee	-	-	-	-	-	-			
Total funds Received	-	2,500,000.00	-	2,500,000.00	-	5,000,000.00			
Cash Outflow Elements									
Chapter Six	-	127,779.00	-	472,563.09	-	600,342.09			
Front end Fee	-	-	-	-	-	-			
Total	-	127,779.00	-	472,563.09	-	600,342.09	-	-	
Fund Balance	-	2,372,221.00	-	2,027,436.91	-	4,399,657.91			

* The accompanying notes are integral part of the Fund Accountability statement

Notes to the Financial Statements

Note 1- Scope of statements:

The financial statements are the representation and the responsibility of UELDP's management.

The "Budget" columns represent the total budget amounts approved according to project agreement.

The "total Actual Expenditures" columns identify the total costs incurred by the project. The "Actual Expenditures by the International Bank of Re-construction and Development (IBRD)" column presents the project costs incurred during the year ended June 30, 2019 by The International Bank of Re-construction and Development (IBRD). And the "Actual Expenditures by Government" column presents the project costs incurred during the year ended June 30, 2019 by Government. These columns are presented for reporting purposes only.

The "Questioned Costs" columns represent audit results and are included in the financial statements for presentation purposes only.

Note 2 - Basis of accounting:

The financial statements has been prepared on the cash basis. Consequently, revenues are recognized when they are actually received and expenditures are recognized when they are paid.

Note 3- Exchange Rate:

The project funds received in U.S. dollars, expenditures paid in Egyptian pounds (LE) have been converted to U. S. dollars (\$) at the exchange rate of LE 16.8054 to \$1. The exchange rates used is the actual exchange rate used to convert from eth US\$ bank account to L.E bank accounts. While the GOE expenditures have been converted to U. S. dollars (\$) at the exchange rate of LE 17.2442 to \$ 1. The exchange rate used is the average exchange rate during the period from July 1, 2018 to June 30, 2019.

Note 4- Front end Fee:

UELDP paid IBRD front end fee on the loan by amount of US\$ 1,250,000 which is equal to (0.25%) of the loan amount as specified in the loan agreement .

Note 5- Advances billed by Qena Governorate under UELDP expenses:

The amounts billed to The International Bank of Re-construction and Development (IBRD) represent advances transferred to interagency as follows:

<u>Description</u>	<u>Amount Received in USD</u>	<u>Amount Disbursed in USD</u>	<u>Balance in CB & Financial Unit in USD</u>
Qena Company for Water & Wastewater	18,782,109	8,293,726	10,488,383
National Authority For Potable Water and Sewage*	8,459,229	8,420,051	39,178
IDA	3,006,363	2,444	3,003,919
Consultant	49,589	49,589	-
Total	30,297,290	16,765,810	13,531,480

Note 6- Advances billed by Sohag Governorate under UELDP expenses:

The amounts billed to The International Bank of Re-construction and Development (IBRD) represent advances transferred to interagency as follows:

<u>Description</u>	<u>Amount Received in USD</u>	<u>Amount Disbursed in USD</u>	<u>Balance in CB & Financial Unit in USD</u>
Interagency Agreements			
Sohag Company for Water & Wastewater	10,616,087	8,909,845	1,706,242
IDA	6,959,175	2,444	6,956,731
Local Governorate Units			
Directorate of Roads and Transportation	6,130,157	4,744,380	1,385,777
Directorate of Housing and Utilities	1,286,576	668,636	617,940
General Administration of Irrigation	3,355,073	2,433,606	921,467
Consultant	49,589.00	49,589.00	0
Directorate of Surveying	6,370.00	6,370.00	0
Other Expenses	27,985.00	27,985	0
Total	28,431,012	16,842,855	11,588,157

Note 7- Analysis for Chapter Two:

Amounts billed under chapter two during the current audit period represent expenses incurred during Fiscal year 2018 and 2019 that were not reported before as follow:

<u>Description</u>	<u>Amount Disbursed in USD in Prior year</u>	<u>Amount Disbursed in USD This year</u>	<u>Total Amount in USD</u>
Sohag Governorate	436,188	1,187,796	1,623,984
Qena Governorate	304,311	520,126	824,437
Total	740,499	1,707,922	2,448,422

Note 8 – Fund Balance:

The fund balance represents the difference between funds received from The International Bank of Reconstruction and Development (IBRD) and costs incurred by UELDP during the period from July 1, 2018 to June 30, 2019.

<u>Description</u>	<u>Figures in USD</u>
Opening Balance	106,641,237
Fund received from The International Bank of Reconstruction and Development (IBRD)	132,000,000
Front end Fee	0
Interest Earned	657,851
Less:	
Costs incurred during the period from July 1, 2018 to June 30, 2019	40,969,906
Fund Balance as of June 30, 2019	198,329,182
Bank Balance as of June 30, 2019	198,329,182

Note 9- Bank Balances:

Account Name	Account Number	Balance In EGP	Balance In USD
Balances under MOF supervision - Foreign Currency		3,142,665,900	187,000,000
PCO local currency bank account	9450785206	44,933,000	2,500,000
Local Governorate Units (PCO)	#	33,337,096	1,899,657.91
Qena Governorate local currency bank account	9450783596	42,022,900	2,500,501
Qena Governorate Financial Units	#	1,639,154	91,257
Sohag Governorate local currency bank account	9450783535	42,634,000	2,534,504
Sohag Governorate Financial Units	#	32,390,023	1,803,263
Total		3,339,622,073	198,329,182

Note 10- Questioned costs:

The “Questioned Costs” columns represent the costs questioned during the period July 1, 2018 to June 30, 2019. Questioned costs are presented in two separate categories. The “Ineligible” column represents the costs that are not program related, unreasonable, or prohibited by the agreement or applicable laws and regulations. The “Unsupported” column represents the costs that are not supported with adequate documentation

Report on the Internal Control Structure Independent Auditor's Report

To: Dr. Hisham El Halbawi
General Director
Cairo, Egypt

We have audited the accompanying financial statements of the Upper Egypt Local Development Program (UELDP), under Loan Number 8645-EG between the Government of Egypt and the International Bank of Re-construction and Development (IBRD) represented in Fund Accountability Statement for the period from July 1, 2018 to June 30, 2019, Financial Statements and statement of Account Bank Balance for the period then ended and issued our report thereon dated February 11, 2020.

We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements is free of material misstatement.

The management of UELDP is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and in accordance with the terms and agreements; and transactions are recorded properly to permit the preparation of Financial Statements in conformity with basis of accounting described in Note 2 to the Financial Statements.

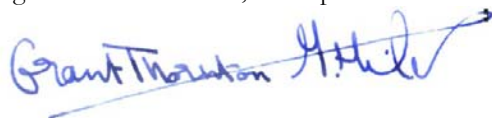
Because of the inherent limitations in any internal control structure, errors or irregularities may, nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Financial Statements described in the first paragraph, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Financial Statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion

Our consideration of the internal control structure would not necessarily disclose all matters in the internal

control structure that might be material weaknesses under the International Auditing Standards. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Financial Statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Upper Egypt Local Development Program (UELDP)'s management and International Bank for Reconstruction and Development and others within the organization. However, this report is a matter of public record and its distribution is not limited.



Grant Thornton Mohamed Hilal,
Cairo, Egypt
February 11, 2020

Report on Compliance with Laws and Regulations

Independent Auditor's Report

To: Dr. Hisham El Halbawi
General Director
Cairo, Egypt

We have audited the accompanying financial statements of the Upper Egypt Local Development Program (UELDP), under Loan Number 8645-EG between the Government of Egypt and the International Bank of Re-construction and Development (IBRD) represented in Fund Accountability Statement for the period from July 1, 2018 to June 30, 2019, Financial Statements and statement of Account Bank Balance for the period then ended and issued our report thereon dated February 11, 2020.

We conducted our audit in accordance with International Standards on Auditing (ISA) as well as the relevant guidelines of The International Bank of Re-construction and Development (IBRD). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Financial Statements amounts.

Compliance with agreement terms and laws and regulations applicable to the project is the responsibility of UELDP management. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we performed tests of UELDP compliance with certain provisions of grant terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed no material incidents of non-compliance with grant agreement document items and conditions as well as applicable Egyptian laws and regulations.

This report is intended for the information of the Upper Egypt Local Development Program (UELDP)'s management and International Bank for Reconstruction and Development and others within the organization. However, this report is a matter of public record and its distribution is not limited.



Grant Thornton Mohamed Hilal,
Cairo, Egypt
February 11, 2020

Appendix A

Financial audit of Upper Egypt Local Development Program (UELDP) financed by International Bank for Reconstruction and Development (IBRD) and Government of Egypt under Loan Number 8645-EG, for the period from July 1, 2018 to June 30, 2019

Management Comments

UELDP Management have reviewed the report and agree to it.

Appendix B

Financial audit of Upper Egypt Local Development Program (UELDP) financed by International Bank for Reconstruction and Development (IBRD) and Government of Egypt under Loan Number 8645-EG, for the period from July 1, 2018 to June 30, 2019

Auditor Comments

Based on UELDP management approval, we finalized our audit report.



Grant Thornton
Mohamed Hilal

| An instinct for growth™