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Office of the Federal Auditor General
Audit Service Corporation

**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Lottery Administration (The Administration) which comprise the balance sheet as at 30 Sene 2014 (7 July, 2022), and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the National Lottery Administration as at 30 Sene 2014 and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles and the requirements of the Commercial Code of Ethiopia of 2021.

Basis for Qualified Opinion

1. Property, plant and equipment which were physically counted at the yearend were not reconciled and agreed with the fixed asset register. Moreover, we were not provided with the provisional acceptance certificate of building capitalized during the year which amounted to Birr 71,233,256. As a result of this the physical existence of property, plant and equipment, the value of which are reflected in the balance sheet of the Administration at Birr 195,098,924 could not be fully ascertained.
2. Included in debtors is a long outstanding balance totaling Birr 20,648,227 which is not cleared subsequently either, for which a provision of only Birr 9,179,260 is made. In our opinion it is extremely unlikely that the long outstanding amounts can be recovered and in consequence, a further provision of Birr 11,468,967 should have been made in the year under review reducing debtors as well as profit for the year. Furthermore, the reconciliation between sales and lottery tickets counts revealed un-reconciled difference of Birr 6,220,654. In consequence we were unable to determine whether any adjustment might have been found necessary in respect of Debtor shown on the balance sheet at Birr 36,778,086.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION (continued)**

Basis for Qualified Opinion (continued)

3. There was no adequate internal control over the recording of proceed from Ticket sales which we could rely for the purpose of our audit. Moreover, the result of Sales analysis and sales ledger balance showed a discrepancy of Birr 31,262,980. In consequence we were not able to determine whether any adjustment might have been found necessary in respect of proceed from Ticket sales reported on profit and loss account at Birr 877,995,020.
4. Value added Tax (VAT) and Prize tax payable closing balances showed differences of Birr 425,646 and 3,219,080 respectively, with their respective subsequent tax settlements, the settlements being lesser in amount. Moreover, VAT withheld by the Administration showed difference of Birr 2,038,116 with the subsequent settlement, the settlement being more. Consequently, we were unable to ascertain the correctness of taxes payable balance of Birr 16,148,378 included under Creditors.
5. There is an aggregate un-reconciled balance of Birr 57,008,113 shown on the bank reconciliation statements of various bank accounts of the Administration. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of Cash and bank balances shown on the balance sheet at Birr 316, 288,171.
6. Included in Creditors is a long outstanding balance totaling Birr 6,228,251 and we did not obtain satisfactory explanation for the reason that they had not been settled. Consequently, we were unable to satisfy ourselves that they still represent genuine liabilities.

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 administration 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 qualified opinion.

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 of the current period. 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. Except for the matters described in the *Basis for Qualified Opinion Section*, we have determined that there are no other Key audit matters to communicate in our Report.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION (continued)**

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and in the manner required by the Commercial Code of Ethiopia of 2021, 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 assessing the Administration's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate The Administration or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Administrations financial reporting process.

Auditor's 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.

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 Administrations internal control.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Administration's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Administration to cease to continue as a going concern.
- 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 fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements 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.

The engagement partner on the audit resulting in this independent auditor's report is Weizero Banchiayehu Tamrat.

12 May 2024

Audit Services Corporation

**NATIONAL LOTTERY ADMINISTRATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 7 JULY 2022**

	Notes	Birr	2021 Birr
SALES			
Proceeds from ticket sales	3	877,995,020	862,058,135
Less: Sales commission	4	<u>142,799,843</u>	<u>144,394,503</u>
		735,195,177	717,663,632
PRIZES			
	5	<u>400,219,631</u>	<u>442,713,588</u>
GROSS SURPLUS			
		334,975,546	274,950,043
Less: Value added tax		<u>43,558,448</u>	<u>35,965,951</u>
		291,417,098	238,984,093
Other income	6	<u>255,238,215</u>	<u>237,986,019</u>
		<u>546,655,313</u>	<u>476,970,111</u>
EXPENSES			
Operating	7	153,895,105	137,874,029
Administrative - Head Office	8	35,047,446	25,574,707
Advertising and sales promotion		25,601,487	10,061,095
Audit fee		560,000	630,000
Drawing expenses		<u>206,470</u>	<u>272,985</u>
		<u>215,310,508</u>	<u>174,412,816</u>
PROFIT FOR THE YEAR			
		<u>331,344,805</u>	<u>302,557,296</u>

**NATIONAL LOTTERY ADMINISTRATION
BALANCE SHEET
AS AT 7 JULY 2022**

	Notes	Birr	2021 Birr
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	<u>195,098,924</u>	<u>141,699,690</u>
CURRENT ASSETS			
Stock	10	53,019,415	68,619,328
Debtors	11	36,778,086	61,115,887
Cash and bank balances		<u>316,288,171</u>	<u>222,006,060</u>
		<u>406,085,672</u>	<u>351,741,275</u>
TOTAL ASSETS		<u>601,184,596</u>	<u>493,440,966</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Capital	12	100,000	100,000
Reserve		1,000,000	1,000,000
Contributions	13	<u>1,516,898</u>	<u>1,516,898</u>
TOTAL EQUITY		<u>2,616,898</u>	<u>2,616,898</u>
NON-CURRENT LIABILITIES			
Ministry of Finance and Economic Development	14	<u>267,361,213</u>	<u>206,557,711</u>
CURRENT LIABILITIES			
Creditors	15	120,982,548	91,638,073
Millinium Lottery Payable to MOF		-	4,509,399
Prizes payable	16	<u>210,223,937</u>	<u>188,118,884</u>
		<u>331,206,485</u>	<u>284,266,356</u>
TOTAL EQUITY AND LIABILITIES		<u>601,184,596</u>	<u>493,440,966</u>

**NATIONAL LOTTERY ADMINISTRATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 7 JULY 2022**

	Birr	2021 Birr
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	331,344,805	302,557,296
Adjustments for		
Depreciation of non-current assets	11,925,770	7,489,486
Transfr from store	<u>96,444,508</u>	<u>14,854,018</u>
	439,715,083	324,900,801
Movements in working capital		
(Increase) /decrease in stock	15,599,913	(13,896,804)
Increase in debtors	24,337,801	(16,320,688)
(Decrease)/ increase in creditors	29,344,475	23,408,509
(Decrease)/ increase in millinuim Lottry Payable	(4,509,399)	(2,359)
Increase in prizes payable	<u>22,105,053</u>	<u>48,754,430</u>
Net cash generated by operating activities	<u>526,592,927</u>	<u>366,843,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(161,769,512)	(51,378,073)
Net cash used in investing activities	<u>(161,769,512)</u>	<u>(51,378,073)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to Central Treasury	(180,353,062)	(170,192,948)
Accrual to Ministry of Finance	(90,188,241)	(58,510,377)
Net cash used in financing activities	<u>(270,541,303)</u>	<u>(228,703,325)</u>
Increase in cash and cash equivalents	94,282,111	86,762,491
Cash and cash equivalents at the beginning of the year	<u>222,006,060</u>	<u>135,243,569</u>
Cash and cash equivalents at the end of the year	<u>316,288,171</u>	<u>222,006,060</u>

NATIONAL LOTTERY ADMINISTRATION

NOTES TO THE FINANCIAL STATEMENTS

1. ENTERPRISE INFORMATION

The National Lottery Administration was established over 60 years ago. The present Administration was re-established in February 2009 as an autonomous federal agency having its own legal personality. Its main objective is to undertake and supervise lottery activities.

Current lotteries are of two basic types – lottery tickets with instant prizes, such as scratch able tickets, and games with pre-printed tickets whereby the draw is at a fixed future date.

The Administration has its Head Office in Addis Ababa, Ethiopia and branches throughout the country.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the measurement of impaired assets at their recoverable amounts. The principal accounting policies are set out below.

c) Revenue

Revenue from pre-printed ticket and the corresponding prizes are recognized as at the date of the draw. Revenue from games with instant prizes is recognized when sales are affected.

d) Prizes

Prizes remaining unclaimed for six months from the date of a draw are forfeited.

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Other income

i) Finance revenue

Finance revenue comprises interest receivable from bank deposits and is recognized as it accrues in profit or loss.

ii) Other operating income

Other income is recognized when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably.

f) Stock

Stock is valued on the basis of average cost.

g) Tangible assets

i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum.

	<u>%</u>
Buildings	5
Motor vehicles	20
Miscellaneous equipment	10

ii) Construction in progress

Constructions in progress are included under property, plant and equipment and comprise costs incurred on ongoing capital works.

h) Taxation

The Administration is not subject to income tax on its profits.

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

Financial assets and financial liabilities are recognized when the Enterprise becomes a party to the contractual provisions of the instrument. They are initially measured at fair value.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current and deposit accounts and short term, highly liquid investments with maturity periods of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks net of short-term finances.

k) Distribution of profit

The profit for the year is due to the Ministry of Finance and Economic Development.

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 PROCEEDS FROM TICKET SALE

	Birr	2021 Birr
Instant lottery	69,040,940	116,363,610
Regular draws	15,924,900	62,170,785
Tombola	65,260,250	50,719,500
Bingo	230,183,890	169,832,320
Special draws	139,470,260	146,794,300
Enkutatash	155,456,000	161,861,660
Edil	(1,089,800)	2,922,800
X-mass	87,633,450	42,006,010
Tinsea	53,904,370	50,150,000
Ex-Special	<u>62,210,760</u>	<u>59,338,400</u>
	<u>877,995,020</u>	<u>862,159,385</u>

4 SALES COMMISSION

	Birr	2021 Birr
Instant lottery	11,974,578	20,347,423
Regular draws	2,079,790	10,796,178
Tombola	10,058,450	8,444,663
Bingo	37,495,959	29,316,543
Special draws	22,643,479	23,985,150
Enkutatash	25,297,400	26,010,939
Edil	-	307,500
X-mass	14,222,658	6,928,352
Tinsae	8,761,856	8,320,015
Ex-Special	<u>10,265,674</u>	<u>9,937,742</u>
	<u>142,799,843</u>	<u>144,394,503</u>

5 PRIZES due

	Birr	2021 Birr
Instant lottery	32,449,242	56,500,397
Regular draws	8,565,480	49,379,880
Tombola	22,560,727	30,767,658
Bingo	105,124,983	77,675,454
Special draws	86,113,200	17,263,200
Enkutatash	68,850,000	68,850,000
Edil	-	85,525,000
X-mass	35,800,000	16,377,000
Tinsae	16,758,000	16,377,000
Ex-Special	<u>23,998,000</u>	<u>23,998,000</u>
	<u>400,219,631</u>	<u>442,713,588</u>

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

	Birr	2021 Birr
6 OTHER INCOME		
Promotion , game permits and Tombola	193,855,198	164,792,537
Unclaimed prizes	30,103,067	26,571,334
Unsold and duplicate ending	27,848,705	43,611,720
Miscellaneous	<u>4,584,083</u>	<u>3,010,428</u>
	<u>256,391,053</u>	<u>237,986,019</u>

	Birr	2021 Birr
7 OPERATING EXPENSES		
Salaries and staff benefits	73,094,037	66,274,186
Printing of tickets	57,132,959	56,096,124
Freight	205,458	55,063
Rent	7,784,589	6,698,089
Per diem and desert allowance	8,356,428	5,652,685
Entertainment	5,017,508	1,130,857
Communications	1,648,805	1,104,608
Managerial allowance	55,400	325,550
Utility	420,469	404,552
Miscellaneous	<u>179,451</u>	<u>132,313</u>
	<u>153,895,105</u>	<u>137,874,029</u>

	Birr	2021 Birr
8 ADMINISTRATIVE EXPENSES - HEAD OFFICE		
Car running	2,797,112	2,375,298
Depreciation	11,925,771	7,489,486
Cleaning and sanitation	2,636,782	2,484,832
Uniforms	3,732,766	2,956,701
Insurance	1,938,872	1,566,705
Stationery and office supplies	2,892,741	2,322,711
Professional fees	1,102,980	407,768
Membership fees	2,982	97,052
Repair and maintenance	4,142,365	4,082,070
Miscellaneous	<u>3,875,075</u>	<u>1,792,084</u>
	<u>35,047,446</u>	<u>25,574,707</u>

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT

	Balance at 7 July 2021 Birr	Additions Birr	Adjustments Birr	Balance at 7 July 2022 Birr
COST				
Buildings	49,442,283	71,233,256	-	120,675,539
Motor vehicles	46,866,890	3,871,691		50,738,581
Furniture and equipment	22,089,992	4,213,863		26,303,855
Drawing machines	559,845			559,845
Miscellaneous equipment	4,376,690	2,501,807		6,878,497
Assets in store	1,697,183	61,544,829	- 25,242,587	37,999,425
Constructions in progress	<u>76,868,579</u>	<u>18,404,066</u>	<u>- 71,201,921</u>	<u>24,070,724</u>
	<u>201,901,462</u>	<u>161,769,512</u>	<u>- 96,444,508</u>	<u>267,226,467</u>
DEPRECIATION				
Buildings	10,978,647	5,809,081	-	16,787,728
Motor vehicles	34,951,055	3,980,675	-	38,931,730
Furniture and equipment	11,644,514	1,771,880	-	13,416,394
Drawing machines	559,844	-	-	559,844
Miscellaneous equipment	<u>2,067,712</u>	<u>364,134</u>	<u>-</u>	<u>2,431,846</u>
	<u>60,201,772</u>	<u>11,925,771</u>	<u>-</u>	<u>72,127,543</u>
NET BOOK VALUE	<u>141,699,690</u>			<u>195,098,924</u>

10 STOCK

	Birr	2021 Birr
Printed tickets	37,905,013	46,829,974
General stores	14,593,787	21,390,613
Advertising materials	<u>520,615</u>	<u>398,741</u>
	<u>53,019,415</u>	<u>68,619,328</u>

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

11 DEBTORS

	Birr.	2021 Birr
Trade debtors	6,220,654	4,010,922
Staff receivables	27,734,247	47,383,747
Deposits and prepayments	10,286,466	17,188,336
Sundry receivables	<u>1,715,979</u>	<u>1,712,142</u>
	45,957,346	70,295,147
Less: Provision for doubtful debts	<u>(9,179,260)</u>	<u>(9,179,260)</u>
	<u>36,778,086</u>	<u>61,115,887</u>

12 RESERVE

The reserve may be used only for the settlement of prize winners claims in the event of a cash shortage.

13 CONTRIBUTIONS

Contributions were given freely and unconditionally.

14 MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

	Birr	2021 Birr
Balance at 7 July 2021	206,557,711	132,703,740
Profit for the year	<u>331,344,805</u>	<u>302,557,296</u>
	537,902,516	435,261,036
Less: Payments during the year	(180,353,062)	(170,192,948)
Accrued for 8 April -7 July,2022	<u>(90,188,241)</u>	<u>(58,510,377)</u>
	<u>267,361,213</u>	<u>206,557,711</u>

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

15 CREDITORS

	Birr	2021 Birr
Taxes	16,148,378	19,149,239
Trade	174,240	174,240
Accruals	95,077,261	62,999,416
Retention	5,821,962	4,996,492
Fund in Diposit	1,422,820	(421,332)
Sundry	<u>2,337,887</u>	<u>4,740,018</u>
	<u>120,982,548</u>	<u>91,638,073</u>

16 PRIZES PAYABLE

		2021 Birr
Instant lottery	79,985,834	79,662,679
Special draws	29,332,206	18,893,496
Tombola	22,522,726	21,869,041
Regular draws	-	16,257,348
Bingo	59,572,528	40,958,884
Tinsae	9,293,036	4,750,188
Prize pyable ESD,Enkutatash ,Edil,tinsae	<u>9,517,607</u>	<u>5,727,249</u>
	<u>210,223,937</u>	<u>188,118,884</u>

17 RETIREMENT BENEFIT OBLIGATIONS

The Administration makes contributions to a statutory defined pension scheme. The employer and the employee make contributions of 11% and 7% of the employee's basic salary as determined by statute.

NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INCORPORATION

The Administration is incorporated in Ethiopia under the National Lottery Administration Re-establishment Council of Ministers Regulation 160/2009 and is domiciled in Ethiopia.

19 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Ethiopian Birr.

20 EVENTS AFTER THE REPORTING PERIOD

The Administration is registered by Ministry of Trade and Regional Intergation on 8 Hamle 2015 to get its trade licence by the name of Ethiopian Lottery Service with a capital of Birr 471,642,792 and the type of activities to be engaged are:

- a) Financial intermidiation, Insurance, Real estate and Business services and
- b) Community, Social and Personal services.

21 DATE OF AUTHORIZATION

The Administration's Director General authorized the issue of these financial statements on 12 May 2024.