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**AUDIT SERVICES
CORPORATION**

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
(GEQIP II)
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2020



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**The Federal Democratic Republic of Ethiopia
Audit Services Corporation**

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS OF
MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II**

We have audited the accompanying financial statements of General Education Quality Improvement Program Phase II of the Federal Democratic Republic of Ethiopia, Ministry of Finance, which comprise the balance sheet as at 7 July 2020, 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.

Responsibility for the Financial Statements

The Ministry of Finance (MoF) 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 it 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
MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II (continued)**

Basis for Qualified Opinion

The balance sheet showed net current asset of Birr 26,970,035 as at 7 July 2020 out of which Birr 23,320,359 (86%) of it was cash. Consequently, taking in to consideration the closure of the program, in our opinion the cash should either be returned to the financier or justified.

Qualified Opinion

In our opinion except for the possible effects of the matter described in the *Basis for Qualified Opinion paragraph*, the financial statements give a true and fair view of the financial position of General Education Quality Improvement Program Phase II (GEQIP II) of the Federal Democratic Republic of Ethiopia, Ministry of Finance as at 7 July 2020 and of its financial performance and 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 World Bank guidelines we report that, to the extent we can assess:-

- all 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;
- counter-part funds have been provided and used in accordance with the financing agreement and only for the purposes for which the financing were 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 Program activities;
- the funds disbursed covered expenditures that are eligible for financing under IDA Credit No. 5315 ET, Multi Donors Trust Fund 18053, Global Partnership for Education Fund TF0A4619, and Multi-Donor Trust Fund TF0A6267
- our examination revealed no weaknesses or irregularities in the systems of internal controls over financial expenditure other than those reported in our management letter; and

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**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II (continued)**

Reports on other requirements (continued)

- with respect to IFR based withdrawal applications submitted during the year ended 7 July 2020 and listed on page 12, in our opinion;
 - a) the applications 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 World Bank for reimbursements of expenditures incurred; and
 - c) Which expenditures are eligible for financing under IDA Credit No. 5315 ET, Multi Donors Trust Fund 18053, and Global Partnership for Education Fund TF0A4619 and Multi-Donor Trust Fund TF0A6267

Audit Services Corporation

12 February 2021

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE
BALANCE SHEET
AS AT 7 JULY 2020

	Notes	Birr	2019 Birr
CURRENT ASSETS			
Debtors	3	5,134,436	9,444,009
Cash and bank balances	4	<u>23,320,359</u>	<u>54,731,859</u>
		28,454,794	64,175,868
CURRENT LIABILITIES			
Creditors	5	<u>1,484,760</u>	<u>122,588,517</u>
NET CURRENT ASSETS		<u>26,970,035</u>	<u>(58,412,648)</u>
REPRESENTED BY			
ACCUMULATED FUND	6	<u>26,970,035</u>	<u>(58,412,648)</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2020

		Cumulative for the period from 18 February 2014 to 7 July 2020	7 July 2019
	Birr	Birr	Birr
SOURCES			
IDA credit and grant	39,698	2,323,178,672	12,297,188
Multi donors trust fund		3,229,285,681	56,749,504
Global Partners for Education	40,119,894	3,157,945,187	-
Fast Track Initiative Catalytic Trust Fund	-	189,400,400	-
Fund transfer from teachers Development Program (TDP)	-	43,575,894	-
Government Contribution	93,779,082	93,779,082	
Gain on foreign exchange	2,174,902	43,988,021	516,601
	136,113,576	9,081,152,937	69,563,293
Direct payment and special commitment			
IDA Credit and grant	-	331,946,094	-
Multi donors trust fund	112,144,445	1,407,646,477	167,297,846
Global Partners for Education	863,643,192	1,174,237,805	279,007,594
	<u>1,111,901,213</u>	<u>11,994,983,313</u>	<u>515,868,733</u>
USES			
Curriculum Framework	954,798	954,798	
Pre-service education quality improvement	329,825	977,026,362	7,840,437
In-service education quality improvement	886,527	1,407,157,358	37,587,659
School grants	3,510,382	5,460,196,311	64,780,777
School improvement program	-	107,300,793	3,460,440
Teaching and learning materials	1,014,751,199	3,166,377,047	450,200,747
Capital development for education planning and management	-	28,923,961	475,021
Capital development for school planning and management	-	39,531,810	-
Education materials	-	63,530,869	-
Curriculum reforms and implementation	-	139,926,884	122,311,891
Program coordination	5,411,809	108,952,053	17,557,424
Monitoring and evaluation	3,038	33,246,039	17,340,229
Assessment and examination	-	55,389,391	21,580,708
Inspection	-	73,231,269	1,976,226
Communication	4,725	69,528,506	1,395,142
Licensing	665,327	164,020,673	11,128,938
National policy and institution for ICT	-	14,830	-
Leadership program	-	13,682,433	702,899
Support and capacity building	900	59,021,891	9,384,117
	<u>1,026,518,530</u>	<u>11,968,013,278</u>	<u>767,722,653</u>
EXCESS/ (DEFICIT) OF SOURCES OVER USES	<u>85,382,683</u>	<u>26,970,035</u>	<u>(251,853,920)</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
DESIGNATED ACCOUNT STATEMENT

For the Year ended 7 July 2020
Account number 0100101300482
Depository bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Related credit IDA Credit No. ET- 5315, Multi Donors Trust Fund Grant No. TF-18053, Global Partnership for Education Fund Trust Grant Nos TF-16684 and TF-0A4619, Education for All- Fast Track Initiative Catalytic Trust Fund Grant No TF-0A4701

Currency USD

	USD	Ethiopian Birr
Beginning balance 8 July 2019	0.49	14.18
Add: Fund received during the year	<u>1,365,191.76</u>	<u>40,159,591.18</u>
	1,365,192.25	40,159,605.36
Less: Transfer to pool Birr account	1,365,192.00	42,224,159.89
Transfer to Ministry of Education	<u>-</u>	<u>-</u>
	0.25	-2,064,554.53
Gain on foreign exchange	<u>-</u>	<u>2,064,563.29</u>
Ending balance – 7 July 2020	<u>0.25</u>	<u>8.76</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II (GEQIP II)
NOTES TO THE FINANCIAL STATEMENTS

1. PROGRAM INFORMATION

The objective of the General Education Quality Improvement Program Phase II (GEQIP II) is to support Ethiopia's efforts to increase the quality of general education within its territory through improving teaching and learning conditions in schools as well as enhancing management planning and budget capacity of the Ministry of Education and of the Regional Education Bureaus respectively. In an agreement dated 5 December 2013, under credit number 5315 ET, The International Development Association (IDA) agreed to extend a credit in an amount equivalent to Special Drawing Rights (SDR) variously credit financing to assist in financing the project which will be supervised through the Ministry of Education with Ministry of Finance being responsible for overall financial management of the Program. The program was closed at 31 December 2019. The withdrawal application deadline was 30 June 2020.

The program is also financed by:-

a) International Development Association

-IDA credit number 5315 ET USD 130 million (85.5 Special Drawing Right)

b) The World Bank administered Grant TF Multi Donors Trust Fund

-TF18053-USD 212 Million

-TF0A6267-USD 18 million

c) Global Partnership for Education Fund Grant

-TF16684-USD 100 million

-TFA4619-USD 62.5 million

-TFA4701-USD 7 million

The government also intends to contribute the equivalent of approximately USD 78 million of its own funds to assist in the financing of the GEQIP Program. The proposed Adaptable Program Loan (APL) will be implemented in two phases. The first phase is for over a period of four years and the second phase is also for a period of another four years respectively. The second phase of GEQIP has the following expenditure components

Component I - Curriculum, Textbooks Assessment and Inspection

Component II-Teacher development program

Component III-School improvement program

Component IV-Management and capacity building

Component V-Improving the quality of learning and teaching through the use of information and communication

Component VI-Program and coordination, monitoring, evaluation and communication of the GEQIP

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II (GEQIP II)
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES

The Principal accounting policies adopted by the Program, which are consistent with those applied in the previous years, are stated below.

a) Basis of preparation

These financial statements are prepared on a modified cash basis and in accordance with the accounting policy of the Government of the Federal Republic of Ethiopia.

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. Balances in foreign currencies at the statement of financial position date are translated at the rate of exchange prevailing on that date.

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 DEBTORS

	Birr	2019 Birr
Amhara National Regiona State	1,515,582	1,967,019
Benishangul Gumuz National Regional State	9,576	35,392
Harrari People National Regional State	-	6
Oromiya National Regional State	-	1
Southern Nations, Nationalities and People's Regional State	142,563	1,523,509
Dire Dawa City Administration	2,163	2,163
Dilla University	109,978	110,310
Ministry of Education	2,217,051	2,264,136
Addis Ababa City Administration	-	9,360
Haromaya University	136,307	136,306
Axum University	400,588	400,588
Arbaminch University	449,208	449,208
Assosa University	-	390,196
Wolaita Sodo University	-	2,004,395
Ambo University	<u>151,420</u>	<u>151,420</u>
	<u>5,134,436</u>	<u>9,444,010</u>

4 CASH AND BANK BALANCES

	Birr	2019 Birr
US Dollar account	9	14
Main Birr account	1,407,307	5,709,532
Cash and bank balances in regional states, City Administrations		
MoE, MoF Administration and Universities	<u>21,913,043</u>	<u>49,022,313</u>
	<u>23,320,359</u>	<u>54,731,859</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
NOTES TO THE FINANCIAL STATEMENTS (continued)

5 CREDITORS

	Birr	2019 Birr
Addis Ababa City Administration	-	14,631
Amhara National Regional State	4,075	88,972
Ministry of Education	983,657	121,676,511
Oromiya National Regional State	100	19,792
Southern Nations, Nationalities and People's Regional State	196,142	406,710
Tigray National Regional State	-	7
Arbaminch University	24,142	24,142
Axum University	-	59,042
Dilla University	107,513	107,513
Haromaya University	147,751	147,751
Mekele University	21,381	21,381
Welayta-Sodo University	-	8,211
Assossa University	-	13,853
	<u>1,484,760</u>	<u>122,588,515</u>

6 ACCUMULATED FUND

	Birr
Balance at 8 July 2019	(58,412,648)
(Deficit)/Excess of Sources over Uses of funds of the current year	<u>85,382,683</u>
Balance at 7 July 2020	<u>26,970,035</u>

7 DATE OF AUTHORIZATION

Channel One Programs Coordinating Directorate Director of The Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 12 February 2021.

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITTED FROM 8 JULY 2019 TO 7 JULY 2020

Application Number	USD	BIRR
Balance 8 July 2019	439,786,363.87	9,637,106,267
GEQIP II -081	1,348.87	39,698
GEQIP II-082	<u>1,363,842.89</u>	<u>40,119,894</u>
	<u>441,151,555.63</u>	<u>9,677,265,858</u>

Application for special commitment number		
GEQUIP II DP01	327,120.00	9,501,953
GEQUIP II DP023A	267,210.86	7,785,402
GEQUIP II DP027A	277,602.70	8,035,849
GEQUIP II DP030A	734,366.56	21,449,011
GEQUIP II SC028	253,934.40	7,356,022
GEQUIP II SC031	283,170.26	8,202,933
GEQUIP II SC033	3,172,835.02	100,292,407
GEQUIP II SC034	5,318,356.43	158,919,406
GEQUIP II SC036	<u>18,190,979.00</u>	<u>542,100,210</u>
	<u>28,825,575.23</u>	<u>863,643,192</u>
	<u><u>469,977,130.86</u></u>	<u><u>10,540,909,050.40</u></u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
RECONCILIATION FOR THE FOUR QUARTERS OF 2012 E.C (2020 G.C)
INTERIM FINANCIAL REPORTS (IFRS)
WITH THE YEAR END STATEMENT OF
SOURCE AND USES OF FUNDS AND BALANCE SHEET

	Year ended	1st Quarter Birr	2nd Quarter Birr	3rd Quarter Birr	4th Quarter Birr	Cumulative 18 Feb. 2014 to 7 July 2020 Birr
Sources						
Balance 8 July 2019						<u>10,883,082,100</u>
Collection during the year						
Cash transfer	7 July 2020	40,159,591	-	-	93,779,083	133,938,674
Direct Payments						
and special commitments	7 July 2020	606,206,365	150,700,036	192,676,225	26,205,012	<u>975,787,638</u>
						<u>1,109,726,312</u>
Gain on foreign exchange						<u>2,174,902</u>
						<u>1,111,901,214</u>
						<u>11,994,983,314</u>
Expenditures						
Balance 8 July 2019						10,941,494,748
Program expenditures						<u>1,026,518,531</u>
Cumulative program expenditures	7 July 2020	<u>647,251,224</u>	<u>261,302,657</u>	<u>87,819,595</u>	<u>30,145,055</u>	<u>11,968,013,279</u>
Excess /(Deficiency) of sources over expenditures						<u>26,970,035</u>
Cash at bank						23,320,359
Cash on hand						
Advances						<u>5,134,436</u>
						28,454,794
Payables						<u>1,484,760</u>
Accumulated fund						<u>26,970,035</u>