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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 2019



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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 2019, 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.

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**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II**
(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 General Education Quality Improvement Program Phase II (GEQIP II) of the Federal Democratic Republic of Ethiopia, Ministry of Finance as at 7 July 2019 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)**

- with respect to IFR based withdrawal applications submitted during the year ended 7 July 2019 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.

Audit Services Corporation

6 January 2020

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
PHASE II
BALANCE SHEET
AS AT 7 July 2019

	Notes	Birr	2018 Birr
CURRENT ASSETS			
Debtors	3	9,444,010	57,095,157
Cash and bank balances	4	<u>54,731,859</u>	<u>139,537,468</u>
		64,175,869	196,632,625
CURRENT LIABILITIES			
Creditors	5	<u>122,588,517</u>	<u>3,191,353</u>
NET CURRENT ASSETS		<u>(58,412,658)</u>	<u>193,441,272</u>
REPRESENTED BY			
ACCUMULATED FUND	6	<u>(58,412,648)</u>	<u>193,441,272</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2019

		Cumulative for the period from 18 February 2014 to 7 July 2019	7 July 2018
	Birr	Birr	Birr
SOURCES			
IDA credit	12,297,188	2,323,138,974	515,382,879
Multi donors trust fund	56,749,504	3,229,285,681	659,523,808
Global Partners for Education	-	3,117,825,293	1,280,437,135
Fast Track Initiative Catalytic Trust Fund	-	189,400,400	189,400,400
Fund transfer from teachers			
Development Program (TDP)	-	43,575,894	-
Gain on foreign exchange	<u>516,601</u>	<u>41,813,119</u>	<u>4,843,895</u>
	69,563,293	8,945,039,361	2,649,588,117
Direct payment and special commitment			
IDA Credit and grant	-	331,946,094	73,868,699
Multi donors trust fund	167,297,846	1,295,502,032	608,825,661
Global Partners for Education	<u>279,007,594</u>	<u>310,594,613</u>	<u>31,587,019</u>
	515,868,733	10,883,082,100	3,363,869,496
USES			
Pre-service education quality improvement	7,840,437	976,696,537	412,858,583
In-service education quality improvement	37,587,659	1,406,270,831	674,409,533
School grants	64,780,775	5,456,685,928	1,402,612,568
School improvement program	3,460,440	107,300,793	41,364,721
Teaching and learning materials	450,200,747	2,151,625,849	759,521,005
Capital development for education planning and management	475,021	28,923,961	14,424,090
Capital development for school planning and management	-	39,531,810	-
Education materials	-	63,530,869	-
Curriculum reforms and implementation	122,311,891	139,926,884	14,751,819
Program coordination	17,557,424	103,540,244	29,201,301
Monitoring and evaluation	17,340,229	33,243,001	3,076,419
Assessment and examination	21,580,708	55,389,391	9,117,744
Inspection	1,976,226	73,231,269	35,961,592
Communication	1,395,142	69,523,781	15,545,610
Licensing	11,128,938	163,355,346	42,673,337
National policy and institution for ICT	-	14,830	-
Leadership program	702,899	13,682,433	10,259,601
Support and capacity building	<u>9,384,117</u>	<u>59,020,991</u>	<u>30,594,751</u>
	767,722,651	10,941,494,748	3,496,372,674
(DEFICIT) OF SOURCES OVER USES	<u>(251,853,920)</u>	<u>(58,412,648)</u>	<u>(132,503,178)</u>

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

For the Year ended	7 July 2019
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, TF0A6267, 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 2018	249,341.49	6,803,681.50
Add: Fund received during the year	<u>2,429,998.00</u>	<u>69,046,692.17</u>
	2,679,339.49	75,850,373.67
Less: Transfer to pool Birr account	2,663,169.00	75,868,221.83
Transfer to Ministry of Education	<u>16,170.00</u>	<u>441,463.64</u>
	2,679,339.00	76,309,685.47
	0.49	-459,311.80
Gain on foreign exchange	=	<u>459,325.98</u>
Ending balance – 7 July 2019	<u>0.49</u>	<u>14.18</u>

MINISTRY OF FINANCE AND ECONOMIC COOPERATION
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 and financing" to assist in financing the project which will be supervised through the Ministry of Education with MoF being responsible for overall financial management of the Program.

The program is also financed by:-

- a) International Development Association
 - IDA credit number 5315 ET USD 130 million (85.8 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-USD100 million
 - TFA4619-USD 62 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 over a period of another four years respectively. The second phase of GEQIP has the following expenditure components.

Component I - Curriculum, text books and assessment, examination 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 AND ECONOMIC COOPERATION
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 Democratic 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	2018 Birr
Amhara National Regional State	1,967,019	2,645,874
Benishangul Gumuz National Regional State	35,392	9,576
Harrari People National Regional State	6	3,690
Oromiya National Regional State	1	7,699,768
Southern Nations, Nationalities and People's Regional State	1,523,509	15,073,477
Addis Ababa University	-	83,970
Dire Dawa City Administration	2,163	185,575
Dilla University	110,310	1,407,250
Hawassa University	-	243
Mekele University	-	149,717
Ministry of Education	2,264,137	26,447,229
Addis Ababa City Administration	9,360	11,445
Haromaya University	136,306	136,306
Axum University	400,588	400,588
Arbaminch University	449,208	5,352
Medawelabo University	-	34,500
Assosa University	390,196	390,196
Wollega University	-	265,961
Wolaita Sodo University	2,004,395	2,004,395
Ambo University	151,420	140,045
	<u>9,444,010</u>	<u>57,095,157</u>

4 CASH AND BANK BALANCES

	Birr	2018 Birr
US Dollar account	14	6,803,682
Main Birr account	5,709,532	4,410,227
Cash and bank balances in regional states, City Administrations		128,323,559
MoE, MoF Administration and Universities	49,022,313	-
	<u>54,731,859</u>	<u>139,537,468</u>

MINISTRY OF FINANCE

GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 CREDITORS

	Birr	2018 Birr
Addis Ababa City Administration	14,631	100,783
Amhara National Regional State	88,971	2,730
Benishangul Gumuz National Regional State	-	20,920
Dire Dawa City Administration	1	508
Harrari People National Regional State	-	8,761
Ministry of Education	121,676,512	1,219,442
Oromiya National Regional State	19,792	457,729
Southern Nations, Nationalities and People's Regional State	406,710	625,983
Tigray National Regional State	7	100
Addis Ababa University	-	14,772
Arbaminch University	24,142	10,003
Axum University	59,042	59,042
Wollega University	-	4,404
Debre Birhan University	-	40,866
Bahir Dar University	-	-
Dilla University	107,513	194,149
Haromaya University	147,751	147,751
Mekele University	21,381	38,277
Meda-Welabo University	-	9,791
Welayta-Sodo University	8,211	8,211
Wollo University	-	-
Jimma University	-	177,370
Assossa University	13,853	13,853
MoF Administration	-	35,908
	<u>122,588,517</u>	<u>3,191,353</u>

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

6 ACCUMULATED FUND

	Birr
Balance at 8 July 2018	193,441,272
(Deficit) of Sources over Uses of funds	<u>(251,853,920)</u>
Balance at 7 July 2019	<u>(58,412,648)</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 6 January 2020.

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS submitted during from 8 July 2018 to 7 July 2019

Application Number	USD	BIRR
Balance 8 July 2018	437,356,365.87	9,568,059,575
GEQIP II -080	432,781.66	12,297,188
GEQIP II-081	<u>1,997,216.34</u>	<u>56,749,504</u>
	<u>2,429,998.00</u>	<u>69,046,692</u>
	<u>439,786,363.87</u>	<u>9,637,106,267</u>
Application for special commitment number		
GEQIP II DP024	1,196,752.12	34,089,963
GEQIP II SC020	544,307.04	15,053,410
GEQIP II SC021	914,933.35	24,987,928
GEQIP II SC023	673,642.78	18,415,637
GEQIP II SC025	2,698,700.18	74,750,908
GEQIP II SC026	1,015,160.19	28,099,731
GEQIP II SC027	1,110,410.69	30,712,738
GEQIP II SC028	1,015,737.60	27,982,047
GEQIP II SC029	289,994.83	7,990,576
GEQIP II SC030	3,816,013.14	106,782,896
GEQIP II SC031	1,132,681.02	31,992,163
GEQIP II SC032	<u>1,608,182</u>	<u>45,447,443</u>
	<u>16,016,514.94</u>	<u>446,305,440</u>
TOTAL	<u>455,802,879</u>	<u>10,083,411,707</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
FOR THE FOUR QUARTERS OF 2011E.C. (2019 G.C.)
WITH THE YEAR END STATEMENT OF SOURCE AND USES OF FUNDS
AND BALANCE SHEET

						Cumulative 18 Feb. 2014 to 7-Jul-19 Birr
	Year ended	1st Quarter Birr	2nd Quarter Birr	3rd Quarter Birr	4th Quarter Birr	
Sources						
Balance 8 July 2018						10,370,476,262
Collection during the year						
Cash transfer	7 July 2019	69,046,692	-	-	-	69,046,692
Direct Payments and special commitments	7 July 2019	<u>142,401,220</u>	<u>111,161,273</u>	<u>183,525,732</u>	<u>9,217,214</u>	<u>446,305,439</u>
		<u>211,447,912</u>	<u>111,161,273</u>	<u>183,525,732</u>	<u>9,217,214</u>	<u>515,352,131</u>
Gain on foreign exchange						<u>516,601</u>
						10,886,344,994
Expenditures						
Balance 8 July 2018						10,177,034,989
Program expenditures	7 July 2019	<u>225,360,651</u>	<u>175,174,238</u>	<u>181,654,344</u>	<u>185,533,420</u>	<u>767,722,653</u>
Cumulative program expenditures						10,944,757,642
(Deficiency) of sources over expenditures						<u>(58,412,648)</u>
Cash at bank						54,665,743
Cash on hand						66,116
Advances						<u>9,444,010</u>
						64,175,869
Payables						<u>(122,588,517)</u>
Accumulated fund						<u>(58,412,648)</u>