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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.

ASC

**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 financer 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
<b>CURRENT ASSETS</b>			
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
<b>CURRENT LIABILITIES</b>			
Creditors	5	<u>1,484,760</u>	<u>122,588,517</u>
<b>NET CURRENT ASSETS</b>		<b><u>26,970,035</u></b>	<b><u>(58,412,648)</u></b>
<b>REPRESENTED BY</b>			
<b>ACCUMULATED FUND</b>	6	<b><u>26,970,035</u></b>	<b><u>(58,412,648)</u></b>

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

	Birr	Cumulative for the period from <b>18 February 2014</b> to <b>7 July 2020</b>	Birr	<b>7 July 2019</b> Birr
		Birr		
<b>SOURCES</b>				
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	<u>2,174,902</u>	<u>43,988,021</u>		<u>516,601</u>
	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	<u>863,643,192</u>	<u>1,174,237,805</u>		<u>279,007,594</u>
	<b><u>1,111,901,213</u></b>	<b><u>11,994,983,313</u></b>		<b><u>515,868,733</u></b>
<b>USES</b>				
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	<u>900</u>	<u>59,021,891</u>		<u>9,384,117</u>
	<b><u>1,026,518,530</u></b>	<b><u>11,968,013,278</u></b>		<b><u>767,722,653</u></b>
<b>EXCESS/ (DEFICIT) OF SOURCES OVER USES</b>				
	<b><u>85,382,683</u></b>	<b><u>26,970,035</u></b>		<b><u>(251,853,920)</u></b>

**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 Partnershipfor 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

	<b>USD</b>	<b>Ethiopian Birr</b>
Beginning balance 8 July 2019	0.49	14.18
Add: Fund received during the year	<u>1,365,191.76</u> 1,365,192.25	<u>40,159,591.18</u> 40,159,605.36
Less: Transfer to pool Birr account Transfer to Ministry of Education	1,365,192.00 _____ -	42,224,159.89 _____ -
	0.25	-2,064,554.53
Gain on foreign exchange	_____ -	<u>2,064,563.29</u>
Ending balance – 7 July 2020	<u><b>0.25</b></u>	<u><b>8.76</b></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>
	<b><u>5,134,436</u></b>	<b><u>9,444,010</u></b>

**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>
	<b><u>23,320,359</u></b>	<b><u>54,731,859</u></b>

**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	-	<u>13,853</u>
	<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 SUBMITED FROM 8 JULY 2019 TO 7 JULY 2020**

<b>Application Number</b>	<b>USD</b>	<b>BIRR</b>
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>
 <b>Application for special commitment number</b>		
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>469,977,130.86</u>	<u>10,540,909,050.40</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 STATMNT OF  
SOURCE AND USES OF FUNDS AND BALANCE SHEET**

Sources	Year ended	1st	2nd	3rd	4th	Cumulative
		Quarter	Quarter	Quarter	Quarter	18 Feb. 2014 to 7 July 2020
	Birr	Birr	Birr	Birr	Birr	
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						
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>	10,941,494,748
Cumulative program expenditures						<u>1,026,518,531</u> <u>11,968,013,279</u>
Excess / (Deficiency) of sources over expenditures						<b><u>26,970,035</u></b>
Cash at bank						23,320,359
Cash on hand						<u>5,134,436</u>
Advances						28,454,794
Payables						<u>1,484,760</u>
Accumulated fund						<b><u>26,970,035</u></b>