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AUDIT SERVICES  
CORPORATION

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

MINISTRY OF FINANCE

GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY

(GEQIP-E)

INVESTMENT PROJECT FINANCING (IPF)

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 FOR EQUITY INVESTMENT PROJECT FINANCING (IPF)

We have audited the accompanying financial statements of General Education Quality Improvement Program for Equity, Investment Project Financing (IPF) 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.

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**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
MINISTRY OF FINANCE  
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY  
INVESTMENT PROJECT FINANCING (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 For Equity (GEQIP-E), Investment Financing Project (IPF) 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.D262ET;
- Our examination revealed no weaknesses and irregularities in the systems of internal controls over financial expenditure; and
- 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;

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**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
MINISTRY OF FINANCE  
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY  
INVESTMENT PROJECT FINANCING (continued)**

**Reports on other requirements (continued)**

- 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 Number D262 ET

*audit Services Corporation*

6 January 2021

**MINISTRY OF FINANCE**  
**GENERAL EDUCATION QUALITY IMPROVEMENT**  
**PROGRAM FOR EQUITY**  
**INVESTMENT FINANCING PROJECT**  
**BALANCE SHEET**  
**AS AT 7 JULY 2020**

	Notes	Birr	2019
<b>CURRENT ASSETS</b>			
Debtors	3	300,403	54,548
Cash and bank balances	4	<u>215,285,165</u>	<u>16,592,078</u>
		<b>215,585,568</b>	<b>16,646,626</b>
<b>CURRENT LIABILITIES</b>			
Creditors	5	<u>82,610</u>	<u>371,814</u>
<b>NET CURRENT ASSETS</b>		<b><u>215,502,958</u></b>	<b><u>16,274,811</u></b>
<b>REPRESENTED BY</b>			
<b>FUND BALANCE</b>	6	<b><u>215,502,958</u></b>	<b><u>16,274,811</u></b>

**MINISTRY OF FINANCE**  
**GENERAL EDUCATION QUALITY IMPROVEMENT**  
**PROGRAM FOR EQUITY**  
**INVESTMENT FINANCING PROJECT**  
**STATEMENT OF SOURCES AND USES OF FUNDS**  
**FOR THE YEAR ENDED 7 JULY 2020**

	Birr	Cumulative for the period from 8 July 2018 to 7 July 2020 Birr	2019 Birr
<b>SOURCES</b>			
IDA grant	216,139,029	238,098,220	21,959,191
Gain on foreign exchange	<u>917,598</u>	<u>1,139,375</u>	<u>221,777</u>
	<b>217,056,627</b>	<b>239,237,595</b>	<b>22,180,968</b>
<b>USES</b>			
National Policy Framework for Pre-primary Education	539,325	539,325	-
Information Communication Technology for Education	135,270	135,270	-
Program management	17,030,177	22,908,550	5,878,373
Program evaluation	<u>123,708</u>	<u>151,492</u>	<u>27,784</u>
	<b><u>17,828,480</u></b>	<b><u>23,734,637</u></b>	<b><u>5,906,157</u></b>
<b>EXCESS OF SOURCES OVER USES</b>	<b><u>199,228,147</u></b>	<b><u>215,502,958</u></b>	<b><u>16,274,811</u></b>

**MINISTRY OF FINANCE  
GENERAL EDUCATION QUALITY IMPROVEMENT  
PROGRAM FOR EQUITY  
INVESTMENT FINANCING PROJECT  
USD DESIGNATED ACCOUNT STATEMENT  
FOR THE PERIOD ENDED 7 JULY 2020**

For the Year ended 7 July 2020  
 Account number 100101300561  
 Depository bank National Bank of Ethiopia  
 Address Addis Ababa, Ethiopia  
 Related Grant IDA Grant No. D262ET  
 Currency USD

	<b>USD</b>	<b>Ethiopian Birr</b>
Beginning balance 8 July 2019	181,515.93	5,252,508.31
Add: Fund received during the year	<u>6,308,435.83</u> <b>6,489,951.76</b>	<u>216,139,028.63</u> <b>221,391,536.94</b>
Less: Transfer to pool Birr account	<u>1,141,500.00</u>	<u>34,890,292.20</u>
	5,348,451.76	186,501,244.74
Gain on foreign exchange	—	917,597.30
Ending balance – 7 July 2020	<b><u>5,348,451.76</u></b>	<b><u>187,418,842.04</u></b>

**MINISTRY OF FINANCE  
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY  
(GEQIP-E) INVESTMENT PROJECT FINANCING (IPF)  
NOTES TO THE FINANCIAL STATEMENTS**

**1. PROGRAM INFORMATION**

The objective of the General Education Quality Improvement Program for Equity (GEQIP-E) Investment Project Financing (IPF) is to assist the implementation of General Education Quality Improvement Program for Equity (GEQIP-E). In an agreement dated 21 December 2017, under Grant number D262 ET, the International Development Association (IDA) agreed to extend a grant in an amount equivalent to Special Drawing Rights (SDR) variously “grant and 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 project consists of the following activities to assist with implementation of the program and to mitigate implementation risks:

- (a) Enhancing capacity for delivering sustained results in the program by providing technical assistance to MoE for:
  - i) Developing a national policy framework for expansion of early childhood education; and
  - ii) Integration of information communication technology (ICT) to improve education service delivery, including carrying out a study to review challenges’ and assess the impact of introducing ICT in the secondary schools, and making recommendation for policy reform and future intervention
- (b) Carrying out the following activities to enhance emergency response preparedness:
  - i) Provision of technical assistance to enhance the capacity of the Ministry of Education and the relevant regional and Woreda offices to prepare and implement an emergency strategy and plan for schools to with drought and other disaster;
  - ii) Providing immediate response to an Eligible Crises or Emergency, as needed.
- (c) Provision of technical assistance to MoE, and responsible agencies in the Regions and Woredas, to improve the Program management, implementation, monitoring and evaluation, and third party validation, as well as Project evaluation (including mid-term and end of Program evaluation).

**MINISTRY OF FINANCE  
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY  
(GEQIP-E) INVESTMENT PROJECT FINANCING (IPF)  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

The above financer's Program closing time and application deadline is as follows:-

<u>Financer</u>	<u>Application Closing Date</u>	<u>Application Deadline</u>
International Development Association IDA D262-ET	7 July 2022	November 2022

**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 currencies are translated into Birr at the approximate rates of exchange prevailing at the dates of the transaction. Balances in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing on that date

**MINISTRY OF FINANCE  
GENERAL EDUCATION QUALITY IMPROVEMENT  
PROGRAM FOR EQUITY  
INVESTMENT FINANCING PROJECT  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 DEBTORS**

	Birr	
Oromiya National Regional State	876	
Harari National Regional State	-	
Afar National Regional State	20	
Dire Dawa City Administration	157	
Addis Ababa City Administration	12,030	
Ministry of Education	<u>287,320</u>	
	<u><b>300,403</b></u>	
		<b>2019</b>
		<b>Birr</b>
		1,200
		53,348
		-
		-
		-
		<u><b>54,548</b></u>

**4 CASH AND BANK BALANCES**

	Birr	
US Dollar account	187,418,842	
Main Birr account	2,617,822	
Cash and bank balances in regional states, City Administration, MoE and MoF Administration	<u>25,248,501</u>	
	<u><b>215,285,165</b></u>	

	Birr	
	5,252,508	
	117,619	
	<u>11,221,951</u>	
	<u><b>16,592,078</b></u>	

**MINISTRY OF FINANCE  
GENERAL EDUCATION QUALITY IMPROVEMENT  
PROGRAM FOR EQUITY  
INVESTMENT FINANCING PROJECT  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5 CREDITORS**

	Birr	2019 Birr
Addis Ababa City Administration	486	149,850
Dire Dawa City Administration	2,520	-
Benishangul Gumuz National Regional State	1,000	1,395
Ministry of Education	-	86,605
Tigray National Regional State	7,510	6,450
Oromiya National Regional State	14,818	22,506
Southern Nations, Nationalities and People's Regional State	1,350	105,009
Afar National Regional State	14,700	-
Ministry of Finance-Administration	<u>40,226</u>	-
	<b><u>82,610</u></b>	<b><u>371,815</u></b>

**6 FUND BALANCE**

	Birr
Balance at 8 July 2019	16,274,811
Excess of Sources over Uses of funds of the current year	<u>199,228,147</u>
Balance at 7 July 2020	<b><u>215,502,958</u></b>

**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 Statement on 6 January 2021.

**GENERAL EDUCATION QUALITY IMPROVEMENT  
PROGRAM FOR EQUITY  
INVESTMENT FINANCING PROJECT  
IFR BASED WITHDRAWAL SCHEDULE  
FOR APPLICATIONS SUBMITTED FROM 8 JULY 2019 to  
7 JULY 2020**

<b>Application Number</b>	<b>USD</b>	<b>BIRR</b>
Balance 8 July 2019	781,515.93	21,959,191
GEQIP-E IPF-002	546,343.28	15,829,422
GEQIP-E IPF-005	264,134.22	8,408,158
GEQIP-E IPF-008	491,680.36	16,602,620
GEQIP-E IPF-009	<u>5,006,277.97</u>	<u>175,298,828</u>
	<b><u>7,089,951.76</u></b>	<b><u>238,098,220</u></b>

**MINISTRY OF FINANCE**  
**GENERAL EDUCATION QUALITY IMPROVEMENT**  
**PROGRAM FOR EQUITY**  
**INVESTMENT FINANCING PROJECT**  
**RECONCILLATION FOR THE FOUR QUARTERS OF 2012 E.C (2020 G.C)**  
**INTERIM FINANCIAL REPORTS (IFRS) WITH THE YEAR END**  
**STATMENT Of SOURCE AND USES OF FUNDS AND BALANCE SHEET**

	<b>Year ended</b>	<b>1st Quarter Birr</b>	<b>2nd Quarter Birr</b>	<b>3rd Quarter Birr</b>	<b>4th Quarter Birr</b>	<b>Cumulative 8 July 2018 to 7 July 2020 Birr</b>
Sources						
Balance 8 July 2019						
Cash Transfer						21,959,191
Gain on foreign exchange						<u>221,777</u>
						22,180,968
Collection during the year						
Cash transfer	7 July 2020	15,829,422	8,408,158	-	191,901,448	<u>216,139,029</u>
						<u>238,319,997</u>
Gain on foreign exchange						<u>917,598</u>
						<u>239,237,595</u>
Expenditures						
Balance 8 July 2019						5,906,157
Program expenditures	7 July 2020	<u>2,907,988</u>	<u>3,450,437</u>	<u>5,276,053</u>	<u>6,194,001</u>	<u>17,828,480</u>
Cumulative program expenditures						<u>23,734,637</u>
Excess /(Deficiency) of sources over expenditures						<u>215,502,958</u>
Cash at bank						215,283,760
Cash on hand						1,404.25
Advances						<u>300,403</u>
						<u>215,585,568</u>
Payables						82,610
Accumulated fund						<u>215,502,958</u>