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AUDIT SERVICES
CORPORATION

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC COOPERATION
GENERAL EDUCATION QUALITY IMPROVEMENT
PROGRAM PHASE II
MANAGEMENT LETTER
FOR THE YEAR ENDED 7 JULY 2017



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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 AND ECONOMIC COOPERATION
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 and Economic Cooperation, which comprise the balance sheet as at 7 July 2017, 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 and Economic Cooperation (MoFEC) 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 AND ECONOMIC COOPERATION
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 and Economic Cooperation as at 7 July 2017 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 Grant No.18053, Global Partnership for Education Fund Grant No.16684
- 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 AND ECONOMIC COOPERATION
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 2017 and listed on page 13, 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 Grant No.18053, Global Partnership for Education Fund Grant No.16684.

Audit Services Corporation

2 January 2018

**MINISTRY OF FINANCE AND ECONOMIC COOPERATION
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
BALANCE SHEET
AS AT 7JULY 2017**

	<u>Notes</u>	<u>Birr</u>	<u>2016</u> <u>Birr</u>
CURRENT ASSETS			
Debtors	3	11,105,175	14,545,957
Cash and bank balances	4	319,728,957	731,937,109
		330,834,132	746,483,066
CURRENT LIABILITIES			
Creditors	5	4,889,682	6,980,606
NET CURRENT ASSETS		<u>325,944,450</u>	<u>739,502,460</u>
<u>REPRESENTED BY</u>			
ACCUMULATED FUND	6	<u>325,944,450</u>	<u>739,502,460</u>

The notes on pages 6 to 13 form an integral part of these financial statements.

MINISTRY OF FINANCE AND ECONOMIC COOPERATION
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2017

	<u>Year ended</u> <u>7 July 2017</u> <u>Birr</u>	<u>Cumulative for</u> <u>the period from</u> <u>18 February 2014</u> <u>to 7 July 2017</u> <u>Birr</u>	<u>7 July 2016</u> <u>Birr</u>
SOURCES			
IDA credit and grant	191,938,238	1,795,458,908	474,545,513
Multi donors trust fund	1,175,387,779	2,513,012,369	699,101,631
Global Partners for Education	211,384,158	1,837,388,158	825,512,000
Fund transfer from teachers			
Development Program (TDP)	-	43,575,894	-
Gain on foreign exchange	<u>15,599,819</u>	<u>36,452,623</u>	<u>14,229,315</u>
Direct payment and special commitment	1,594,309,994	6,225,887,952	2,013,388,459
IDA Credit and grant	214,847,374	258,077,395	43,230,021
Multi donors trust fund	<u>356,191,699</u>	<u>519,378,525</u>	<u>163,186,826</u>
	<u>2,165,349,067</u>	<u>7,003,343,872</u>	<u>2,219,805,306</u>
USES			
Pre-service education quality improvement	243,268,706	555,997,517	122,004,798
In-service education quality improvement	232,593,059	694,273,639	302,576,418
School grants	1,249,269,775	3,989,292,584	1,192,280,671
School improvement program	37,579,221	62,475,632	19,372,551
Teaching and learning materials	642,699,270	941,904,097	249,286,438
Capital development for education planning and management	-	14,024,850	7,998,363
Capital development for school planning and management	-	39,531,810	22,580,415
Education materials	12,061,602	63,530,869	39,850,079
Curriculum reforms and implementation	1,178,781	2,863,174	874,218
Program coordination	23,922,590	56,781,519	20,999,014
Monitoring and evaluation	3,364,103	12,826,353	5,662,885
Assessment and examination	7,379,053	24,690,940	10,363,355
Inspection	19,552,454	35,293,451	9,909,720
Communication	45,614,638	52,583,030	4,144,813
Licensing	38,661,769	109,553,071	39,741,621
National policy and institution for ICT	-	14,830	2,747
Leadership program	2,719,933	2,719,933	-
Support and capacity building	<u>19,042,123</u>	<u>19,042,123</u>	<u>-</u>
	<u>2,578,907,077</u>	<u>6,677,399,422</u>	<u>2,047,648,106</u>
(DEFICIT)/EXCESS OF SOURCES OVER USES	<u>(413,558,010)</u>	<u>325,944,450</u>	<u>172,157,200</u>

The notes on pages 6 to 13 form an integral part of these financial statements.

**MINISTRY OF FINANCE AND ECONOMIC COOPERATION
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
USD DESIGNATED ACCOUNT STATEMENT
FOR THE YEAR ENDED 7 JULY 2017**

For the Year ended	7 July 2017	
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 Grant No. TF-16684	
Currency	USD	Ethiopian Birr
Beginning balance 8 July 2016	25,113,291.08	548,243,234.91
Add: Fund received during the year	<u>71,109,238.90</u> 96,222,529.98	<u>1,578,710,174.89</u> 2,126,953,409.80
Less: Transfer to pool Birr account Transfer to Ministry of Education	89,100,000.00 <u>1,770,773.10</u>	1,977,931,160.00 <u>40,021,905.54</u>
	5,351,756.88	109,000,344.26
Gain on foreign exchange	<u>-</u>	<u>14,779,905.45</u>
Ending balance – 7 July 2017	<u>5,351,756.88</u>	<u>123,780,249.71</u>

The notes on pages 6 to 13 form an integral part of these financial statements.

**MINISTRY OF FINANCE AND ECONOMIC COOPERATION
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE 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 Program which will be supervised through the Ministry of Education with MoFEC being responsible for overall financial management of the Program.

The Program is also financed by:-

- a) The World Bank administered Grant Agreement Multi Donors Trust Fund Grant No. 18053-USD 204,348,329 Million and
- b) Global Partnership for Education Fund Grant No. 16684-USD 100,000,000

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 parts.

- Part I - Curriculum, text books and assessment, examination and inspection
- Part II - Teacher development program
- Part III - School improvement program
- Part IV - Management and capacity building
- Part V - Improving the quality of learning and teaching through the use of information and communication
- Part VI -Program and coordination, monitoring, evaluation and communication of the GEQIP

The above financers Program closing time and application deadline is as follows:-

Financer	Closing Date	Application deadline date
▪ Multi Donors Trust Fund Grant No. TF 18053	31 July 2018	30 November 2018
▪ Global Partnership for Education Fund Grant No. TF 16684	16 February 2018	16 June 2018
▪ International Development Association IDA Credit No. 53150 ET	07 July 2018	07 November 2018

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

3. DEBTORS

	<u>Birr</u>	<u>2016 Birr</u>
Amhara National Regional State	1,006,519	1,675,564
Benishangul Gumuz National Regional State	15,698	14,607
Harrari People National Regional State	7	51,416
Oromiya National Regional State	744,005	1,141,406
Southern Nations, Nationalities and People's Regional State	3,395,560	880,258
Tigray National Regional State	32,547	287,051
Addis Ababa University	79,269	85,580
Dire Dawa City Administration	14	-
Bahir Dar University	1,837	393,460
Dilla University	172,670	168,914
Jimma University	50	10,227
Hawassa University	1,948	5,919
Mekele University	11	9,464,325
Ministry of Education	2,955,109	5,000
Addis Ababa City Administration	11,080	32,848
Haromaya University	111,293	34,674
Adigrat University	34,674	5,929
Axum University	-	47,531
Arbaminch University	1,760	247,829
Medawelabo University	433,755	2,743
Debremarkos University	-	25,350
Jigjiga University	1,590,369	-
Afar National Regional State	<u>517,000</u>	<u>-</u>
	<u>11,105,175</u>	<u>14,545,957</u>

4. CASH AND BANK BALANCES

	<u>Birr</u>	<u>2016 Birr</u>
US Dollar account	123,780,250	548,243,235
Main Birr account	11,301,948	356,333
Cash and bank balances in regional states and universities	<u>184,646,759</u>	<u>183,337,541</u>
	<u>319,728,957</u>	<u>731,937,109</u>

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

5. CREDITORS

	<u>Birr</u>	<u>2016 Birr</u>
Addis Ababa City Administration	64,808	24,109
Amhara National Regional State	92,795	545,730
Benishangul Gumuz National Regional State	542,695	-
Dire Dawa City Administration	140	157
Harrari People National Regional State	423	-
Ministry of Education	453,529	309,017
Oromiya National Regional State	165,798	310,452
Southern Nations, Nationalities and People's Regional State	1,905,341	130,594
Somali National Regional State	-	4,375,995
Tigray National Regional State	30,763	25,543
Afar National Regional State	158,750	
Addis Ababa University	2,676	516,932
Adigrat University	497,250	8,567
Ambo University	24,915	-
Arbaminch University	10,728	262,384
Axum University	23,649	-
Wollega University	21,682	-
Debre Birhan University	9,780	-
Debremarkos University	-	1,106
Dilla University	289,494	106,430
Haromaya University	5,415	36,849
Hawassa University	129,920	50,936
Mekele University	-	4,788
Medawelabo University	441,233	8,964
Welayta-Sodo University	-	17,980
Woldia University	-	4,200
Wollo University	60	233,627
Jimma University	17,838	-
Jigiigga University	-	6,246
	<u>4,889,682</u>	<u>6,980,606</u>

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

6. ACCUMULATED FUND

	<u>Birr</u>
Balance at 8 July 2016	739,502,460
Deficit of Sources over Uses of funds of the current year	<u>(413,558,010)</u>
Balance at 7 July 2017	<u>325,944,450</u>

7. DATE OF AUTHORIZATION

Channel One Programs Coordinating Directorate Director of The Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Cooperation authorized the issue of these financial statements on 2 January 2018.

**MINISTRY OF FINANCE AND ECONOMIC COOPERATION
 GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
 IFR BASED WITHDRAWAL SCHEDULE
 FOR APPLICATIONS submitted from 8 July 2016 to 7 July 2017**

<u>Application Number</u>	<u>USD</u>	<u>BIRR</u>
Balance 8 July 2016	235,083,293	4,773,566,108
030	5,614,844	123,727,569
034	5,614,844	123,727,569
032	44,918,747	990,215,840
041	1,285,743	29,175,953
039	428,581	9,730,032
040	428,581	9,730,032
046	7,690,739	175,441,908
045	2,563,580	58,480,636
047	<u>2,563,580</u>	<u>58,480,636</u>
	<u>71,109,239</u>	<u>1,578,710,175</u>
	306,192,532	6,352,276,283
<u>Application for special commitment number</u>		
004	2,114,557	46,575,432.25
005	5,822,229	129,037,491.15
006	2,433,014	54,051,647.42
007	4,550,540	101,584,869.23
008	5,200,698	114,220,294.44
009	362,313	8,156,205.50
010	1,118,944	24,702,818.89
011	724,110	16,347,298.25
013	374,478	8,474,584.78
017	303,110	6,883,232.12
021	<u>2,639,992</u>	<u>61,005,199.14</u>
	<u>25,643,985</u>	<u>571,039,073.14</u>
TOTAL	<u>331,836,517</u>	<u>6,923,315,356.03</u>

MINISTRY OF FINANCE AND ECONOMIC COOPERATION
 GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM PHASE II
 RECONCILIATION OF THE FOUR QUARTERS OF INTERIM FINANCIAL REPORTS (IFR)
 WITH THE YAER END STATEMENT OF SOURCES AND USES OF FUNDS AND THE BALANCE SHEET

SOURCES	<u>Year ended</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Cumulative</u> <u>18 Feb. 2014 to 7 July 2017</u>
		<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	
Balance 8 July 2016						4,837,994,805
Collection during the year						
Cash transfer	7 July 2017	1,237,670,978	-	48,636,017	292,403,180	1,578,710,175
Direct Payments and special commitments	7 July 2017	<u>202,049,950</u>	<u>254,035,201</u>	<u>48,016,308</u>	<u>66,937,614</u>	<u>571,039,073</u>
		<u>1,439,720,928</u>	<u>254,035,201</u>	<u>96,652,325</u>	<u>359,340,794</u>	<u>6,987,744,053</u>
Gain on foreign exchange						<u>15,599,819</u>
						<u>7,003,343,872</u>
USES						
Balance 8 July 2016						4,098,492,345
Program expenditures	7 July 2017	<u>326,645,509</u>	<u>1,198,270,832</u>	<u>549,467,362</u>	<u>504,523,374</u>	<u>2,578,907,077</u>
Cumulative Program expenditures						<u>6,677,399,422</u>
EXCESS OF SOURCES OVER USES						<u>325,944,450</u>
Cash at bank						319,063,626
Cash on hand						665,331
Advances						-11,105,175
Payables						330,834,132
ACCUMULATED FUND						(4,889,682)
						<u>325,944,450</u>