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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 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 FOR EQUITY INVESTMENT PROJECT FINANCING (IPF)

We have audited the financial statements of General Education Quality Improvement Program for Equity, Investment Project Financing modality 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 FOR EQUITY
INVESTMENT PROJECT FINANCING (IPF) (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 , Investment Project Financing modality 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 Grant No.D262ET;
- designated accounts have been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the said accounts were used only for the purpose intended in the financing agreement
- National laws and regulations have been complied with
- Our examination revealed no weaknesses and irregularities in the systems of internal controls over financial expenditure except issues noted 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 FOR EQUITY
INVESTMENT PROJECT FINANCING (IPF) (continued)**

- with respect to IFR based withdrawal applications submitted during the year ended 7 July 2019 and listed on page 10, 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 Grant No. D262 ET

audit Services corporation

6 January 2020

**MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
FOR EQUITY
INVESTMENT PROJECT FINANCING (IPF)
BALANCE SHEET
AS AT 7 JULY 2019**

	Notes	Birr
CURRENT ASSETS		
Debtors	3	54,548
Cash and bank balances	4	<u>16,592,078</u>
		16,646,626
CURRENT LIABILITIES		
Creditors	5	<u>371,815</u>
NET CURRENT ASSETS		<u>16,274,811</u>
REPRESENTED BY		
FUND BALANCE	6	<u>16,274,811</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
FOR EQUITY
INVESTMENT PROJECT FINANCING
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2019

	Cumulative for the period from 8 July 2018 to 7 July 2019	Birr	Birr
SOURCES			
IDA Grant	21,959,191	21,959,191	
Gain on foreign exchange	<u>221,777</u>	<u>221,777</u>	
	22,180,968	22,180,968	
USES			
Program management	5,878,373	5,878,373	
Program evaluation	<u>27,784</u>	<u>27,784</u>	
	<u>5,906,157</u>	<u>5,906,157</u>	
EXCESS OF SOURCES OVER USES	<u>16,274,811</u>	<u>16,274,811</u>	

**MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
FOR EQUITY
INVESTMENT PROJECT FINANCING
DESIGNATED ACCOUNT STATEMENT**

For the year ended 7 July 2019
 Account number 100101300561
 Depository bank National Bank of Ethiopia
 Address Addis Ababa, Ethiopia
 Related Grant IDA Grant No. D262ET
 Currency USD

	USD	Ethiopian Birr
Beginning balance 8 July 2018	-	-
Add: Fund received during the year	<u>781,515.93</u> 781,515.93	<u>21,959,190.90</u> 21,959,190.90
Less: Transfer to pool Birr account	<u>600,000.00</u>	<u>16,928,460.00</u>
Gain on foreign exchange	181,515.93 =	5,030,730.90 <u>221,777.41</u>
Ending balance – 7 July 2019	<u>181,515.93</u>	<u>5,252,508.31</u>

**MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITYE
INVESTMENT PROJECT FINANCING
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 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 Project.

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 of 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 recommendations 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 cope with drought and other disasters;
 - 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
INVESTMENT PROJECT FINANCING
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 Project, 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 PROJECT FINANCING (IPF)
NOTES TO THE FINANCIAL STATEMENTS (continued)**

3 DEBTORS

	Birr
Oromiya National Regional State	1,200
Harari National Regional State	<u>53,348</u>
	<u>54,548</u>

4 CASH AND BANK BALANCES

	Birr
US Dollar account	5,252,508
Main Birr account	117,619
Cash and bank balances in regional states, City Administration, MoE and MoF Administration	<u>11,221,951</u>
	<u>16,592,078</u>

5 CREDITORS

	Birr
Addis Ababa City Administration	149,850
Benishangul Gumuz National Regional State	1,395
Ministry of Education	86,605
Tigray National Regional State	6,450
Oromiya National Regional State	22,506
Southern Nations, Nationalities and People's Regional State	<u>105,009</u>
	<u>371,815</u>

6 FUND BALANCE

	Birr
Balance at 8 July 2018	-
Excess of Sources over Uses of funds	<u>16,274,811</u>
Balance at 7 July 2019	<u>16,274,811</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
FOR EQUITY
INVESTMENT FINANCING PROJECT
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITED FROM 8 JULY 2018 TO 7 JULY 2019**

<u>Application Number</u>	USD	BIRR
Balance 8 July 2018	-	-
GEQUIP-E IPF -001	<u>781,515.93</u> <u>781,515.93</u>	<u>21,959,191</u> <u>21,959,191</u>

**MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY
INVESTMENT FINANCING PROJECT
RECONCILIATION OF INTERIM FINANCIAL REPORTS (IFRs)
FOR THE FOUR QUARTERS OF 2011E.C. (2019 G.C.)
WITH THE YEAR END STATEMENT OF SOURCE AND USES OF FUNDS
AND BALANCE SHEET**

	Year ended	1st	2nd	3rd	4th	Cumulative from 8-Jul-18 to 7 July 2019
		Quarter Birr	Quarter Birr	Quarter Birr	Quarter Birr	Birr
Sources						
Balance 8 July 2018						-
Collection during the year						
Cash transfer	7 July 2019	-	<u>21,959,190.90</u>	-	-	<u>21,959,190.90</u>
		-	21,959,190.90	-	-	21,959,190.90
Gain on foreign exchange						<u>221,777.41</u>
						22,180,968.31
Expenditures						
Balance 8 July 2018						-
Program expenditures	7 July 2019	-	-	<u>2,545,091.15</u>	<u>3,361,065.97</u>	<u>5,906,157.12</u>
Cumulative program expenditures						5,906,157.12
Excess of sources over expenditures						<u>16,274,811.19</u>
Cash at bank						-
Cash on hand						16,592,078.06
Advances						<u>54,547.52</u>
						16,646,625.58
Payables						<u>(371,814.39)</u>
Fund balance						<u>16,274,811.19</u>