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AUDIT SERVICES
CORPORATION

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE

GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAMME FOR EQUITY
(GEQIP-E)

INVESTMENT PROJECT FINANACING (IPF) -P163050
INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2021



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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 -P163050**

We have audited the accompanying financial statements of General Education Quality Improvement Program for Equity, Investment Project Financing of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed by IDA Grant Number D262, which comprise the balance sheet as at 7 July 2021, 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

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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.

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 2021 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;

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- the funds disbursed covered expenditures that are eligible for financing under IDA Grant 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 2021 and listed on page 11, 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) expenditures are eligible for financing under IDA Grant Number D262

AUDIT SERVICES CORPORATION

Date: 31 December,2021

**MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT
PROGRAM FOR EQUITY
INVESTMENT PROJECT FINANCING
BALANCE SHEET
AS AT 7 JULY 2021**

	Notes	Birr	2020
			Birr
CURRENT ASSETS			
Debtors	3	480,085	300,403
Cash and bank balance	4	246,919,989	215,285,165
		247,400,074	215,585,568
CURRENT LIABILITIES			
Creditors	5	730,681	82,610
NET CURRENT ASSET		246,669,393	215,502,958
REPRESENTED BY			
FUND BALANCE	6	246,669,393	215,202,958

**MINISTRY OF FINANCE
 GENERAL EDUCATION QUALITY IMPROVEMENT
 FOR EQUITY(GEQIP-E)
 INVESTEMENT PROJECT FINANCING
 STATEMENT OF SOURCE AND USE OF FUND
 FOR THE PERIOD ENDED FROM JULY 08,2020 TO JULY7,2021**

**Cumulative from
 8 July,2018 to
 7 July,2021**

Sources

IDA grant and credit
 Gain on foreign exchange

Birr	Birr	2020 Birr
68,399,099	306,497,319	216,139,029
11,606,291	12,745,666	917,598
80,005,390	319,242,985	217,056,627

Uses

National policy framework for primary Education
 Information Communication Technology for
 Education
 Program Management
 Program Evaluation

539,325	539,325
135,270	135,270
47,658,675	70,567,225
1,180,280	1,331,772
48,838,955	72,573,592
31,166,435	246,669,393
	17,828,480
	199,228,147

Excess of Sources over uses

**MINISTRY OF FINANCE
 GENERAL EDUCATION QUALITY IMPROVEMENT
 PROGRAM FOR EQUITY
 INVESTEMENT PROJECT FINANCING
 USD DESIGNATED ACCOUNT STATEMENT
 FOR THE PERIOD ENDED 7 JULY,2021**

For the Year ended	7 July 2021
Account number	100101300561
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related credit	IDA Grant No. D262ET
Currency	USD

	<u>USD</u>	<u>Birr</u>
Beginning balance, 8 July 2020	5,348,451.76	187,418,842.04
Add: Fund received during the year	<u>1,703,095.85</u>	<u>68,399,099.29</u>
	<u>7,051,547.61</u>	<u>255,817,941.33</u>
Less: Transfer to pool Birr account	<u>6,128,000.00</u>	<u>226,942,185.20</u>
Gain on foreign exchange	_____ -	11,606,290.97
Ending balance , 7 July 2021	<u>923,547.61</u>	<u>40,482,047.10</u>

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 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 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 Ministry of Education(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;

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

- 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).

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
(GEQIP-E) INVESTMENT PROJECT FINANCING (IPF)
NOTES TO THE FINANCIAL STATEMENTS (continued)**

3 DEBTORS

	Birr	2020 Birr
Oromia National Regional State	377,686	876
Harari National regional state	239	
Afar National Regional State	10	20
Dire Dawa City		
Administaration	157	157
Addis Ababa City		
Administration	5,984	12,030
Ministry of Education		
Amhara National Regional State		287,320
SNNP National Regional State	38,250	
Sidama National Regional State	57,741	
	480,085	300,403

4 CASH AND BANK BALANCES

	Birr	2020 Birr
US Dollar account	40,482,047	187,418,842
Main Birr account	478,218	2,617,822
Cash and bank balance in region states, City Administration ,MoE and MoF Administration	205,959,724	25,248,501
	246,919,989	215,285,165

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

5 CREDITORS

	Birr	2020
Addis Ababa City Administration	0	486
Dire Dawa City Administaration	5,580	2,520
Beni.Gumuz National Regional State	1,020	1,000
Tigray National Regional State	141,359	7,510
Oromia National Regional State	48,498	14,818
SNNP National Regional State	80,205	1,350
Afar National Regional State	161,280	14,700
Ministry of Finance Administration	0	40,226
Amhara National Regional State	16,093	
Harari National regional state	237,672	
Sidama National Regional State	38,974	
	<u>730,681.00</u>	<u>82,610</u>

6 FUND BALANCE

	Birr
Balance at 7 July 2020	215,502,958
Excess of Sources over uses of funds of the current year	<u>31,166,435</u>
Balance at 8 July 2021	<u>246,669,393</u>

7. DATE OF AUTHORIZATION

The Channel One Programmes Coordinating Directorate Director of the Ministry of Finance authorized the issue of these financial statements on 27 December, 2021.

**MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT
PROGRAM FOR EQUITY
INVESTEMENT PROJECT FINANCING
IFR BASED WITHDRAWAL SCHEDULE FOR
APPLICATIONS SUBMITED FROM 8 JULY 2020 TO 7 JULY, 2021**

Application Number	USD	Birr
Balance at July8,2020	5,348,451.76	187,418,842.04
GEQIP-E IPF 012	588,763.57	24,733,663.19
GEQIP-E IPF 011	1,003,576.18	39,419,368.42
GEQIP-E IPF 010A	110,756.10	4,246,067.68
	<u>7,051,547.61</u>	<u>255,817,941.33</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT
PROGRAM FOR EQUITY
INVESTEMENT PROJECT FINANCING
RECONCILLATION OF THE FOUR QUARTERS OF 2021 INTERIM
FINANCIAL REPORTS (IFRS) WITH THE YEAR END STATEMENT OF
SOURCE AND USES OF FUNDS AND BALANCE SHEET

		1 st Quarter	2nd Quarter	3rd Quarter	4th Quarter	<u>Cumulative</u> <u>8 July 2018</u> <u>to</u> <u>7 July 2021</u>
	Year ended	Birr	Birr	Birr	Birr	Birr
Sources						
Balance 8 July 2020						
Cash Transfer						238,098,220
Gain on foreign exchange						<u>1,139,375</u>
						<u>239,237,595</u>
Collection during the year						
Cash transfer	7 July 2021	0	4,246,068	39,419,368	24,733,663	68,399,099
Gain on foreign exchange						<u>11,606,291</u>
						<u>319,242,985</u>
Expenditures						
Balance 8 July 2020						23,734,637
Program expenditures	7 July 2021	6,861,129	7,642,100	16,583,294	17,752,432	<u>48,838,955</u>
Cumulative program expenditures						<u>72,573,592</u>
Excess of sources over expenditures						<u>246,669,393</u>
Cash at bank						246,910,535
Cash on hand						9,454
Advances						<u>480,085</u>
Payables						<u>247,400,074</u>
Accumulated fund						<u>730,681</u>
						<u>246,669,393</u>