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**AUDIT SERVICES
CORPORATION**

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT (EERBFP)
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2018



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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
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT**

We have audited the accompanying financial statements of Ethiopian Education Result Based Financing Project of the Federal Democratic Republic of Ethiopia, Ministry of Finance, which comprise the balance sheet as at 7 July 2018, and the statement of sources and uses of funds and the designated account statement for the period from 19 December 2017 to 7 July 2018 and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

The Ministry of Finance 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
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT (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 Ethiopian Education Result Based Financing Project of the Federal Democratic Republic of Ethiopia, Ministry of Finance as at 7 July 2018 and of its financial performance and its sources and uses of funds for the period from 19 December 2017 to 7 July 2018 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 Global Partnership for Education Fund TF0A5268.
- 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 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
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT (continued)**

- with respect to IFR based withdrawal applications submitted during the period from 19 December 2017 to 7 July 2018 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 Global Partnership for Education Fund TF0A5268.

Audit Services Corporation

6 January 2020

**MINISTRY OF FINANCE
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT
BALANCE SHEET
AS AT 7 JULY 2018**

	Notes	<u>Birr</u>
CURRENT ASSETS		
Debtors	3	3,547,946
Cash and bank balances	4	<u>74,861,285</u>
		78,409,231
CURRENT LIABILITIES		
Creditors	5	<u>1,633,410</u>
NET CURRENT ASSETS		<u>76,775,821</u>
REPRESENTED BY		
FUND BALANCE	6	<u>76,775,821</u>

MINISTRY OF FINANCE
 ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT
 STATEMENT OF SOURCES AND USES OF FUNDS
 FOR THE PERIOD FROM 19 DECEMBER 2017 TO 7 JULY 2018

	Birr	Cumulative for the period from 19 December 2017 to 7 July 2018 Birr
SOURCES		
GPE Grant	81,581,100	81,581,100
Gain on foreign exchange	<u>158,400</u>	<u>158,400</u>
	81,739,500	81,739,500
USES		
Leadership program	4,033,749	4,033,749
School leaders upgrading	725,581	725,581
Program planning and coordination	<u>204,349</u>	<u>204,349</u>
	<u>4,963,679</u>	<u>4,963,679</u>
EXCESS OF SOURCES OVER USES	<u>76,775,821</u>	<u>76,775,821</u>

MINISTRY OF FINANCE
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT
DESIGNATED ACCOUNT STATEMENT

For the period ended	From 19 December 2017 to 7 July 2018
Account number	100101300547
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related Grant	Global Partnership for Education Fund Trust Grant No TF0A5268
Currency	USD

	USD	Ethiopian Birr
Beginning balance 19 December 2017	-	-
Add: Fund received during the period	<u>3,000,000.00</u> 3,000,000.00	<u>81,581,100.00</u> 81,581,100.00
Less: Transfer to pool Birr account	3,000,000.00	81,581,100.00
Gain on foreign exchange	=	<u>158,400.00</u>
Ending balance – 7 July 2018	=	<u>158,400.00</u>

MINISTRY OF FINANCE
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT
NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

The objective of the Ethiopian Education Result Based Financing Project is to contribute to improvement of learning conditions in primary schools in targeted Regions including in pre-primary classes. In an agreement dated 7 July 2017, under Global Partnership for Education Fund TF0A5268, the International Development Association (IDA), acting as a grant agent, 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 Project.

The project aims at supporting Ethiopia's Education Sector Development Project and to strengthen the quality of education, specifically in the following key areas:

- (a) Reducing the proportion of low performing primary schools in Afar Region with highest share of these schools;
- (b) Improving the learning environment of O-Classes (pre-primary class) in Benishangul-Gumuz and Gambella Regions by increasing the capacity of O-Class teachers to deliver an early childhood education curriculum package;
- (c) Addressing the gender balance in school leadership by increasing the number of trained female primary school principals;
- (d) Encouraging more inclusive learning environments by increasing the school grant allocation to support children with special needs; and
- (e) Reducing grade 1 dropout in Southern Nations, Nationalities and Peoples Region with the highest grade 1 dropout rate.

The above financiers Project closing time and application deadline is as follows:-

<u>Financer</u>	<u>Project Closing Date</u>	<u>Application Deadline</u>
Global Partnership for Education Fund Grant No. TF0A5268	30 June 2019	31 December 2019

MINISTRY OF FINANCE
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project, which are consistent with those applied in the previous year, 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
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 DEBTORS

	Birr
Medawolabu University	9,541
Assossa University	648,000
Minstry of Education	<u>2,890,405</u>
	<u>3,547,946</u>

4 CASH AND BANK BALANCES

	Birr
Main Birr account	52,398,937
Cash and bank balances in regional states, City Administration, MoE and MoF Administration	<u>22,462,348</u>
	<u>74,861,285</u>

5 CREDITORS

	Birr
Harari National Regional State	35
Wollega University	265,961
Mekele University	149,717
Dilla University	1,141,101
Debreberhan University	42,096
Medawolabu University	<u>34,500</u>
	<u>1,633,410</u>

6 FUND BALANCE

	Birr
Balance at 19 December 2017	-
Excess of Sources over Uses of funds	<u>76,775,821</u>
Balance at 7 July 2018	<u>76,775,821</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
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS submitted during from 19 December 2017 to 7 July 2018

Application Number	USD	BIRR
Balance 8 July 2017	-	-
EEBFP-01	<u>3,000,000.00</u>	<u>81,581,100</u>
	<u>3,000,000.00</u>	<u>81,581,100</u>