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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)
PROGRAM FOR RESULT (P for R) -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 (GEQIP-E)
PROGRAM FOR RESULT (P for R) -P163050**

We have audited the accompanying financial statements of General Education Quality Improvement Program for Equity (GEQIP-E), Program for Result (P for R) of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed by IDA grant number D262 ET and MDTF Grant Number TFA8352, 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.

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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.

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), Program for Result (P for R) 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;

ASC

- 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 Number D262ET;
- Our examination revealed no weaknesses and irregularities in the systems of internal controls over financial expenditure; and
- with respect to withdrawal applications submitted during the year ended 7 July 2021 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) expenditures are eligible for financing under IDA Grant Number D262 ET

AUDIT SERVICES CORPORATION

Date: 31 Decemeber,2021

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY
IMPROVEMENT
PROGRAM FOR EQUITY (GEQIP -E)PROGRAM FOR RESULTS-P163050
BALANCE SHEET
AS AT 7 JULY 2021

	Notes	Birr	2020 Birr
CURRENT ASSETS			
Debtors	3	365,673,713	45,745,286
Cash and bank balance	4	1,654,729,747	474,035,232
		2,020,403,460	519,780,518
CURRENT LIABILITIES			
Creditors	5	296,686,026	775,543,792
NET CURRENT ASSET		1,723,717,434	(255,763,274)
REPRESENTED BY FUND BALANCE	6	1,723,717,434	(255,763,274)

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT
PROGRAM FOR EQUITY (GEQIP -E)PROGRAM FOR RESULTS-P163050
STATEMENT OF SOURCES AND USES OF FUND
FOR THE PERIOD FROM JULY 08,2020 TO JULY 07,2021

Sources	Cumulative from 8 July,2018 to 7 July,2021		2020 Birr
	Birr	Birr	
Initial Deposit	-	1,124,991,106	-
IDA grant and credit	3,000,794,279	4,582,883,820	1,033,258,217
MDTF	1,776,110,064	2,197,025,364	420,915,300
Government contribution	221,811,000	592,170,500	268,509,500
Gain on foreign exchange	165,225,674	186,303,012	5,506,807
	<u>5,163,941,017</u>	<u>8,683,373,802</u>	<u>1,728,189,824</u>
Uses			
Teaching & learning material provision	593,484,447	972,345,207	320,159,031
Teachers & Education leaders Development	329,291,778	644,274,362	156,746,153
School improvement program & School grants	1,977,606,949	4,790,210,095	1,452,884,720
Quality Assurance System	83,615,925	161,770,834	54,884,332
Program Coordination & System Strengthening	200,490,510	391,085,170	90,933,246
opening adjustment	0	(29,300)	0
	<u>3,184,489,609</u>	<u>6,959,656,368</u>	<u>2,075,607,482</u>
Excess /(Deficit)of Sources over uses	<u>1,979,451,408</u>	<u>1,723,717,434</u>	<u>(347,417,658)</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT
PROGRAM FOR EQUITY (GEQIP -E)PROGRAM FOR RESULTS-P163050
USD DESIGNATED ACCOUNT STATEMENT
FOR THE PERIOD ENDED 7 JULY,2021

For the Year ended	7 July 2021
Account number	100101300553
Depository bank	National Bank of Ethiopia
	Addis Ababa,
Address	Ethiopia
Related credit	IDA Grant No. D262ET
Currency	USD

	<u>USD</u>	<u>Birr</u>
Beginning balance 8 July 2020	474,372	16,622,810
Add: Fund received during the year		
IDA Grant	78,415,745	3,000,794,279
MDTF	46,077,952	1,776,110,064
	124,968,069	4,793,527,153
Less: Transfer to pool Birr account	100,750,000	3,947,350,060
Transfer to Ministry of Education	7,135,738	257,994,748
	107,885,738	4,205,344,808
Gain on foreign exchange	-	160,590,902
Ending balance ,7 July 2021	<u>17,082,331</u>	<u>748,773,247</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
FOR EQUITY (GEQIP-E) PROGRAM FOR RESULTS (P for R) -P163050
NOTES TO THE FINANCIAL STATEMENTS

1. PROGRAM INFORMATION

The objective of the General Education Quality Improvement Program for Equity (GEQIP-E) Program for Results (P for R) 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 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 Program which will be supervised through the Ministry of Education with Ministry of Finance being responsible for overall financial management of the Program. The program expenditure framework will be composed of two parts: (i) the recurrent non-salary expenditure in the education sector transferred through the regional and Woreda block grant; and (ii) expenditure supported through the special purpose grant covering school grants, textbook procurement and teachers' development programs. This audit covers only the latter part.

The Program is also financed Multi Donors Trust Fund(MDTF)- TF0A8352-ET administered by the World Bank

The program consists of the following activities which form a subset of the ESDP V (Education Sector Development Program) and the successor thereto:

- (a) Developing capacity for improved management in General Education by:
- i) Developing a relevant management structure in Ministry of Education, with a clear distribution of mandates and responsibilities at all levels and specifically, in managing the implementation of cross-cutting programs;
 - ii) Regular gathering, processing and sharing information to inform decision making, especially, education performance data and financial data; and

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
FOR EQUITY FOR (GEQIP-E) PROGRAM FOR RESULTS (P for R) -P163050
NOTES TO THE FINANCIAL STATEMENTS (continued)

- iii) Promoting good coordination and communication within and across management levels through improved use of existing documentation centers and sharing platforms.
- (b) Improving the quality of General Education by:
 - i) Strengthening teachers' and leaders' development and transforming teaching into a profession of choice;
 - ii) Improving curriculum development and providing sufficient teaching and learning materials;
 - iii) Supporting schools to develop and implement School Improvement Plans (SIP) with focus on the areas of community participation, school environment, teaching and learning and school leadership; and
 - iv) Strengthening quality assurance systems with focus on school inspection, teacher and school leader licensing and assessment and examination
- (c) Improving access, equity and internal efficiency in General Education by:
 - i) Increasing access to pre-primary education;
 - ii) Increasing access to, and equity and internal efficiency of primary education; and
 - iii) Providing special support programs for Emerging Regions.
- (d) Providing support to address cross-cutting issues in General Education, specifically in the areas of gender, special needs and inclusive education

The above financiers 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

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY
FOR (GEQIP-E) PROGRAM FOR RESULTS (P for R) -P163050
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
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
FOR EQUITY FOR (GEQIP-E) PROGRAM FOR RESULTS (P for R) -P163050
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 DEBTORS

	Birr	2020 Birr
Oromia National Regional State	44,770,495	4,048,000
Tigray Regional State	346,100	5,000
Beni Gumuz Regional State	1,124,144	504,890
Afar National Regional State	400	400
Gambela Regional State	0	395,000
Dire Dawa City Administration	15,212	15,212
Addis Ababa University	0	3,033,218
Hawassa University	49,525	49,525
Bahir Dar University	995,600	995,600
Mekele University	330,500	330,500
Ministry of Education	291,553,033	29,552,560
Addis Ababa City Administration	40,274	29,806
Gondar University	39,598	39,598
Adigrat University	9,095	9,095
Wolayt Sodo University	607,825	607,825
Amhara National Regional State	16,963,319	405,175
SNNP National Regional State	824,555	5,723,882
Harer Regional State	24,730	0
Sidama Regional State	7,961,335	0
Debre Marcos University	6,923	0
Medawolabu University	11,050	0
	365,673,713	45,745,286

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM
FOR EQUITY FOR (GEQIP-E) PROGRAM FOR RESULTS (P for R) -P163050
NOTES TO THE FINANCIAL STATEMENTS (continued)

CASH AND BANK
4 BALANCES

	Birr	2020 Birr
US Dollar account	748,773,247	16,622,809
Main Birr account	228,765,053	8,722,514
Cash and bank balance in region states, City Administration ,MoE and MoF Administration	677,191,447	448,689,909
	<u>1,654,729,747</u>	<u>474,035,232</u>

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR EQUITY FOR
(GEQIP-E) PROGRAM FOR RESULTS (P for R) -P163050
NOTES TO THE FINANCIAL STATEMENTS (continued)

5 CREDITORS

	Birr	2020 Birr
Oromia National Regional State	7,943,286.00	1,067,608
Tigray Regional State	21,359.00	0
Beni Gumuz Regional State	1,310.00	0
Afar National Regional State	0.00	0
Gambela Regional State	3,889	0
Dire Dawa City Administration	1,054,602.00	10,152
Addis Ababa University	0	2,829,733
Bahir Dar University	3,900.00	3,900
Ministry of Education	346,839	228,320
Addis Ababa City Administration	1.00	6,370
Amhara National Regional State	1,895,919	14,596
SNNP National Regional State	6,533,133	890,704
Harer Regional State	9,058,845	1,299,137
Sidama Regional State	629,771	0
Medawolabu University	0	100
Axum University	89,068	89,068
Woldia University	12,991	12,991
Ministry of Finance -Administration	236,308	236,308
Government Loan from Treasury	268,854,805	768,854,805
	<u>296,686,026</u>	<u>775,543,792</u>

6 FUND BALANCE

	Birr
Balance at 7 July 2020	(255,763,274)
Adjustment of opening balance	29,300
Excess of Sources over uses of funds of the current year	<u>1,979,451,408</u>
Balance at 8 July 2021	<u><u>1,723,717,434.00</u></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 30 December, 2021.

MINISTRY OF FINANCE
GENERAL EDUCATION QUALITY IMPROVEMENT
PROGRAM FOR EQUITY (GEQIP -E)PROGRAM FOR
RESULTS-P163050
IFR BASED WITHDRAWAL SCHEDULE
FOR APPLICATIONS SUBMITTED FROM 8 JULY 2020
TO 7 JULY 2021

Application Number	USD	Birr
Balance at July8,2020	474,372.00	16,622,809.37
GEQIP-E P4R 06	10,000,000.00	434,126,000
GEQIP-E P4R 011	20,000,000.00	774,606,000
GEQIP-E-P4R 03	16,077,952.01	567,378,064.07
GEQIP-E P4R 05A	5,078,055.20	221,993,784.54
GEQIP-E P4R	50,248,139.76	1,963,988,741.03
GEQIP-E P4R 02	23,089,550.16	814,811,753.51
	<u>124,968,069.13</u>	<u>4,793,527,152.52</u>

MINISTRY OF FINANCE

GENERAL EDUCATION QUALITY IMPROVEMENT PROGRAM FOR
EQUITY(GEQIP -E) PROGRAM FOR RESULTS (P FOR R) -P163050

RECONCILLATION OF THE SEMI ANNUALS OF 2021 INTERIM
FINANCIAL REPORTS (IFRS) WITH THE YEAR END STATMENT
OF SOURCE AND USES OF FUNDS AND BALANCE SHEET

		<u>First Semi Annual</u>	<u>Second Semi</u>	<u>Cumulative</u>
		<u>Birr</u>	<u>Annual</u>	<u>from</u>
			<u>Birr</u>	<u>8July ,2019 to</u>
				<u>7 July 2021</u>
				<u>Birr</u>
Year ended				
Sources				
Balance 8 July 2020				
Cash Transfer				3,498,355,448
Gain on foreign exchange				21,077,337
				<u>3,519,432,785</u>
<u>Collection during the year</u>				
Cash transfer	7 July 2021	4,120,784,559	877,930,784	4,998,715,343
Gain on foreign exchange				165,225,674
				<u>8,683,373,802</u>
Expenditures				
Balance 8 July 2020				3,775,196,059
Program expenditures	7 July 2021	132,736,496	3,051,753,113	<u>3,184,489,609</u>
Cumulative program expenditures				6,959,685,668
Adjustment opening balance				(29,300)
Excess of sources over expenditures				<u>1,723,717,434</u>
Cash at bank				1,653,538,848
Cash on hand				1,190,900
Advances				<u>365,673,713</u>
				2,020,403,460
Payables				(296,686,026)
Accumulated fund				<u>1,723,717,434</u>