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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 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  
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 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  
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.

**Basis for Qualified Opinion**

Shown on the balance sheet is debtors, amounting to Birr 63,101,610, out of which Birr 31,962,074 was outstanding and not cleared yet. Taking into account the project closure date of 30 June 2019 and the application deadline of 31 December 2019, it is highly unlikely that the receivables will be recovered.

**Qualified Opinion**

In our opinion except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Ethiopian Education Result Based Financing Project (EERBFP) 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 Global Partnership for Education Fund TF0A5268.

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**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
MINISTRY OF FINANCE  
ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT (continued)**

- 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
- with respect to IFR based withdrawal applications submitted during the year ended 7 July 2019 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) 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 2019

	Notes	Birr	2018 Birr
<b>CURRENT ASSETS</b>			
Debtors	3	63,101,610	3,547,946
Cash and bank balances	4	<u>92,307,813</u>	<u>74,861,285</u>
		155,409,422	78,409,231
<b>CURRENT LIABILITIES</b>			
Creditors	5	<u>1,876,831</u>	<u>1,633,410</u>
<b>NET CURRENT ASSETS</b>		<u><b>153,532,592</b></u>	<u><b>76,775,821</b></u>
REPRESENTED BY			
<b>ACCUMULATED FUND</b>	6	<u><b>153,532,592</b></u>	<u><b>76,775,821</b></u>

**MINISTRY OF FINANCE**  
**ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT**  
**STATEMENT OF SOURCES AND USES OF FUNDS**  
**FOR THE YEAR ENDED 7 JULY 2019**

		Cumulative for from 19 December 2017 to 7 July 2019 Birr	Period ended 7 July 2018 Birr
<b>SOURCES</b>	<b>Birr</b>	<b>Birr</b>	
GPE Grant	181,713,740	263,294,840	81,581,100
Gain on foreign exchange	<u>1,877,713</u>	<u>2,036,113</u>	<u>158,400</u>
	183,591,453	265,330,953	81,739,500
<b>USES</b>			
Curriculum framework	1,386,402	1,386,402	-
Leadership program	16,178,020	20,211,769	4,033,749
Pre-service Teachers Development Program	55,113,378	55,113,378	-
In-service Teachers Development Program	1,232,472	1,232,472	-
School improvement Program	1,289,083	1,289,083	-
School Grants	3,715,571	3,715,571	-
Education Management Information System	1,292,261	1,292,261	-
Assessment and Examination	4,862,940	4,862,940	-
Teacher licensing	2,771,473	2,771,473	-
Inspection	2,459,346	2,459,346	-
School Leaders Upgrading	-	725,581	725,581
Woreda, Regional and Federal			
Capacity Building	3,671,994	3,671,994	-
Capacity Building of the Center of			
Educational ICT	1,283,672	1,283,672	-
Program Planning and Coordination	7,527,897	7,732,246	204,349
Monitoring and Evaluation	3,662,525	3,662,525	-
Communication	<u>387,648</u>	<u>387,648</u>	-
	<u>106,834,682</u>	<u>111,798,361</u>	<u>4,963,679</u>
<b>EXCESS OF SOURCES OVER USES</b>	<u><b>76,756,771</b></u>	<u><b>153,532,592</b></u>	<u><b>76,775,821</b></u>

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

For the Year ended 7 July 2019  
 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

	<b>USD</b>	<b>Ethiopian Birr</b>
Beginning balance 8 July 2018	-	-
Add: Fund received during the year	<u>6,600,308.00</u>	<u>181,713,739.58</u>
	6,600,308.00	181,713,739.58
Less: Transfer to pool Birr account	<u>6,000,000.00</u>	<u>166,220,400.00</u>
	600,308.00	15,493,339.58
Gain on foreign exchange	=	<u>1,877,712.99</u>
Ending balance – 7 July 2019	<u><b>600,308.00</b></u>	<u><b>17,371,052.57</b></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	2018 Birr
Oromiya National Regional State	7,835	-
Jimma University	30,700	-
Hawassa University	2,160	-
Wolayita sodo University	1,402,821	-
Hromaya University	40,522	-
Ambo University	484,824	-
Assossa University	-	648,000
Medewelabu University	-	9,541
Minstry of Education	<u>61,132,748</u>	<u>2,890,405</u>
	<u><b>63,101,610</b></u>	<u><b>3,547,946</b></u>

4 CASH AND BANK BALANCES

	Birr	2018 Birr
US Dollar account	17,371,053	-
Main Birr account	12,320,150	52,398,937
Cash and bank balances in regional states, City Administration, MoE and MoF Administration	<u>62,616,610</u>	<u>22,462,348</u>
	<u><b>92,307,813</b></u>	<u><b>74,861,285</b></u>

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

**5 CREDITORS**

	<b>Birr</b>	<b>2018 Birr</b>
Southern Nations, Nationalities and People's Regional State	2,513	-
Harari National Regional State	35	35
Hawassa University	85,848	-
Wellega University	55,542	265,961
Haramaya University	20,000	-
Ambo University	17,200	-
Arbaminch University	443,856	-
Axum University	850,670	-
Jiggjigga University	25,468	-
Mekele University	-	149,717
Dilla University	-	1,141,101
Assossa University	2,434	-
Bulehara University	32,193	-
Debreberhan Univesity	-	42,096
Medewelabo University	-	34,500
Debretabor University	6,768	-
Gonder University	261,898	-
Ministry of Education	72,406	-
	<b><u>1,876,831</u></b>	<b><u>1,633,410</u></b>

**6 ACCUMULATED FUND**

	<b>Birr</b>
Balance at 8 July 2018	76,775,821
Excess of Sources over Uses of funds of the current year	<u>76,756,771</u>
Balance at 7 July 2019	<b><u>153,532,592</u></b>

**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 the year ended 7 July 2019

Application Number	USD	ETHIOPIAN BIRR
Balance 8 July 2018	3,000,000.00	81,581,100
ERBEP-02	<u>6,600,308.00</u>	<u>181,713,740</u>
	<u>9,600,308.00</u>	<u>263,294,840</u>

MINISTRY OF FINANCE  
 ETHIOPIAN EDUCATION RESULT BASED FINANCING PROJECT  
 FOR THE FOUR QUARTERS OF 2011E.C. (2019 G.C.)  
 WITH THE YEAR END STATEMENT OF SOURCE AND USES OF FUNDS  
 AND BALANCE SHEET

	<u>Year</u> <u>ended</u>	<u>1st</u> <u>Quarter</u> <u>Birr</u>	<u>2nd</u> <u>Quarter</u> <u>Birr</u>	<u>3rd</u> <u>Quarter</u> <u>Birr</u>	<u>4th</u> <u>Quarter</u> <u>Birr</u>	<u>7 Jyly 2019</u> <u>Birr</u>
Sources						81,739,500
Balance 8 July 2018						
Collection during the year						<u>181,713,740</u>
Cash transfer	7 July 2019	-	181,713,740	-	-	263,453,240
		-	181,713,740	-	-	<u>1,877,713</u>
Gain on foreign exchange						265,330,953
Expenditures						4,963,679
Balance 8 July 2018						
Program expenditures	7 July 2019	<u>2,454,494</u>	<u>15,770,344</u>	<u>22,204,963</u>	<u>66,404,880</u>	<u>106,834,682</u>
Cumulative program expenditures						111,798,361
Excess of sources over expenditures						<u>153,532,592</u>
Cash at bank						92,278,792
Cash on hand						29,022
Advances						<u>63,101,610</u>
						155,409,423
Payables						<u>(1,876,831)</u>
Accumulated fund						<u>153,532,592</u>