REPUBLIC OF RWANDA

OFFICE OF THE AUDITOR GENERAL
OF STATE FINANCES

ANNUAL REPORT

For the Year Ended 30 June 2019

Executive Summary

OAG

www.oag.gov.rw

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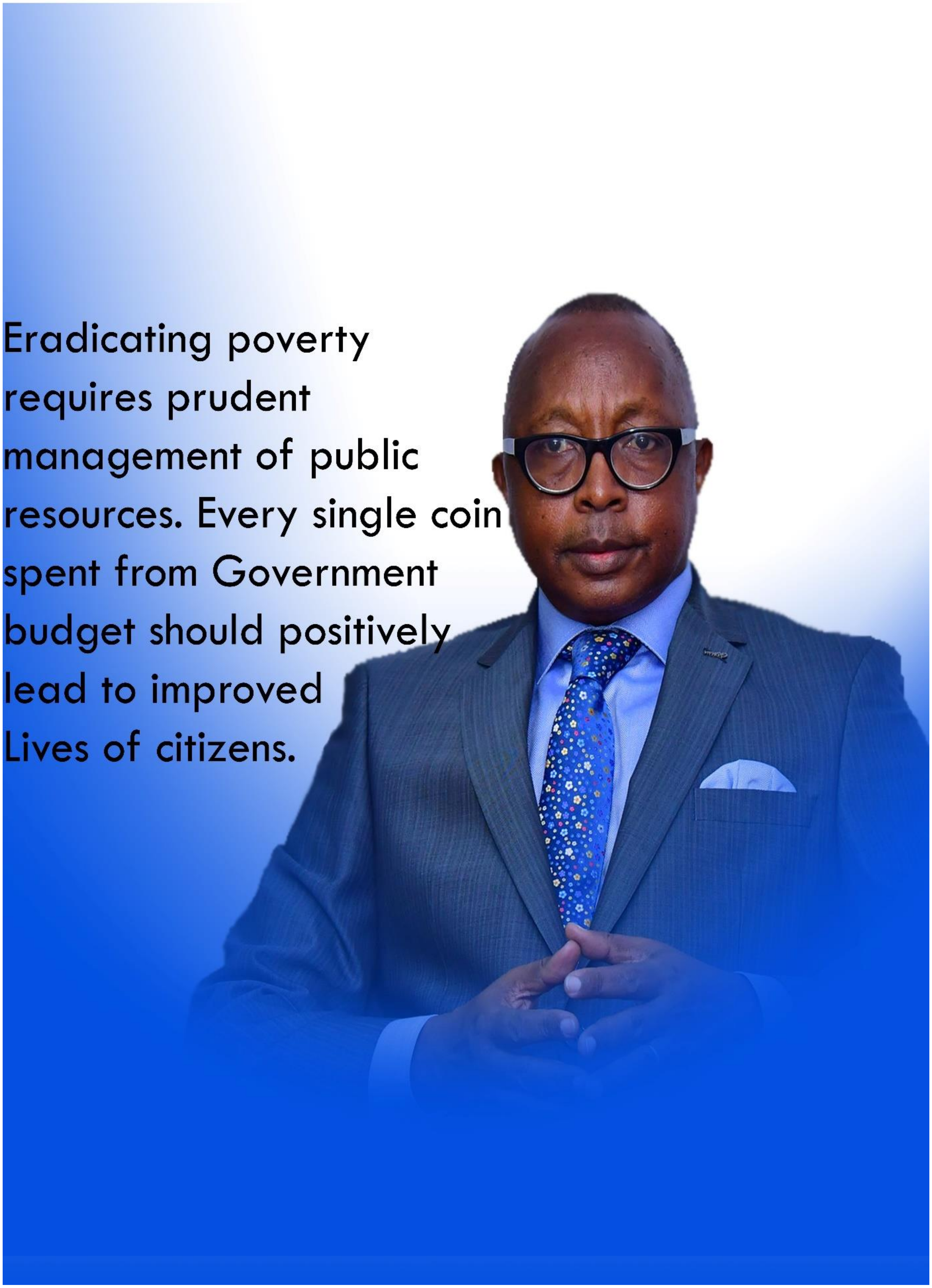
ABBREVIATIONS AND ACRONYMS

AFROSAI-E	African Organization of Supreme Audit Institutions-English speaking
BNR	National Bank of Rwanda
BRD	Rwanda Development Bank
DLI	Disbursement Linked Indicator
CHUB	University Teaching Hospital- Butare
CHUK	University Teaching Hospital- Kigali
EAPHLN	East Africa Public Health Laboratory Networking Project
EARP	Electricity Access Rollout Program
EASSDP	Electricity Access Scale-Up and Sector Wide Approach Development Project
EATTFP	East Africa Trade and Transport Facilitation Project
EDPRS	Economic Development and Poverty Reduction Strategy
EIF	Enhanced Integrated Framework
EWSA	Energy, Water and Sanitation Authority
FARG	Genocide Survivors Fund
FER	Fond d’Entretien Routier (Road Maintenance Fund)
GBEs	Government Business Enterprises
GF	Global Fund
GMO	Gender Monitoring Office
GoR	Government of Rwanda
ICPAR	Institute of Certified Public Accountants of Rwanda
IDF	Institutional Development Fund
IDI	International Development Initiative
IFMIS	Integrated Financial Management Information System
INTOSAI	International Organisation of Supreme Audit Institutions
IPPIS	Integrated Personnel and Payroll Information System
ISSAI	International Standards of Supreme Audit Institutions
IDP	Integrated Development Program
LVEMP	Lake Victoria Environmental Management Project

LODA	Local Administrative Entities Development Agency
LWH	Land Husbandry Water harvesting and Hillside Irrigation
MDTF	Multi Donor Trust Fund
MIFOTRA	Ministry of Public Service and Labour
MINADEF	Ministry of Defence
MINAFFET	Ministry of Foreign Affairs and International Cooperation
MINAGRI	Ministry of Agriculture and Animal Resources
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINICOM	Ministry of Trade and Industry
MINIJUST	Ministry of Justice
MININFRA	Ministry of Infrastructure
MINISANTE	Ministry of Health
MINISPOC	Ministry of Sports and Culture
NBA	Non-Budget Agency
NDIS	National Decentralization Implementation Secretariat
NEC	National Electoral Commission
NHRC	National Human Rights Commission
NIMR	National Institute of Museums of Rwanda
NISR	National Institute of Statistics
NPPA	National Public Prosecution Authority
NST1	National Strategy for Transformation
NURC	National Unity and Reconciliation Commission
OAG	Office of the Auditor General of State Finances
OP	Payment Order
OTR	Ordonnateur Trésorier du Rwanda (Central Treasury of Rwanda)
PAC	Public Accounts Committee
PAYE	Pay As You Earn

PFM	Public Financial Management
PHHS TF	Post-Harvest Handling and Storage Task Force
PPF (LISP)	Project Preparation Facility of Livestock Infrastructure Support Programme
RAB	Rwanda Agricultural Board
RBA	Rwanda Broadcasting Agency
RBC	Rwanda Biomedical Centre
RCA	Rwanda Cooperative Agency
RDB	Rwanda Development Board
RDRP	Rwanda Demobilization and Reintegration Programme
REB	Rwanda Education Board
REMA	Rwanda Environment Management Authority
RHA	Rwanda Housing Authority
RNP	Rwanda National Police
RNRA	Rwanda Natural Resources Authority
RPPA	Rwanda Public Procurement Authority
RRA	Rwanda Revenue Authority
RSSB	Rwanda Social Security Board
RSSP III	Rural Sector Support Project Phase III
RTDA	Rwanda Transport Development Agency
SEDP	Sustainable Energy Development Project
SDP	Skills Development Project
TSDP	Transport Sector Development Project
UR	University of Rwanda
UNAIDS	United Nations Programme on HIV/AIDS
VUP	Vision Umurenge program
WDA	Work Force Development Agency


Eradicating poverty
requires prudent
management of public
resources. Every single coin
spent from Government
budget should positively
lead to improved
Lives of citizens.

FOREWORD

The Auditor General's mandate under Articles 165 and 166 of the Constitution of the Republic of Rwanda of June 2003 revised in 2015, and Articles 6 and 14 of Law no 79/2013 of 11/09/2013 is to audit and report to both Chambers of Parliament, prior to the commencement of the session devoted to the examination of the budget of the following year, a complete report on the state financial statements for the previous year on the public accounts of Rwanda and of all public offices of Rwanda including local administrative entities, public enterprises, parastatal organizations and projects.

In accordance with Article 166, my report indicates the manner in which the budget was utilised, unnecessary expenditure which was incurred or expenses which were contrary to the law and whether there was wasteful expenditure or misappropriation of state funds for the year ending 30 June 2019. The entirety of my report "Report of the Auditor General of State Finances" for the financial year ended 30 June 2019 is submitted in five (5) Volumes which are titled as follows:

- **Volume I:** Executive Summary,
- **Volume II:** Report on State Consolidated Financial Statements,
- **Volume III**: Key findings from financial audits,
- **Volume IV:** Key findings from compliance audits and,
- **Volume V:** Key findings from Performance audits.

In pursuit of Article 166, this executive summary highlights key findings which were identified during the execution of Financial, Compliance, Performance, IT and Special audits conducted by my office during the period from May 2019 to 20 April 2020. Individual reports containing the audit opinion, conclusions and details of all findings have been issued for each audited entity and discussed accordingly.

The audits covered state consolidated financial statements; expenditure incurred by Government entities for the year ended 30 June 2019 and operations of Boards and Government Business Enterprises. I conducted these audits in line with Articles 6 and 14 of Law Number 79/2013 of 2013 Determining the Mission, Organisation and Functioning of the Office of the Auditor General of State Finances and in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

My office has always been acting professionally to demonstrate its relevance to the citizens, the Parliament and other stakeholders. This is in line with INTOSAI-P 12 on the Value and Benefits of a SAI to the citizens of its country.

I would like to highlight that OAG’s work has always been and will be focused on the people of Rwanda. I invite every public administration institution and organisation subject to audits by the Office of the Auditor General to bear that in mind as they read this report.

The United Nations and INTOSAI recognized the indispensable role of Supreme Audit Institutions in contributing to efficient, effective, and transparent and accountable implementation of the Sustainable Development Goals. My office contributed to the implementation of SDGs through performance audits conducted in the current year. Performance audits touched government programs which support implementation of five SDGs. These include: SDG 1: No poverty, SDG 4: Quality education, SDG 8: Decent work and economic growth, SDG 12: Responsible consumption and production SDG 13: Climate action. As such I draw your attention to Volume 5 on Key findings from Performance audits.

As a country, the National Strategy for Transformation 1 (NST1) was aligned to Sustainable Development Goals. My performance, compliance and financial audits were conducted to enhance efficient, effective and transparent use of public resources to realise the envisaged objectives of NST1. The PFM country system should be strengthened to ensure that every single coin spent from the government budget lead to improved wellbeing of targeted beneficiaries.

I strongly believe that, findings and recommendations included in this report, and those from the individual audit reports per entity when implemented, will significantly improve the government operations in service delivery, and management of public resources thereby contributing to an improved wellbeing of Rwandans.

I would like to acknowledge the Government of the Republic of Rwanda for its commitment to the continuous PFM reforms that are aimed at further enhancing Public Financial Management in Rwanda, the Parliament of the Republic of Rwanda for their oversight function, the Development Partners that have contributed to the strengthening of operational capacity within OAG and, last but not least, I extend my appreciation to OAG staff whose professional resilience and devotion has made it possible for the OAG to deliver on its constitutional mandate and contribute to making a difference to the lives of Rwandan citizens.

To our strategic stakeholders; a reminder that the NST1 calls for our attention now than ever before.

BIRARO R. Obadiah

AUDITOR GENERAL

KIGALI,....................April 27,........ 2020

SECTION 1

INTRODUCTION

1.0 INTRODUCTION

According to Article 165 of the Constitution of the Republic of Rwanda of June 2003 revised in 2015, and Articles 6 and 14 of Law no 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances, the responsibilities of the Office of the Auditor General include the following:

- Auditing and reporting on accounts of all public entities, local administrative entities, public enterprises, parastatal organizations and projects;
- Conducting financial and value for money, economy and efficiency audits in respect of expenditure in all institutions referred to above and;
- Conducting accountability, management and strategic audits of accounts in the institutions mentioned above.

Article 166 of the Constitution of the Republic of Rwanda of June 2003 revised in 2015 stipulates that the Auditor General shall submit each year to both Chambers of Parliament, prior to the commencement of the session devoted to the examination of the budget of the following year, a complete report on the state financial statements for the previous year.

Volume 1: Executive Summary, is a summary of the entire "Report of the Auditor General of State Finances" for the financial year ended 30 June 2019 which is submitted in five (5) Volumes. The aim of the Executive Summary is to put into perspective a message to the people of Rwanda and strategic stakeholders on the state financial statements of the country for the previous year. This message is packaged in three sections which are as follows:

Section 2: Scope and operations of the OAG. In this section, it is indicated that OAG has legal personality, financial and administrative autonomy in line with Article 3 of Law no 79/2013 of 11/09/2013. The OAG has a message on how it has endeavoured to achieve its mandate as per Articles 165 and 166 of the Constitution of the Republic of Rwanda. We have displayed information on the audit coverage achieved.

Section 3: Audit results and findings. In this section the report gives a message on the state financial statements of the country for the previous year in the form of an overview of audit results across the government institutions. This overview is supported by a summary of cross cutting findings and sector specific matters which should be brought to the attention of the public. These matters are being summarised from volumes 2,3 ,4 and 5 which make up the entire "Report of the Auditor General of State Finances" for the financial year ended 30 June 2019.

In the current year, our report is showing the OAG's ability to identify matters of importance to the country in the form of factual audit findings. These audit findings have been further interrogated to identify a root causes. Over and above recommendations have been made to the Executive Authorities as a way of addressing the root causes. As a results, addressing the respective gaps. As a way of clarifying the message and simplifying it to all our interested stakeholders, section 3 has also taken the liberty to give technical definitions and explanations of some key terms being used to spread the message for the year under review.

Section 4: Conclusions. In this section, the report gives a conclusion on our message to the people of Rwanda and strategic stakeholders on the state financial statements of the Republic for the previous year.

The public expects that those responsible for public money are fully accountable for the use of that money. As OAG, we will continue to assure the nation that the public resources approved by parliament have been used for intended purpose as mandated by the constitution of the republic of Rwanda.

SECTION 2

SCOPE & OPERATIONS OF THE OAG

2.0 SCOPE & OPERATIONS OFTHE OAG

2.1 Mandate and Function of the OAG

2.2 Vision, Mission & Core Values of the OAG

2.3 Development of our human capital

2.4 Audits Performed by the OAG

2.1 Mandate and function of the OAG

Article 165 of the Constitution of the Republic of Rwanda of 4 June 2003 revised in 2015, and Articles 6 and 14 of Law no 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances require the Auditor General to audit and report to Parliament on the Public Accounts of Rwanda and of all Public offices including local government organs, public enterprises and parastatal organizations, privatized state enterprises, joint enterprises in which the State is participating and government projects.

The responsibilities of The Office of the Auditor General include the following:

- Auditing and reporting on accounts of all public entities, local administrative entities, public enterprises, parastatal organizations and projects;
- Conducting financial and value for money, economy and efficiency audits in respect of expenditure in all institutions referred to above and;
- Conducting accountability, management and strategic audits of accounts in the institutions mentioned above.

In addition, Article 166 of the Constitution of the Republic of Rwanda of 4 June 2003 revised in 2015, stipulates that the Auditor General shall submit each year to both Chambers of Parliament, prior to the commencement of the session devoted to the examination of the budget of the following year, a complete report on the state financial statements for the previous year. That report must indicate the manner in which the budget was utilized, unnecessary expenditure which was incurred or expenses which were contrary to the law and whether there was wasteful expenditure or misappropriation.

2.2 Vision, Mission & Core values of the OAG

VISION

To be a leading institution in promoting accountability, transparency and judicious management of public resources.

MISSION

To conduct audit of government institutions as a means of assuring our stakeholders that public resources are being utilized for national priorities and wellbeing of citizens.

CORE VALUES

Integrity

To carry out audits with absolute honest, candidness and behaving beyond suspicion and reproach.

Objectivity

To provide unbiased and factual audit conclusions, opinions and reports.

Professionalism

Demonstrating competence, skills, and sound judgment, responsibility, high level of secrecy, good conduct and behaviour.

Innovation

Introducing new ideas and methods of providing audit services to remain relevant in a dynamic audit environment.

In Public Interest

To conduct audit aimed at improving the wellbeing of citizens.

2.3 Developing our Human Capital

In the pursuit of professionalising the office, OAG recorded a remarkable progress to increase the number of professionally qualified staff over a period of 3 years. The number of staff holding professional qualifications recognized by professional accountancy bodies increased from 25 to 48 reported in 2017 and 2019 respectively. OAG is significantly investing in human resource development to satisfy stakeholders' needs and responding adequately to emerging risks due to the changing audit environment. **107** staff are pursuing their professional course and many are at the advanced level towards completion.

In addition, our audit staff benefit immensely from our internal and external trainings. The external trainings are mainly provided by ICPAR, AFROSAI-E and CAAF. **111** audit staff participated in external trainings as part of continuous professional development.

The existing staff retention and succession planning initiatives, such as vertical and horizontal promotions, length career path, opportunities for professional development played a great role in reducing staff turnover. Staff turnover has generally reduced from **6** staff reported from previous year **(20 April 2019)** to **4** staff as at the date of reporting **20** April **2020**.

2.4 Audits performed by OAG

Human and financial resources have continued to increase. This is attributed to support from government and development partners. As a result, has enabled the office to discharge its constitutional mandate more efficiently and effectively. OAG conducts three main audit disciplines (1) Financial, (2) Compliance and (3) Performance audits. We also perform IT audits as both support service and specific audit engagements. We also perform special audits requested by our stakeholders.

OAG prioritizes Financial and Compliance audits in accordance with level of audit risk profile. The focus is put-on high-risk entities that include among others GBEs, Boards and those which implement programs that impact heavily on the lives of citizens. Two **(2)** GBEs and ten **(10)** Boards were audited.

In addition, OAG conducted financial and compliance audits for other public entities which include twenty eight **(28)** local governments, sixty nine (**69)** projects, eleven **(11)** ministries, nineteen **(19)** central government entities and twenty-six **(26)** district hospitals.

2.4.1 OAG Contribution towards implementation of Sustainable Development Goals (SDGs)

United Nations Member States adopted the 2030 Agenda for Sustainable Development in 2015. It provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries developed and developing in a global partnership.

The United Nations and INTOSAI recognized indispensable role of Supreme Audit Institutions in auditing the efficient, effective, transparent and accountable implementation of the SDGs. To respond to the INTOSAI call, through our audits, OAG is contributing to effective implementation of SDGs in two ways. Firstly, undertaking performance audits that examine the Economy, efficiency and effectiveness of key government programmes that contribute to specific aspects of the SDGs. Secondly, Assessing and supporting the implementation of SDG 16 which relates in part to transparent, efficient and accountable institutions. This achieved through the use of AFROSAI-E Reporting Framework which enables SAIs to incorporate the aspects of SDGs in their financial and compliance audits.

The undertaken performance and special audits touched government programs which support the implementation of 12 SDGs. These include: SDG 1: No poverty, SDG 2: Zero Hunger, SDG 3: Good Health &Well-being SDG 4: Quality education, SDG 5: Gender Equality, SDG 7: Affordable & Clean energy, SDG 8: Decent work and economic growth, SDG 10: Reduced Inequality, SDG 11: Sustainable Cities and Communities, SDG 12: Responsible consumption and production, SDG 13: Climate action and SDG 17: Partnership for the goals. The performance and special audits conducted are detailed further in section 2.4.2 of this report.

2.4.2. Coverage of Financial & Compliance Audits

The audits which represent current year audit coverage, are summarized in table below:

Summary	No. of entities audited	Number of reports from audited entities	Expenditure audited for the year ended 30 June 2019 covered by the audits
			(Frw)
Projects	69	73	222,470,472,015
Central Gov't agencies	19	20	350,825,432,765
Boards	10	10	377,404,696,848
GBEs	2	2	*
Ministries	11	13	873,976,814,295
Districts	28	28	449,636,832,091
District Hospital	26	26	*
Sub/ total (A)	**165**	**172**	**2,274,314,248,014**
Inter-entity transfers (B)			**104,745,409,740**
Net audited expenditure C= (A-B)			**2,169,568,838,274**
Consolidated expenditure-2018-2019 (D)			**2,715,210,418,536**
Audit coverage-2018-2019 E=(C/D)*100			**80%**

*****_Assets and expenditure amounting to Frw_ ***1,158,098,012,246*** _of_ ***2*** _GBEs and_ ***26*** _district hospitals are not consolidated. Therefore, it is not part of our computation of the expenditure coverage of_ ***80%***_. These assets and expenditure which is not part of computation of current year audit coverage represents_ ***42 %*** _of government consolidated government expenditure for the year ended_ ***30*** _June_ ***2019***.

The current year audits covered **165** public entities and projects, which comprises of **137** budget agencies and projects that incurred total expenditure of **Frw 2,169,568,838,274** during the year ended 30 June 2019. Two **(2)** Government Business Enterprises that had assets worth **Frw 1,130,468,066,598** as at 30 June 2018 and **26** District Hospitals that incurred expenditure amounting to **Frw 27,629,945,648** during the year ended 30 June 2018. For each of the audited entity, I expressed an opinion on fair presentation of financial statements and confirmed whether the entity complied with laws and regulations governing public spending.

The expenditure incurred by **137** budget agencies and projects represents **80% (2018: 86.6%)** of the reported Government Expenditure of **Frw 2,715,210,418,536** for the year ended 30 June 2019. A total of **172** (**2018**:**178)** audit reports have been issued to support the audit opinion issued on state consolidated financial statements.

The down trend **(80%)** of audit coverage recorded this year, 30 June 2019 was due to the COVID-19 pandemic that disrupted the availability of auditees. This meant that some of ongoing audits by month of March 2020 were put on hold. Thus, the audit of **9** entities representing expenditure of **7.1%** of my annual audit plan was work in progress by the time of tabling current annual audit report. However, their audit shall be concluded upon lifting the lockdown.

2.4.3 Coverage of Performance, Special and IT Audits

During the current year audits, OAG conducted **six (6)** performance audits, twenty one **(21)** special audits and **three (3)** IT audits. Selection of topics for performance audits this year focused more on the areas of national interest especially health, environment, education, investment and social sectors. These contribute to improved living conditions of citizens and enable realization of National Strategy for Transformation (NST**1**). The performance, special and IT audits shown in table below touched twelve (**12)** Sustainable Development goals.

Due to COVID-19 pandemic disruption, 2 performance audits was work in progress at the time of tabling the current year audit report. However, their audit shall be concluded upon lifting the lockdown.

SECTION 3

AUDIT RESULTS AND FINDINGS

3.1 Overview of audit results

3.2 Cross Cutting Findings

3.3 Sector Specific Findings

3.1 OVERVIEW OF AUDIT RESULTS

It is my view that, when looking at the legal framework which empowers my office, there's no legal doubt on what the audit is for. However, in practice, there is some public doubt on what the audit is for and investors' views differ from management's views. It is under this cloud which the OAG has gone to lengths in the current report to try as much as possible to present a clear, simple albeit factual message on the state of the country's financial management system. In order to effectively put across the message of the OAG, it is necessary to understand the aim of various audits we perform and types of expressed audit opinion.

FINANCIAL AUDIT

- Are financial statements prepared in accordance with laws and regulations and do they provide clear information regarding the financial situation and performance of institutions?
- Do financial statements comply with the requirements set forth in laws and regulations, planning documents and are they nationally (or internationally) recognised practice which applies thereto?

COMPLIANCE & PERFORMANCE AUDIT

- Do transactions and activities comply with the requirements set forth in laws and regulations and does the audited unit carry out its activities in an effective, productive and cost-efficient manner with respects to value for money?

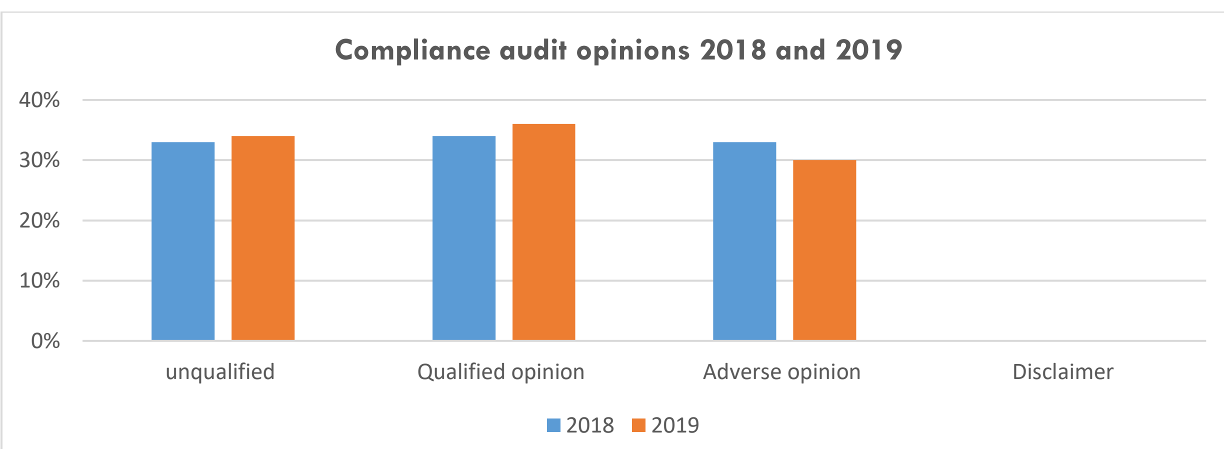
3.1.1 Audit opinions

The current year audits covered **165** public entities and projects. For each of the audited entity, I expressed an opinion on fair presentation of financial statements and confirmed whether the entity complied with laws and regulations governing public spending. A total of **172** audit reports have been issued to support audit opinion expressed on government consolidated financial statements. The types of opinions issued on audit reports as per clusters of audited entities are summarized in the table below:

Clusters	Opinion on the audit of compliance with laws and regulation of value for money				Opinion on Financial Statements			
	Unqualified	Qualified	Adverse	Disclaimer	Unqualified	Qualified	Adverse	Disclaimer
Projects	30	31	12	0	66	6	1	0
Boards and GBEs	3	1	8	0	3	5	3	1
Ministries and Other Central Government entities	19	9	5	0	26	7	0	0
Districts	0	4	24	0	0	25	3	0
District hospitals	7	16	3	0	0	8	18	0
Total	**59**	**61**	**52**	**0**	**95**	**51**	**25**	**1**

The table above illustrates the total number of opinions by types as defined in section 3.1.3 of my report. They were expressed in both audit disciplines (**Financial or Compliance**) for all audited entities classified in clusters (**Projects, Boards and GBEs, Other Central Government entities, Districts, and District hospitals**).

Compliance audit opinion results:



A total of **172** audit opinions were issued under the discipline of compliance audit. As illustrated by graph above, the number of adverse opinions reduced by **3%** compared to the last year. This indicates that public entities are improving towards a better audit opinions as unqualified and qualified audit opinions increased by **1%** and **2%** respectively compared to the last year. However, this improvement in better opinions is significantly dominated by projects and Ministries& other central government clusters which made up **83%** of unqualified audit opinions and **66%** of qualified audit opinions. Other important clusters of Boards & GBEs and districts which directly implement key programs of NST 1 to improve lives of citizens are lagging behind. These two clusters dominate entities which obtained audits reports with adverse audit opinions to the tune of **62%,** which is undesirable. There is need to continuously improving on spending public funds in accordance with applicable laws and regulations to realize value for money.

Opinions on financial statements:

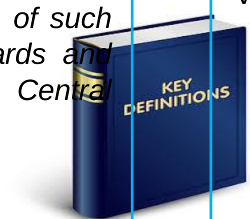
A total of **172** audit opinions were issued under the financial statements audits. **Unqualified audit opinions** make up **55%, Qualified opinions** make up **30%** whilst **Adverse opinions** made up **14%** compared to **19%** of the last year. The only 1 **Disclaimer opinion** made up **1%** of the total audit opinions is for WASAC. Total percentage of audit opinions in favour of Unqualified audit opinions is indicative of improvement of public entities in presenting their financial statements in a true and fair manner in line with existing national legal reporting framework. However**,** District hospitals make up **72%** of the Adverse opinions. This number is still high and needs efforts of hospitals management and concerned districts to improve on the quality of the financial reporting system.

3.1.2 Audit opinion drivers

Auditing is a process rather than an event. Whilst the audit opinions and reports are the tangible output, they do not really show how the audit opinion was reached. One fundamental driver of audit opinion is the audit findings which are unearthed as a result of applying audit methodology. Hence it is important to set an appropriate tone and culture, by highlighting the nature and implications of audit findings which are the drivers to my audit opinions discussed above. In this report, the OAG classifies audit findings which in my opinion should be brought to the attention of the reader as either (a) Cross cutting or (b) Sectorial findings.

Cross Cutting audit Findings:

These are findings identified during the audit conducted by OAG across all clusters of public entities (*e.g. of such clusters include projects, Boards and GBEs, Ministries and Central government*)



Sector Specific findings:

These are findings identified during the audit conducted by OAG for key entities which are classified under specific sector of the PFM and are deemed to play a crucial role in implementing key government programs for the benefits of citizens (*e.g. of such sectors include Infrastructure, Education, Trade and Investment and social*).

Audit opinions

- ***Unqualified audit opinion:*** *The auditor issues a conclusion that there are no material misstatements found in the financial statements. In the context of compliance audit, the auditor makes a conclusion that there are no material instances of non-compliance with laws and regulations.*
- ***Qualified audit opinion:*** *The auditor issues a conclusion that there are material misstatements found in the financial statements; however, those misstatements are not pervasive. In the context of compliance audit, the auditor makes a conclusion that there are material instances of non-compliance with laws and regulations; however, those instances are not pervasive.*
- ***Adverse audit opinion:*** *The auditor issues a conclusion that there is material and pervasive misstatements found in the financial statements. In the context of compliance audit, the auditor concludes that there are material and pervasive instances of non-compliance with laws and regulations.*
- ***Disclaimer of audit opinion:*** *This opinion is issued when auditor is unable to obtain and access the audit evidence for individual items or in aggregation. The auditor believes that those items may materially and pervasively be misstated. In the context of compliance audit, this opinion is issued when the auditor is unable* to obtain sufficient appropriate evidence to form a conclusion on the subject matter.

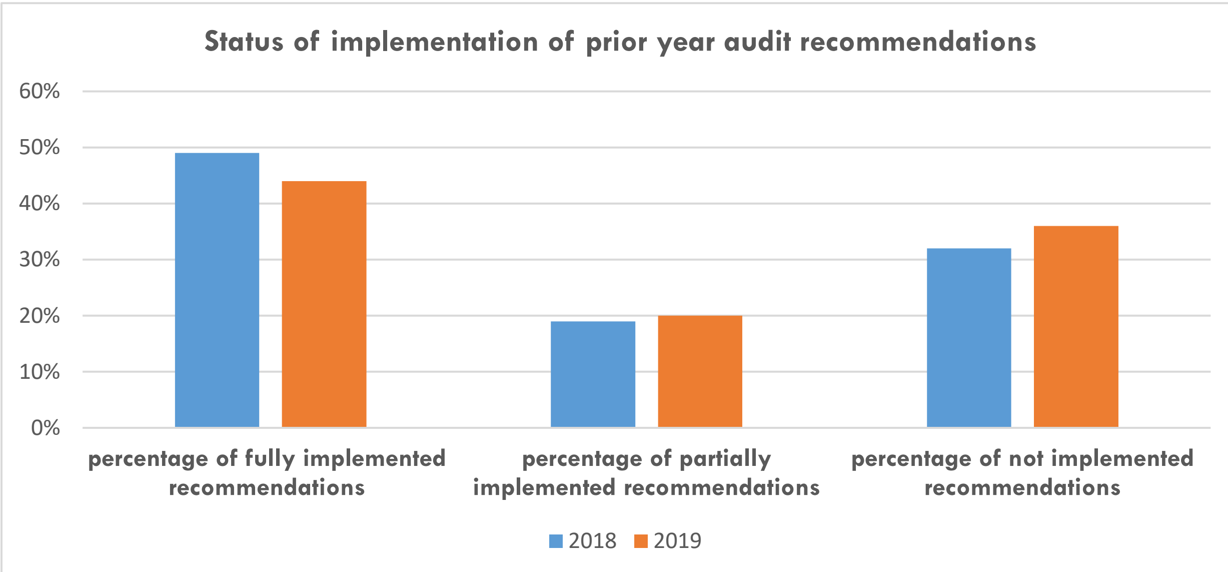
3.1.3 Reporting provision of article 166 of the constitution

According to Article **166** of the Constitution of the Republic of Rwanda of June **2003** revised in **2015**. I am compelled to report on cases of "unnecessary or unlawful expenditures, and whether there was embezzlement or squandering of public funds". To which under the provisions of Section **2** of Chapter **2** of Law no **79/2013** of **11/09/2013**, I have interpreted this provision and classified such expenditure under the technical categories of "Unsupported expenditure, partially supported expenditure, Wasteful expenditure, Unauthorised expenditure, and Funds diverted or fraudulently utilised".

Description	2019 Frw	2018 Frw	2017 Frw
Unsupported expenditure	112,128,865	524,138,983	3,286,227,450
Partially supported expenditure	1,398,942,549	2,616,803,323	1,711,072,606
Wasteful expenditure	6,198,513,732	2,208,265,108	2,364,412,097
Unauthorised expenditure	484,286,074	196,299,154	244,574,402
Funds diverted or fraudulently utilised	412,051,968	136,307,930	391,193,153
Total	**8,605,923,188**	**5,681,814,498**	**7,997,479,706**

In the current year, there has been a significant increase by **51%** in the Article **166** type of expenditure from **Frw 5.6 billion** (**2018**) to **Frw 8.6 billion** (**2019**). The significant increase was noted in wasteful expenditure, unauthorized expenditure and funds diverted or fraudulently utilised which recorded an upwards trend to the tune of one hundred and eighty one percent (**181%)**, one hundred and forty seven percent (**147%)** and two hundred and two percent (**202%)** identified in forty nine **(49),** seventeen **(17)** and five **(5)** public entities respectively. This implies that these public entities did not spend public resources on necessary national priority areas. This expenditure should have been avoided if public entities exercised efficiency in their operations, coupled with prudent management of public resources.

3.1.4 Status of implementation of Auditor General's recommendations



OAG promotes transparency, accountability and prudent management of public funds by independently auditing operations and reporting on the use of public funds of audited public entities. The audit results are of great relevance and value adding only when management and those charged with governance of public entities take corrective actions to address implement provided recommendations. Failure to do so denies public entities to attain desired improvements in PFM system.

OAG follows up the actions taken by public institutions to implement audit recommendations aimed at addressing weaknesses communicated in previous audit. From the above graph, the level of fully implemented recommendations had deteriorated by **5%** in the current audit. **44 %** of recommendations were fully implemented compared to **49%** implemented in previous year 2018. **20% (2018: 19%)** of recommendations were partially implemented while **36% (2018:32%)** were not implemented by public entities.

See the summary on status of implementation of prior audit recommendations in table below:

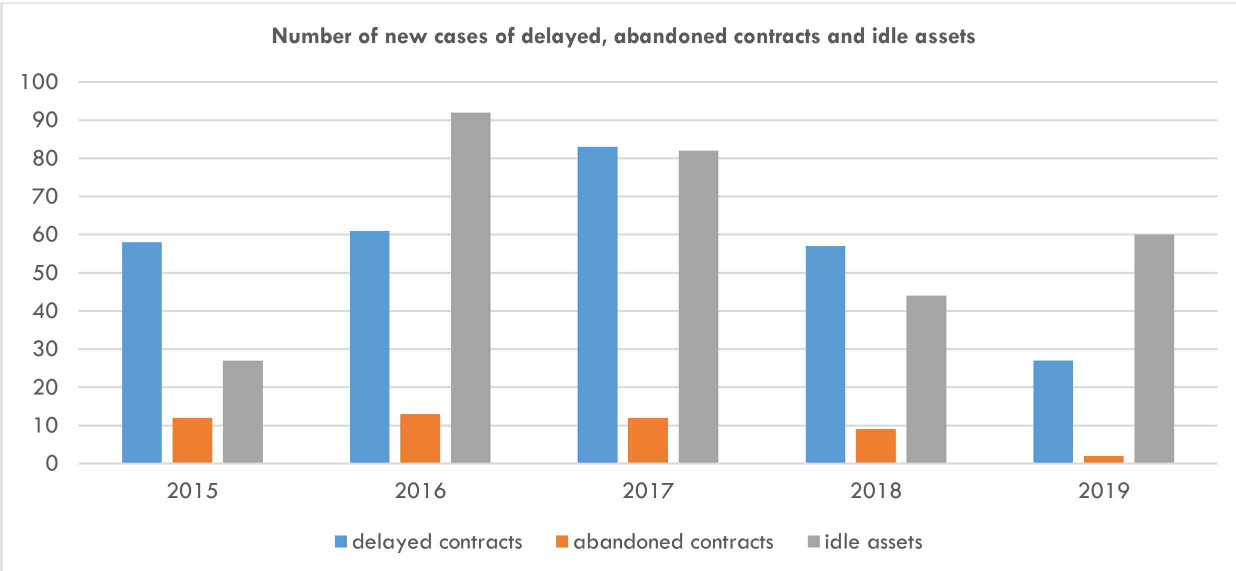
Category	Fully implemented	Partially implemented	Not implemented
Projects	49%	29%	22%
Ministries & other central government agencies (OCGAs)	54%	26%	20%
Boards & government business enterprises	31%	23%	46%
districts	51%	21%	28%
District Hospitals	39%	12%	49%
Total	**44%**	**20%**	**36%**

Our audit procedures revealed that audit recommendations were partially or not implemented at all partly due to inadequate coordination of synergy required from various government institutions or stakeholders to address some of highlighted anomalies. Further, long period of time taken to get recommendations implemented contributed to slowness of implementing my recommendations.

There is a need to coordinate efforts among government institutions and stakeholders to address gaps which do not fall wholly within the control of a single public institution. Public entities should have in place a proper monitored action plan which indicates the timeline of implementing audit recommendations.

3.2 CROSS CUTTING FINDINGS

Trend snapshot of identified new cases of delayed, abandoned contracts and idle assets



Delayed completion of government projects and acquired unused assets do not speed up the achievement of national aspirations. Every year, I report on these issues and recommend the public entities to address the root causes as a means of contributing to achievement of targets set in NST1. From the above graph on trend analysis, there is meritorious improvement from the year 2017 to 2019.

New cases of delayed and abandoned contracts were significantly reduced in last two consecutive years. They reduced from **95** contracts in 2017 to **27** contracts in 2019. However, new cases of idle assets increased in the current year compared to the last year 2018. They increased from 44 to 60 cases. Despite this deterioration of idle assets this year, the bigger picture painted from 2016 shows a commendable improvement since cases of idle assets were at the tune of **92** cases. In the years 2018 and 2019, public entities improved significantly to address the causes behind the increase in a number of delayed &abandoned contracts and idle assets. Regression to this positive trend should be avoided to sustain a well performing PFM system. Though, public entities are improving, the current year audit still noted similar issues as elaborated below.

3.2.1 Continuing cases of delayed and abandoned contracts

The audits identified that cases of delayed and abandoned contracts were still continuing in public entities. A total of **65** contracts valued at **Frw 107,939,885,720** have been reported as either delayed or abandoned. These comprise of **27** delayed contracts worth **Frw 47,768,011,014** identified during the year**, 28** delayed contracts worth **Frw 52,931,768,274** from previous audits, **2** abandoned contracts worth **Frw 805,804,060** identified in current audit and **8** contracts worth **Frw 6,434,302,372** identified in previous audit. These contracts have not been finalized and are still either ongoing or abandoned. ***See details in the table below.***

Cluster of audited entities	No. of delayed contracts	No. of abandoned contracts	Total	Value of delayed contracts	Value of abandoned contracts	Value of contracts delayed and abandoned (Frw)
	(A)	(B)	C=(A+B)	(D)	(E)	F=(D+E)
Boards and GBEs	20	3	23	36,810,896,975	4,028,274,593	40,839,171,568
Districts	20	3	24	29,159,256,580	1,879,177,381	35,660,557,419
Ministries and OCGAs	4	2	6	1,446,584,307	74,185,300	1,520,769,607
Projects	11	2	13	33,283,041,426	1,258,469,158	34,541,510,584
Total	**55**	**10**	**65**	**100,699,779,288**	**7,240,106,432**	**107,939,885,720**

The contracts reported above have been delayed for a period ranging between **5**0 and close to **2,000** days. This year, the majority of delayed and abandoned contracts were identified in Boards & GBEs and districts clusters with the portion of **74**% of the total delayed and abandoned contracts.

The dominant root causes of these delays and abandonment of works are associated with delay of public institutions to settle suppliers' invoices and inadequate processes of contract management such as lack of adequate supervision and inadequate internal control environment.

The delayed and abandoned works result into increased cost of Government projects, significant delays in completion of planned activities across public institutions and lack of value for money of Government projects. This adversely affects service delivery to citizens as envisaged by national aspiration.

Public entities should strengthen processes of contract management such as adequate supervision during the contracts execution. There is also a need for improving on cash flow planning in collaboration with the Ministry of Finance to ensure timely payments of contractors to overcome cases of delayed or abandoned works.

3.2.2 Cases of stalled projects

The audits identified **18** cases of stalled projects worth **Frw 112,552,600,100** that resulted from inadequate contract management. The contractors abandoned these projects in previous years and public entities terminated their contracts, but the works were yet to be resumed to complete the remaining works as initially planned by public entities. ***See the summary in table below.***

S/N	Cluster of audited entities	Cases of stalled projects	Value of previous contracts (Frw)	Amount paid to contractors (Frw)
1	Boards and GBEs	6	4,119,643,485	2,242,103,865
2	Districts	8	3,616,369,539	2,304,624,526
3	Projects	4	104,816,587,076	30,732,670,010
	Total	**18**	**112,552,600,100**	**35,279,398,401**

It was noted that works had not resumed due to budgetary constraints and long process of procurement procedures. As such, the planned objectives were not fully realised, and government is not realizing value for money from expenditure incurred on uncompleted works.

Public entities in collaboration with their line ministries should urgently strategize to consider means and ways in which currently stalled projects may be resumed to ensure that they serve the envisaged purpose.

3.2.3 Continuing cases of idle assets

Cases of idle assets are still occurring in public entities. The current audits for the year ended **30** June **2019**, identified **107** cases of idle assets worth **Frw 17,210,605,457.**

These comprise of **60** new cases identified worth **Frw 7,166,221,902** and **47** cases worth **Frw 10,044,383,555** from previous audits which were not yet put into use by the time of current audits. ***See summary in the table below:***

Cluster of audited entities	Cases of idle assets identified in current audit	Cases of idle assets from previous audits	Total number of cases of idle assets	Value of current year idle assets	Value of idle assets PY	Total value of idle assets
				Frw	Frw	Frw
Boards and GBEs	9	13	22	66,525,764	3,391,100,175	3,457,625,939
Districts	14	8	22	1,367,324,733	1,122,548,358	2,489,873,091
Ministries and OCGAs	23	8	31	4,096,413,314	1,262,061,514	5,358,474,828
Projects	5	9	14	1,229,458,021	4,010,569,444	5,240,027,465
District hospitals	9	9	18	406,500,070	258,104,064	664,604,134
Total	**60**	**47**	**107**	**7,166,221,902**	**10,044,383,555**	**17,210,605,457**

Majority of assets reported above have been idle for a period ranging between 6 months and 10 years.

Through our audit procedures, it was noted the dominant root causes of current year idle assets identified in audited public institutions is attributed to lack of needs assessment prior to acquiring assets and inadequate asset management. Instances of lack of maintenance plan of assets, failure to put into auction the old assets and untrained staff to use assets were identified as indicators of inadequate assets management across public entities.

These idle assets imply that government is not realizing value for money from procured assets.

Public entities should improve on management of assets by ensuring that the purchased assets are used for the intended purpose. Further, to avoid reoccurrence of unnecessary expenditure through idle assets, a proper needs assessment should be carried out by public institutions before procuring assets.

3.2.4 Failure to recover advance payment and performance securities

The audits identified **12** entities which did not recover amount of advance payment and performance securities worth **Frw 3,534,806,068 (2018: 2,297,606,521)** that resulted from the failure of contractors to execute the contracted works.

From our audit work, it was observed that the dominant root causes is associated with inadequate follow ups by public institutions to recover funds within reasonable time. Further, delays by the insurance companies and banks to deposit the related funds guarantees contributed to unrecovered performance guarantees.

This denies these public entities funds that would have been utilized to complete the planned activities.

Public entities management should enhance their control systems and procedures to ensure timely follow up of outstanding funds in the form of guarantees.

3.2.5 Delays in payment of suppliers' invoices

Article 35 of Ministerial Order no. 001/16/10/TC of 26/01/2016 on financial regulations public entities to pay suppliers' invoices within forty-five (**45**) days from the date of receipt of the claim. However, Public institutions settle suppliers' invoices with significant delays. This was identified in **21** entities which paid suppliers' invoices amounting to **14,391,086,018** with delays ranging between **2** and **725 days**. These delays proliferate the risk of delaying and abandoning the contracts.

Majority of projects, delays are dominantly caused by insufficient cash flow due to failure or delay to transfer government contribution from MINECOFIN. Other causes identified by our audit procedures include, inefficiencies in internal control system and long process of invoices verification, where payment are directly affected by development partners.

As I reported in section 3.2.1 about delayed contracts, they are delayed partly due to delays of making payments to contractors. This issue of delayed payments to contractors has been persistent. This current year, I identified long outstanding payable amounting to **Frw 6,580,106,241.** They were outstanding for a period ranging between **2** to **5** years.

Public entities should work closely with the Ministry of Finance and Economic Planning to improve on cash flow planning to ensure timely availability of funds to pay suppliers. If the problem of cash flow is not addressed, it will be almost impossible to address delayed contracts due to delayed payments.

3.2.6 Public entities awarded tenders at a price higher than budgeted cost

Article 16 of Law n°62/2018 of 25/08/2018 governing public procurement states that after the adoption of the State Finance Law, the procuring entity prepares and submits to the Ministry and Rwanda Public Procurement Authority the annual procurement plan indicating activities to be submitted to tender and related budget. The preparation and approval of public procurement plan are based on the budget definitively adopted by the relevant organ. No tender solicitation can be made in case money for its execution is not provided for in the adopted budget. The budget acts as a planning, coordination, control and evaluation of performance tool in the institution. However, the audit identified **21** entities which awarded tenders at a price higher than the cost budgeted in procurement plan. The actual incremental cost varied between **23%** and **865%** of the planned cost.

The dominant root cause is attributable to the failure to conduct market research on price before preparing the budget for these tenders. This shows deficiency in control environment in these public entities which does not promote budgeting as a pertinent planning and control tool in carrying out their operations.
Consequently, this may lead to insufficiency of funds at the time of settling suppliers'/contractors'. This poor planning led to some entities delaying in making payments to suppliers. These include REB, Gatsibo and Rubavu districts.

There is need to improve on the budgeting processes to ensure prudent and efficient use of public resources.

3.2.7 Cases of non-compliance with taxation laws

The audit identified cases of some public institutions which did not deduct withholding tax and others which deducted but failed to remit tax withheld to Rwanda Revenue Authority as required by the law. These cases are tabulated below:

Description	Type of tax	Amount in Frw	No of entities
Non deduction of taxes	VAT	9,695,797	2
	3% Withholding tax	50,774	2
	15 % Withholding tax	71,707,974	7
	PAYE	14,086,161	4
Total		**95,540,706**	**15**
Taxes deducted but not remitted to RRA	VAT	1,552,535,091	7
	3% Withholding tax	284,775,259	7
	15 % Withholding tax	658,830,177	4
	P.A.Y.E.	3,766,360,433	7
Total		**6,262,500,960**	**25**

Our audit procedures ascertained that the reason for the above noncompliance was due to wrong interpretation of taxation laws and budget constraints caused by delays in the disbursement of "Government counterparts funding" to pay taxes for some projects. Uncollected taxes denies government revenue to finance its priority activities.

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Public entities should put in place adequately designed and functioning controls to ensure that the respective taxes are computed, ascertained and remitted to the tax authority in an accurate, complete and timely manner. Government should disburse timely the "Counterpart funding" agreed in financing development partners' projects.

3.2.8 Project budget absorption challenges and potential loss of funding

The audits of government projects identified cases of low budget absorption during implementation of projects. Some projects are at risk of failing to absorb projected funding worth **Frw 142,066,984,234** ahead of the project completion dates unless they scale up their levels of implementation.

Audit evidence indicates that the cause of this issue is attributed to ineffective implementation of procurement process at a planning stage resulting in delayed process of procurement, instances of delayed or abandoned contracts and inadequate coordination among public entities to get projects' activities fast tracked. These funds are at risk of being forfeited by Government and the intended objectives of the projects may not be realized within the timeframe as envisaged.

Public entities should enhance their coordination of efforts to avoid inefficiencies in operations that result into delayed projects' activities. Government and development partners should enhance their interoperations to speed up the procurement process during projects implementation.

To address and mitigate these challenges, the office requires enhanced funding from the exchequer and Development Partners per our revised annual operational plan and budget.

3.2.9 Lack of integrity of financial statements

- **Unadjusted material misstatements identified in the financial statements of audited budget agencies**

  The audits of financial statements identified various misstatements which were not corrected by audited public entities after audit adjustments recommendations. These are highlighted below:

  - Omitted creditors of **Frw 2,636,997,034 (2018**: **Frw 967,716,650).**
  - Omitted debtors of **Frw 1,208,458,604(2018: Frw 1,219,178,754).**
  - Unsupported creditors of **Frw 12,893,233,813(2018: Frw 12,795,089,547).**
  - Unsupported debtors of **Frw 4,153,122,241 (2018**: **Frw 2,430,809,280).**
  - There were also cases of unusual balances noted in the financial statements of public entities as illustrated by the following:
  - Creditors amounting to **Frw 4,257,673,114** and debtors amounting to **Frw 319,383,222** with no detailed listings (**2018**: **18,321,267,778** creditors and Debtors **Frw 862,327,243).**
  - Long outstanding creditors of **Frw 6,580,106,241(2018: Frw 14,430,046,414).**

- Long outstanding debtors of **Frw 23,066,580,129 (2018**: **Frw 37,476,444,350**).

Omissions, errors and inconsistencies in bank reconciliation statements including cases where bank reconciliation statements for some bank accounts were not prepared at all, bank reconciliations with unexplained differences and bank reconciliations with irregular reconciling items as highlighted below:

- Bank reconciliations for **21** bank accounts with balances totalling **Frw 2,700,742,787 (2018: Frw 4,272,085,031)** had unexplained differences implying that reported balances were not accurate.
- Bank reconciliations for **45** bank accounts with balances totalling **Frw 259,782,996 (2018: Frw 1,878,373,877)** had irregular reconciling items.

- **Undisclosed Bank Accounts**

The audit noted **ten (10)** bank accounts which were omitted from individual entity's books of account.

There is possibility of illegal and irregular bankings, withdrawals and other unofficial transactions that may have been undertaken through these hidden bank accounts.

- **Approved consolidated financial statements materially adjusted after the audit**

Audit identified 117 entities' financial statements with errors and omissions which were corrected through adjustments. As a result, consolidated financial statements approved by Cabinet for the year ended 30 June 2019 are not reliable. Hence, misleading the users.

The lack of adequate supervision by senior knowledgeable staff in the accounting function of Public entities has been noted as contributory to the main challenges being faced. The continued carrying of these misstatements in the state accounts negatively affects the true and fair presentation of both the individual and state consolidated financial statements.

Public entities should strengthen supervision and review of accounting operations to enhance the reliability of financial information reported in financial statements, as a means of operating in an accountable and transparent manner. MINECOFIN should investigate and report on bank accounts which were not reported by public entities ever since they were opened.

- **Lack of Accountability in WASAC and REG**

The financial statements of WASAC and REG are never produced on time and do not make any sense. Management seems not to be in charge of accountability, as such there is lack of ownership of corporate governance. WASAC had a disclaimer opinion over three consecutive years, while REG had adverse opinion over three consecutive years. This indicates that financial statements are not reliable and do not provide proper accountability for resources managed by these entities.

- **Concern over Corporate Governance and financial management in GBEs and Boards**

OAG continues to invest significant resources to focus on high-risk audits for Government Business Enterprises (GBEs) and Government Boards. These entities were responsible for assets and expenditure management of more than **Frw 1,406 Billion** equivalent to 52% of annual Government expenditure for the year ended 30 June 2019. These are mandated to deliver key Government programs.

#	Entity	Total assets or expenditure audited (frw)	Assets or expenditure
	BOARDS		
1	Rwanda Agricultural Board	40,768,706,837	Expenditure
2	National Agriculture and Export Board (NAEB)	12,074,632,904	Expenditure
3	Rwanda Education Board	17,501,238,930	Expenditure
4	University of Rwanda (UR)	57,743,169,435	Expenditure
5	Rwanda Development Board (RDB)	58,572,900,783	Expenditure
6	Rwanda Biomedical Center (HQ)	104,585,119,605	Expenditure
7	Rwanda Biomedical Center (MPPD)	7,933,812,029	Expenditure
8	Workforce Development Authority	10,337,908,521	Expenditure
9	Rwanda Polytechnic	18,625,286,848	Expenditure

#	Entity	Total assets or expenditure audited (frw)	Assets or expenditure
10	Rwanda Transport Development Agency (RTDA)	57,195,732,985	Expenditure
	Sub total	**385,338,508,877**	
	Government business enterprises		
1	WASAC	49,878,785,329	Assets
2	RSSB	981,867,579,020	Assets
	Sub total	1,031,746,364,349	
	Grand total	**1,417,084,873,226**	
	National consolidated expenditure 2018-2019	2,712,568,209,318	
	Percentage	**52%**	

Financial management and accountability challenges have persisted over the years. Financial statements of these Boards and GBEs are unreliable and had modified audit opinions due to significant omissions and errors.

3.2.10 Exclusion of internally generated revenue and expenditure of NBAS from national budget approved by parliament

Review of the Budget execution report revealed that internally generated revenue and expenditure of Non-Budget Agencies were not included in the national budget approved by parliament. Disclosures made for NBAs revealed that a total of **Frw 114,355,951,858** of internally generated revenue was omitted from Government expenditure for the year ended at **30** June **2019**. ***See details in the table below***:

NBA Category	Adjusted Opening Balance Frw	Transfer from district and other entities Frw	Revenues Frw	Expenses Frw	Fund Balance Frw
District Pharmacies	8,682,807,241	82,389,295	17,830, 020,943	16,613,714,995	10,003,350,282
District Hospitals	7,535,178,852	19,061,638,549	31,750,915,474	51,235,395,063	7,112,337,812
Sectors	6,073,187,685	18,054,388,523	598,458,832	19,118,914,286	5,662,117,342
Primary Schools	1,606,149,779	6,664,602,736	846,831,648	8,585,904,159	534,468,724
Secondary Schools	6,828,265,615	17,503,546,416	39,600,783,925	58,970,225,739	4,962,370,218
Health Centers	11,906,870,154	18,600,096,984	23,728,941,036	44,024,647,754	10,211,260,420
Grand Total	**42,712,092,432**	**79,966,662,503**	**114,355,951,858**	**198,548,801,996**	**38,485,904,798**

3.3 SECTOR SPECIFIC FINDINGS

3.3.1 Rwanda Revenue Authority (RRA)

A) Huge amount of unrecovered tax arrears

Management of tax arrears remains crucial to ensure availability of adequate cash flows to finance government budget. Tax arrears increased by 40% from **Frw 161bn** in 2017 to **Frw 270bn** in 2019. These tax arrears represent **20%** of total government revenue collected by RRA for the financial year ended 30 June 2019. The arrears mainly increased due to increased number of tax audits conducted in the mining sector which is a commendable practice to detect tax evaders.

However much RRA detected tax evaders, the aging analysis of **Frw 270bn** tax arrears outstanding as at 30 June 2019, indicated that **87%** of these arrears are older than 12 months. In accordance with Public Expenditure and Financial Accountability (PEFA) framework, this level of tax arrears is not promising since it falls below the basic level of performance which needs sustainable improvement.

Accordingly, government is being denied cash flows that would be used to finance important activities on a timely manner. This may force government to source funds in form of loans at higher cost instead of using tax revenue. It is important to mention that RRA is among core institutions in the PFM country system. Any shortfalls or delays in collecting revenue will adversely affect implementations of activities across government institutions.

There is need to devise measures to quickly recover the fairly new arrears before they last too long to become difficult to recover or uncollectable at all. The efforts to detect tax evaders should go hand in hand with strong recovery efforts to reduce accumulation of tax arrears.

B) Unreliability of revenue accountability statement due to variances of information between IT tax collection systems and accounting system (SAGE)

RRA embarked on the use of information technology in collecting taxes. IT systems such as E-tax, Rwanda Automated Local Government management information system and Rwanda Single electronic Window are used to collect taxes while Intermediate Database is useful to receive payments from tax payers. The accounting system sources transactions from IT systems for recording. The audit identified variances of information between IT tax collection systems and accounting system (SAGE) which undermines the reliability of revenue accountability statement as described below.

- A variance of **Frw 60,853,898,208** was noted between revenue collected as per Tax collection systems and accounting system (SAGE): Collected revenue identified in Tax collection systems was **Frw 1,549,784,203,209** while revenue recorded in SAGE was **Frw 1,610,638,101,417.**
- A variance of **Frw 422,376,986,461** was identified between revenue collected as per Intermediate database and accounting system (SAGE): Collected revenue identified in Intermediate database was **Frw 1,188,261,114,956** while revenue recorded in SAGE was **Frw 1,610,638,101,417.**
- A Variance of **Frw 11,911,552,548** was noted in 68 bank accounts between Intermediate Database and accounting system (SAGE): A bank balance of **Frw 272,726,646,772** was identified in Intermediate Database while a balance as per SAGE was Frw **284,638,199,320.**
- There was revenue amounting to **Frw 1,076,860,794** in IT tax operational systems collected through 6 bank accounts, which were not recorded in accounting system.
- There was revenue amounting to **Frw 211,718,249,975** reported in IT tax operational systems which was not reflected in Intermediate database.

These variances serve as indicators of inaccuracies in process of recording and reporting revenue in tax accountability system. As a result, the accuracy of information reported in annual revenue accountability statement is unreliable for evaluation of revenue collection performance.

There is a need to enhance the integration of IT tax operational systems and accounting system to enable automatic transfer of information to accounting system.

3.3.2 Rwanda Social Security Board (RSSB)

A) Persistent arrears of pension contributions

Social security contribution assessments identified cases of employers who did not contribute to the national pension scheme. The audit identified Pension contribution arrears amounting to **Frw 17,977,901,438 (2017:14,731,002,461)** as at 30 October 2019. These have been outstanding for a period ranging between 1 to 3 years.

This impacts negatively on fund's financial viability as it is deprived of expected funding through contributions.

Recovery mechanism should be strengthened including legal actions to ensure that arrears are recovered to support financial viability of the fund.

B) Concern over accounting set up for the schemes under RSSB management

As highlighted in previous audit reports, RSSB elected to perform accounting and financial reporting function of the medical, pension, CBHI and maternity leave schemes under one set of books of account. This poses a challenge of inherent failure to differentiate transactions and balances of each scheme. The ideal practice of accounting should be maintaining separate books of account (General ledger and trial balance) for each scheme to enable proper accountability and resource management of each scheme.

This practice of accounting resulted into the following misstatements identified in the audit of financial statements for the year ended 30 June 2018:

- Inter-scheme balance of **Frw 5,088,064,431** originating from previous financial periods are not yet cleared.
- Suspense account of **Frw 1,294,339,098** relating to pension scheme contributions which is not supported by a list of employers.
- Unexplained difference of **Frw 317,239,564** between pension income generated from pension contributions module and pension income reported in the financial statements

- Creditors with debit/negative balances o**f Frw 631,791,525**

To achieve proper accountability and transparent financial reporting, books of account (General ledger and Trial balance) of each scheme should be maintained by the finance function.

C) Continuous loss of RSSB's private equity and real estate investments

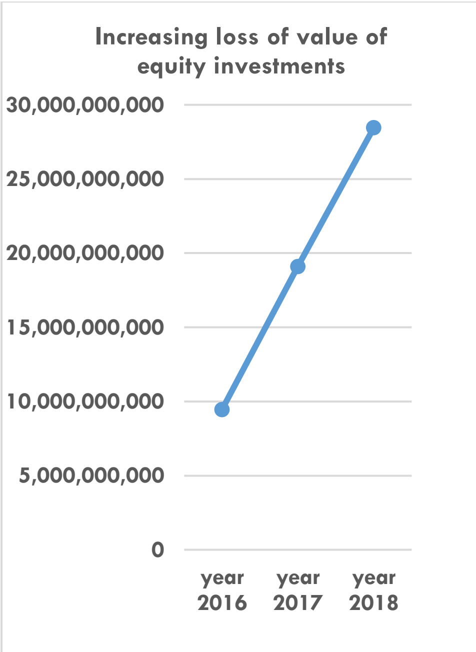
Prudent investing imposes special obligations upon RSSB directors and managers to carry out prudent investment program of the fund. RSSB investment policy guides on objective of any investment, which is to optimize short and long term return of fund's investments. However, as I reported in previous years, RSSB invested in equity and real estate investments which are not yielding returns. My current audit again noted a continuous loss in these investments as described below.

- **Increasing loss on vision city project due to management cost of unsold houses**

  As reported in previous year, RSSB projected to incur a loss on vision city real estate project since houses are sold below cost. Last year, the loss was projected at **Frw 10.6bn.** The current audit noted that the loss projection increased to **Frw 12.5bn**. This increase is associated with administrative and management cost incurred on unsold houses. Management costs of unsold houses increased by **Frw 1.9bn** from **Frw 2.9bn** in 2017 **to Frw 4.8bn** in 2018**.**

  In accordance with available documentation, out of **504** constructed houses, **313** houses were sold. This is a positive trend in sales compared to **213** houses sold last year. Due to unsold houses, RSSB will continue to incur management costs. This will continue aggravating the loss suffered on this project. Though this project has no expected profit on investment, management should devise measures to sell these houses as a means of avoiding further increase in losses.

- **Concern over underperforming equity investments**



As reported in previous years, I am concerned with underperforming equity investments which do not bring direct return in form of dividend or capital gain to RSSB. The loss of value of invested funds is increasing. In **8** companies, the loss increased from **Frw 19bn** in 2017 to **Frw 28bn in 2018** due to their poor financial performance as shown on left side graph. Out of 8 companies, 4 companies made capital loss for 5 consecutive years, which cast doubt on whether their financial performance will improve in the future to earn a return on investment.

As part of RSSB's mission includes high quality management and prudent investment of members' funds, there is a need to re-assess the relevance of poor performing investments towards creation of value to RSSB members. Vivid strategies should be crafted to align these companies' financial performance with investment objective.

3.3.3 Social Sector

3.3.3.1 National Early Childhood Development Program

A) Gaps noted in management of Fortified Blended Food (FBF) program known as Shisha Kibondo

- **The quantity of supplied fortified blended food (FBF) was not enough to serve targeted program beneficiaries**

Districts' requests for fortified blended food consider the number of beneficiaries, and security stock equivalent to the monthly required quantity. The security stock caters for probable shortage of supplies due to delayed delivery or unexpected increase in number of beneficiaries. However, the audit identified districts whereby supplied fortified blended food was not enough to serve program beneficiaries as follows;

- **5** districts received less than **50%** of quantity requested for children. These districts include Rubavu, Kayonza, Karongi, Ngororero and Burera.
- **12** districts received less than **50%** of quantity requested for pregnant and lactating women. These districts include Rubavu, Kayonza, Karongi, Ngororero, Gatsibo, Nyaruguru, Gakenke, Nyamasheke, Huye, Gisagara, Nyamagabe and Rusizi.

Management attributes this shortage of fortified blended food to the budget constraints though the budget allocated was fully utilized.

Insufficient quantity of fortified blended food at health facilities **i**mplies that all targeted beneficiaries might have not obtained fortified blended food. Hence, program's objective may not be fully achieved.

- **Stock out of fortified blended food at district pharmacy and health centers**

According to article 9 of fortified blended food guidelines requires NECDP to submit the request with all quantities requested by the districts to the supplier. The supplier is required to deliver requested quantities of fortified blended food to the district pharmacies not later than 15th of every month. This is practiced to avoid cases of stock out.

However, the audit identified **6** cases of stock out of fortified blended food at different dates. The fortified blended food was out of stock for a period ranging from **36** to **106** days. These cases were identified in **1** district pharmacy and **2** health centers as summarized below:

S/N	Name of health facility	Date when closing balance was zero	Date when next delivery took place	Stock out period in days
1	Ngororero district pharmacy	27/12/2018	05/02/2019	40
2	Ngororero district pharmacy	30/10/2019	05/12/2019	36
3	Muramba Health Centre in Ngororero district	26/06/2018	13/08/2018	48
4	Kigufi Health Centre in Rubavu district	31/12/2018	06/02/2019	37
5	Kigufi Health Centre in Rubavu district (FBF for mother)	23/05/2019	06/09/2019	106
6	Kigufi Health Centre in Rubavu district (FBF for mother)	15/10/2019	17/01/2020	94

Management attributed this issue to inefficiencies in the supply chain management.

Shortage of fortified blended food in stores at district pharmacy and health centres are indicators that the supply chain is not efficiently operating to ensure timely availability of supplies. Consequently, beneficiaries may not get fortified blended food on regular basis.

B) Gaps noted in management of one cup of milk per child program

- **Quantity of milk supplied to Huye district was not enough to serve targeted pupils**

Guidelines on management of this program require District Officer in charge of One Cup of milk per Child Program to place purchase order basing on the requests made by concerned schools. This implies that this purchase order consider all pupils who need milk at various primary schools in the district.

During the year ended 30 June 2019, the district ordered **74,795 litres** of milk from the contracted supplier, Nyanza Milk Industries Ltd. However, the district received

61,714 litres, leaving unsupplied milk of **13,081 litres** representing **17%** of annual ordered milk.

This unsupplied milk resulted into the shortage of milk at some primary schools. For example: Cyendajuru primary school did not receive**1,701 litres** of milk ordered during the year ended 30 June 2019. As a result, some pupils did not drink milk at some occasions as detailed in table below:

Date	Quantity not received on the day of consumption (l)	Number of pupils who did not drink milk on that day
26/07/2018	276	552
31/07/2018	276	552
02/08/2018	276	552
04/09/2018	276	552
19/02/2019	159	318
30/04/2019	146	292
07/05/2019	146	292
14/06/2019	146	292
Total	**1701**	

Management attributes this shortage of milk to the failure of the supplier to supply ordered quantity of milk especially in the dry season and other operating inefficiencies.

Unsupplied quantities of milk implies some eligible pupils did not consume milk as envisaged. Consequently, the program may not fully achieve its intended objective in Huye District.

- **Delays in distribution of milk to beneficiaries at GS Bukure in Gicumbi district and TETA Nursery School in Bugesera district**

According to guidelines for one cup of milk per child program, every child should take milk two times a week (one litre per week). However, the audit identified that pupils at GS Bukure in Gicumbi district and TETA Nursery School in Bugesera District did not receive milk for a period of **11** and **20** weeks respectively as described below.

- It was noted that at GS Bukure in Gicumbi district, beneficiaries received milk on 28 October 2019. From then up to the time of field visit on 13th January 2020, the school did not receive milk for pupils.

- Similarly, at TETA Nursery School in Bugesera district, last delivery of milk took place on 22 August 2019. From then up to the time of audit field visit on 13th January 2020, the school did not receive milk for pupils.

Due to delayed supply of milk to pupils, the program may not fully achieve its intended objective, especially in the area of reducing malnutrition and stunted growth among young children.

C) Unused and uncompleted early childhood development (ECD) centres

In the pursuit of increasing children's preparedness to the primary school environment and ensuring optimal child development, Nyaruguru district constructed 12 ECD worth **Frw 81,585,904**. However, the audit field visit conducted from 22nd and 23rd October 2019 revealed the following issues:

- **Idle early childhood development schools:** The audit identified **4** completed early childhood development schools which are not in use. They were not in use due to lack of equipment necessary to facilitate their operations.

- **Uncompleted construction of some childhood development schools:** The audit identified **5** childhood development schools whose construction was not completed for use. The uncompleted works included: installation of channel water pipes, installation of water tanks and fixing glasses in windows and doors. Management attributes this uncompleted works to the budget constraints.

Unused early childhood development schools imply that government is not realizing value for money from funds invested in the construction of these buildings.

3.3.3.2 Special Guarantee Fund (SGF)

The Government of Rwanda established Special Guarantee Fund (SGF) to compensate victims for damages caused by accidents of non-identified, non-insured automobiles and wild animals.

During the period 2016-2019, SGF received **694** claims of victims of traffic road accidents and **5,575** claims of damages caused by wild animals requesting for damage compensation. OAG conducted a performance audit of financing and managing claims of accident damages within Special Guarantee Fund. The objective of audit was to assess whether SGF appropriately collects resources and manages claims of victims of road accidents and wild animals for fair compensation. The following key issues were noted:

A) Delayed validation and compensation of claims

SGF receives claims from victims or their legal representatives regarding the injuries, death or property damages caused by non-insured or non-identified automobiles and wild animals. These claims are reviewed, analysed in conjunction with all available information from police, inspections and insurance companies. Records of treatment and level of disabilities may be requested from the hospitals if the victim is still alive. SGF may decide to reject the claim or proceed with compensation. Whichever the decision, the claimant should be notified within 30 working days after initiation of the claim. Payment of the compensation should not exceed 15 working days after date of agreement of compensation by claimant.

SGF, however did not settle all claims within the allowable time. 295 claims remained unsettled for a period ranging between 3 months and 8 years. These claims represent 4.7% of total claims received in the period under review.

Discussion with management and further audit analysis highlighted the following causes:

- **Delayed accident inspections meant for verifying claims:** The claims should be analysed in 4 working days before inspection of the accident. Inspections at the location of accident should be conducted in 5 days where deemed necessary. However, in some instances SGF carried out inspections with a delay of 10 days up to 119 days from the date of initiation of claims. These inspections were intended to gather information on accidents that took place in a period ranging between 210 and 983 days before conducting these inspections. This may deny compensation from eligible victims of accidents in case evidence is no longer available.

- **Long delayed notification of claimants about the decision of the claims:** The claimant should be notified within 30 working days after initiation of the claim about the outcome of whether the claim was accepted or rejected for compensation. However, there was a delay in notifying claimants about the decision of approval or rejection of their claims ranging between 36 and 466 days. Therefore, claimants may delay to follow up the responsible person for accidents in case compensation is not within SGF responsibility. Claimants sued SGF in the court and SGF lost 6 court cases due to this delay.

  Due to failure of timely processing of claims, individuals may be unfairly denied benefits due to prolonged periods of time. The delay in compensation negatively affects claimant health and well-being since they are still requiring medical care services, yet their income earning capacity has been significantly curtailed.

B) Lack of proper analysis and fairness in determining amount of damages for claimants compensation

Compensation for pecuniary or economic loss and moral damages for victims who had no remunerated employment is computed using an inter-professional guaranteed minimum wage (SMIG), days of the month and the level of permanent disability. The minimum wage and days are based on the Supreme Court ruling Nº RCAA 0049/14/CS of 25 November 2016 which set minimum wage at Frw 3,000 considering changes in market prices and computation was done using 30 days calendar. However, SGF did not harmonize the modalities for computing compensation due to injured and deceased victims as follows:

- **Lack of uniformity in computing amount of damage for compensation:** For body injuries and deaths that resulted from traffic accidents, only **28%** (19 out of 68) victims were compensated at the rates of Supreme Court ruling. The remaining **72%** were compensated taking wages and days below the ruling of the Supreme Court ranging between **Frw 2,000** and **Frw 2,800** per day. The days in computing compensation ranged between 25 and 28 days. For body injuries and deaths that resulted from wild animals, victims were compensated considering 25 days per month and flat minimum wage of **Frw 1,000** per day.

- **Loophole in the second medical opinion about the approval of claimants' disability levels:** Medical specialists at referral hospitals CHUK, RMH, King Faisal Hospital provided certificates of disability levels to 28 victims. SGF used the contracted private clinic to seek second opinion and approve the disability levels confirmed by referral hospitals. However, this clinic used one doctor for all cases while victims' disabilities were different and required different specializations. In the re-examination of the same cases, the results of the private clinic contracted by SGF were below the one from referral hospitals. ***See details in the table below.***

Number of victims	Level of disability confirmed by treating doctors in referral hospitals	Level of disability confirmed by private clinic contracted by SGF	Variances of disability level between treating doctors and contracted clinic
	(A)	(B)	(C=A-B)
2	60% and 90%	20% and 50%	40%
1	78%	50%	28%
1	53%	30%	23%
2	55% and 73%	35% and 53%	20%
2	30% and 65%	15% and 50%	15%
1	73.6%	60%	13.6%
8	Between 40% and 80%	Between 30% and 70%	10%
9	Between 35% and 70%	Between 30% and 65%	5%
2	35% and 36%	31% and 32%	4%

SGF compensated victims based on the results of the private clinic and there was no assessment to identify reasons behind the variances.

Due to this inadequate analysis and unfair determination of damage amount for compensation, 50 claimants sued SGF in court. SGF lost **60%** of court cases and paid fines amounting to **Frw 20,030,800**. Therefore, the objective of fair compensation for victims of accidents is not being achieved.

3.3.3.3 National Employment Program (NEP)

The Government of Rwanda established National Employment Program (NEP), to optimize the impact of employment interventions. The program has objectives among others; creating sufficient jobs that are adequately remunerative and sustainable across the economy; equipping the workforce with vital skills and attitude for increased productivity that is needed for the private sector growth; providing a national framework for coordinating all employment and related initiatives and activities in the public, private sector and civil society. The audit of NEP revealed the following gaps that may hinder the attainment of the envisaged objectives:

A) Weaknesses in trainings conducted by RP through IPRCs

In the framework of skills enhancement conducting NEP trainings, Rwanda Polytechnic Higher Learning Institution (RP) signed contracts with different Integrated Polytechnic Regional Colleges (IPRCs) for trainings in various skills development components. During the year ended 30 June 2019, RP transferred funds totalling **Frw 499,671,974** to IPRCs pursuant to contracts signed with each one of them for provision of trainings. The funds were meant to purchase training materials and to cater for operational costs during trainings. Review of execution of signed training contracts revealed the following:

- **Low number of trainees completing trainings:** Review of completed trainings that costed **Frw 184,554,674** showed low number of individuals that completed trainings compared to targeted number of beneficiaries to be trained per signed contracts. It was noted that **941** trainees successfully completed trainings out of targeted number of **1,230** trainees as per the contract. Hence a shortfall of **289** trainees, representing **23%** of targeted number.

Review of available documentation and discussion with management revealed that the low rate was a result of drop out. This however, casts doubt on proper assessment and mobilization while selecting individuals to be trained.

- **Training trades/courses different from what was agreed in the contract with IPRC Kigali**: IPRC Kigali received **Frw 20,000,000** to conduct training of 200 NEP beneficiaries in air conditioning, electronics, plumbing and multimedia. However, it was noted that only 75 were trained in the agreed training courses as per contract while the remaining 125 were trained in courses different from the contract (mechanical, carpentry, networking, web design).

  Therefore, deviation from agreed trades in which individuals should be trained may adversely impact achievements of NEP program.

B) Weaknesses noted in contract signed between New Kigali Designers and Outfitters ltd and RP

In March 2018, Rwanda Polytechnic Higher Learning Institution (RP) signed a contract worth **Frw 209,925,000** with New Kigali Designers & Outfitters Ltd Rwanda to provide 6 months training for **350** trainees under Rapid Response Training (RRT). According to the article nine (9) of contract, RP was to avail to the service provider an amount of **Frw 146,947,500** equivalent to **70%** of the contract and the remaining balance of **30%** be contributed by New Kigali Designers and Outfitters ltd.

The objectives of the training were, among others, to enhance the capacity and skills (theoretical and practical) for producing different garment products that meet local and international standards and equip trainees with necessary knowledge to deal with quality requirement; and to release on the market a pool of professional workers in garment industry ready to deliver and bridge the existing gaps in the clothing industry.

The audit reviewed implementation of the contract and noted the following:

- **Low rate of employment for successful trainees upon completion of training program**: The signed contract states that the company will retain all successful trainees upon completion of training and employ them for at least one year. The final training completion report submitted to RP on 22 May 2019 indicated that **319** trainees successfully completed training. However, only 115 trainees representing **36%** (**115/319*100**) were retained by the company for employment and remaining **204** trainees were yet to be employed, this is contrary to the signed contractual agreements between parties.

- **Inappropriate status of trained beneficiaries in training database**: Though **350** beneficiaries were trained under this contract, **31** failed to successfully complete the training per the report from the training company of 22 May 2019, their status in the database for the year ended 30 June 2019 provided in the Month of February 2020 indicated that training of the 31 who failed was still ongoing. Failures were also not reported in the database of trained beneficiaries during the year ended 30 June 2019. Consequently, the program may not achieve the objectives as envisaged.

C) Persistent failure to supply of wood drying machine meant for ADARWA Cooperative

On 12th December 2015 BDF signed a contract with Papyrus Company limited for the supply of carpentry equipment to ADARWA Cooperative worth **Frw 100**,**000**,**000**. BDF had paid an advance to the supplier of **Frw 70**,**000**,**000** with the balance to be paid upon successful delivery and installation of the equipment at ADARWA premises. However, the audit identified that the delivered wood dry machine was rejected by ADARWA cooperative due to the fact that it did not meet required specifications.

On 17 September 2019, BDF signed another leasing loan facility contract with ADARWA cooperative meant to acquire timber drying machine worth **Frw 175,465,092** equivalent to **Euro 174,650**. On 05 December 2019, ADARWA cooperative signed a contract with SECAL for the supply of the above machine. The contract duration was **90** days effective from advance payment date to 11 February 2020. However, by the time of audit in March 2020, there was no evidence that the machine was delivered in the agreed period. Enquiries from NEP management revealed that the machine was ready for shipping from Italy. As result, no value for money is being derived from this incurred expenditure.

D) Weaknesses noted in implementation of start-up toolkits loan facility

- **Significant delays in transferring funds to SACCOs by BDF:** During the year ended 30 June 2019, BDF transferred funds amounting to **Frw 1,353,109,514** to SACCOs to finance NEP beneficiaries under the scheme of start-up toolkit loan facility. However, the audit noted instances of significant delays in transferring funds to SACCO. Funds totalling **Frw 199,127,500** were transferred by BDF to SACCOs with delays ranging from 4 months to 1.5 years from date SACCOs' request to actual date of transfer. This implies that these delays adversely affect implementation of beneficiary planned businesses.
- **Unrecovered matured loans for toolkit facility advanced to SACCOs:** from 2014/2015 to 2018/2019, BDF disbursed funds totalling **Frw 2,746,826,096** to different SACCOs as loans for start-up toolkits. Available documentation indicated that as at 31 December 2019, loans amounting to **Frw 336,508,962** were due to be repaid by SACCOs. However, these loans were not yet recovered by the time of my audit in March 2020. Delay to recover these loans ranged from of **2** months to **1.5** year**.** As such, these funds are at risk of being unrecoverable, which adversely affect efficient running of the program.

3.3.3.4 Genocide Survivors Assistance Fund (FARG)

A) Weaknesses noted in access to pharmaceutical products by FARG beneficiaries

Review of provision of pharmaceutical products to FARG beneficiaries revealed the following weaknesses:

- **Expiry of contracts with pharmacies before signing new contracts:** On 16 February 2018, FARG signed contracts with nine (9) pharmacies for provision of pharmaceutical products to FARG beneficiaries for a period of one (1) year from the date of signing the contracts to 15 February 2019.

However, FARG signed new contracts with pharmacies on 17 May 2019, **i.e. 3** months after expiration of the previous contracts.

On 14 February 2019, FARG requested Rwanda Military Hospital (RMH) to provide pharmaceutical products to all patients sponsored by FARG during the period between expiry of old contracts and signing new contracts.

Accordingly, owing to the fact that RMH is located in Kigali, patients in remote Districts could not have had easy access to pharmaceutical products from the date of expiry of the previous contracts to the date of signing new contracts.

Expiry of contracts with pharmacies before signing new contracts may expose patients to the risk of deterioration of their health conditions due to lack or delay to get pharmaceutical products.

- **Limiting beneficiaries from easy access to pharmaceutical products in 22 Districts:** On 13 May 2019, FARG requested RPPA for authorization to use single source method of procurement in awarding tenders to pharmacies. This request indicated the names of 35 pharmacies located in eight (8) Districts that FARG intended to award the tenders. RPPA granted this authorization on 17 May 2019 and contracts were signed with these pharmacies on the same day.

  However, FARG did not select pharmacies to serve beneficiaries in 22 Districts to facilitate easy access to pharmaceutical products near their place of residence.

  This may expose beneficiaries lives at risk due to lack of proximity to obtain pharmaceutical products.

B) Absence of information on the current status of funds meant for financing income generating activities (IGAs) projects

As highlighted in previous audit report for the year ended 2018, during the year ended 30 June 2013, FARG had financed different Income Generating Activities (IGAs) projects. FARG made transfers of **Frw 1,076,000,000** to **1,065** associations through sectors across the country.

However, FARG management did not provide details of funded associations' projects, amount used by districts/sectors, remaining balances (if any) and the status of funded projects as at the time of audit in January 2020.

In absence of information on the current status of disbursed funds to finance projects, the use of funds for intended purpose may not be confirmed.

C) Weaknesses noted in management of direct support program

- **Delayed transfer of direct support funds to beneficiaries by the districts**

The audit noted some districts which delayed to disburse funds to beneficiaries amounting to **Frw 1,191,401,500** meant for direct support. Delays ranged from **3** to **102** days from end of the month in which the support was supposed to be provided. Cases of delays were noted in 13 districts namely, Kicukiro, Nyarugenge, Rwamagana, Ngoma, Bugesera, Kamonyi, Muhanga, Huye, Nyanza, Nyamasheke, Karongi, Rulindo, Gicumb**i.**

- **Direct support funds not disbursed to beneficiaries by districts**

The audit noted districts which did not disburse direct support funds amounting to **Frw 78,472,500** to beneficiaries in the year ended 30 June 2019. These funds were held at districts bank accounts. **Refer to table below for details.**

District	Funds received by the district	Funds disbursed to beneficiaries	Remained balance not disbursed to beneficiaries
Bugesera	108,360,000	95,227,500	13,132,500
Huye	220,590,000	215,767,500	4,822,500
Nyamagabe	62,820,000	53,752,500	9,067,500
Gisagara	219,240,000	203,212,500	16,027,500
Kamonyi	219,330,000	214,605,000	4,725,000
Nyanza	149,760,000	133,252,500	16,507,500
Ruhango	189,450,000	175,260,000	14,190,000
Total	**1,169,550,000**	**1,091,077,500**	**78,472,500**

Delayed transfer or undisbursed funds of direct support to beneficiaries may adversely affect their wellbeing. Hence, the program may not fully achieve intended objective.

3.3.4 Infrastructure Sector

3.3.4.1 Water Sanitation Corporation (WASAC)

A) Persistent problem of unreliable financial statements

In previous years, I reported my concern about the low quality of prepared financial statements for WASAC. In the last 3 years, I expressed a disclaimer opinion on financial statements, which is the worst audit opinion in the audit. This was due to flaws such as inaccurate, misleading and incomplete information identified in WASAC' financial reporting system. During the audit of the financial statements for the year ended 30 June 2018, it was noted that WASAC financial reporting system did not improve to address flaws reported from previous years. This resulted into expressing a disclaimer opinion on the financial statements. Some of those flaws include:

- **Bank reconciliations were not adequately performed:** There were differences between bank balance recorded in cashbook and the cashbook balance used in performing bank reconciliation. This was noted in **7** bank accounts.
- **Unsupported withdrawals from 5 bank accounts:** This involves **Frw 26,382,343** withdrawn from **5** bank accounts.
- **Omitted bank account:** One bank account opened in 2014 with a balance of Frw **307,267** was not reported in books account and the financial statements. Management did not provide bank statements to confirm if funds deposited on this bank account were not misused and pertaining to WASAC.
- **Financial statements were not extracted from trial balance:** It is the basic accounting practice to generate financial statements from the books of account. However, there were differences between balances of the trial balance and balances reported in WASAC financial statements. These were noted in **5** accounts.

- **Errors in preparing statement of cash flow:** There were inconsistencies between the balances presented in the statement of cash flow and other elements of the financial statements. These inconsistencies were identified in **4** accounts.
- **Inaccurate opening balances:** There were significant unexplained differences between opening balances reported in current year financial statements and last year audited closing balances. These differences were identified in **10** accounts.
- **Unreconciled opening balances inherited from EWSA:** There are balances reported in WASAC financial statements at 30 June 2018 inherited from former EWSA. Management did not confirm accuracy of these balances, hence, deemed unreliable.
- **Persistent suspense accounts balances presented in the financial statements:** From previous year audit reports, I recommended WASAC to clear the balances of suspense accounts to ensure reliable financial information. Despite a tremendous efforts to reduce this balance by **85%,** the audit of financial statements for the year ended 30 June 2018 still noted a balance of **Frw 307,144,979** (**2017: Frw 2**,**101**,**739**,**854)** which is not yet cleared to eliminate the likelihood of fraudulent transactions through these accounts.
- **Unsupported accounts payable balances:** A balance of **Frw 3,257,969,913** reported in accounts payable was not supported by detailed listings of individual and other supporting documents to support the existence of this debt to third parties.
- **Unsupported adjustments made under inventory accounts:** WASAC adjusted inventory accounts by reducing its value by **Frw 131,181,977** without proper supporting documents. These documents meant for explaining the rationale and approval for adjustments.
- **Amount of provision for bad and doubtful debts not supported by debtors' list:** WASAC constituted the provision for bad and doubtful amounting to **Frw 3,133,041,092**. However, this amount is not supported by a list which indicates the names of debtors. There is no evidence of WASAC" efforts made to recover this amount.

This persistent unimproved state of financial reporting system is attributed to questionable staff capacity and commitment, resulting from WASAC organizational culture with moderate emphasis, on competence and excellence. These flaws in financial reporting system imply that WASAC could not achieve management of public resources in accountable and transparent manner.

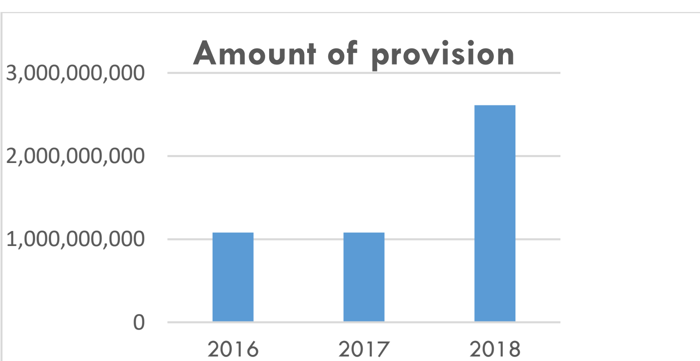
Those charged with governance should set the culture which promotes competency and excellence within the organization. MINECOFIN should continuously provide support on the ways to improve on financial reporting system of this giant government business enterprise.

B) Potential huge loss of funds resulting from internal controls' weaknesses identified in management of stock

Organic Law N° 12/2013 requires management to design and implement sound internal control systems to safeguard the public property of public institution. However, WASAC internal controls designed to properly manage stock have gaps such as lack of guidelines for stock taking, inadequate review of stock taking results, unauthorized adjustments in inventory account, poor inventory record keeping, inadequate planning of stock levels and failure to use requisition forms in issuing stock from the store.

Due to weak internal controls in managing stock, there is a potential huge loss of funds amounting to **Frw 2,918,096,648** associated with slow-moving and obsolete stock items, unrecovered stolen items and lack of follow up of items missed from the store during stock take. This potential loss is described below:

- **Increased high value of slow-moving and obsolete stock items**



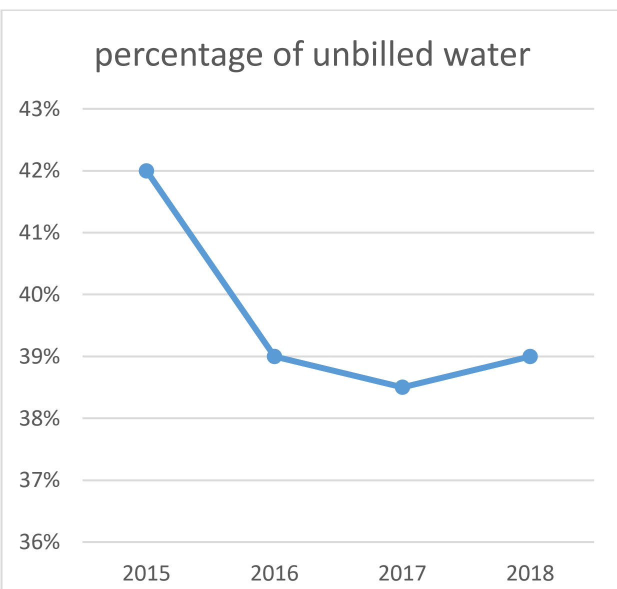
As reported in previous years audit reports, I was concerned with high value of slow-moving and obsolete stock items of **Frw 1.5bn,** which comprised **Frw 137mn** of obsolete stock items and **Frw 1.3bn** slow-moving stock respectively.

The audit noted a continuous increase in value of these stock items. From the graph above, the provision in the year ended 30 June 2018 increased from **Frw 1bn** to **Frw 2.6bn,** which represents **59%** increase from last year provision. This implies additional obsolete stock valued at **Frw 1.5bn.** Though management increased the provision, there is no adequate records maintained of obsolete items for proper management. Management has not put in place any plan to dispose of these items where necessary.

These items constitute loss of public funds since they were purchased without having in place a proper plan for use or consumption in carrying out WASAC activities. Hence no value for money was derived from their purchase.

- **Unrecovered stolen stock items:** There are stock items valued at **Frw 39,250,853** stolen from WASAC store in April 2018. However, by the time of audit in January 2020, these items were not yet recovered.
- **Lack of adequate follow up of items missed in store during stock take:** WASAC conducted stock take in 2017 and 2019 in all warehouses. It was noted that stock items valued at **Frw 265,722,494** were missing in store. However, up to the time of audit in November 2019, i.e. seventeen (17) months after stocktaking exercise, there was no explanation provided for these missed stock items.

C) Loss of revenue resulting from persistent high volume of non-revenue water



WASAC faced a challenge of unbilled water produced for transmission and distribution from 2015. The unbilled water was high compared to total quantity of produced water for distribution in a given year. The graph in left side shows the trend in terms of percentages of unbilled produced water (non-revenue water) after adjusting accepted level of non-revenue water over a period of 4 years.

From 2015 to 2018, the level of unbilled water reduced by **3%,** from **42%** to **39%**. Though, there is a slight positive trend in minimizing the loss associated with non-revenue water, the pace is not satisfactory against accepted normal loss to facilitate WASAC to become a self-sustaining utility company. The level of volume of non-water revenue of **39%** recorded in 2018 represents 17,766,998 m^3 costed **Frw 4,921,833,553** to produce**.** This cost become an outright loss to the company. This water would have been sold between **Frw 5,738,740,354** (at a lower price of **Frw 323 per m^3**) and **Frw 15,048,647,306** (at a higher price of **Frw 847** per **m^3).**

This loss is partly attributed to the customers who were not billed for water consumption. For example, WASAC did not bill **2,244** customers during the year ended 30 June 2018. Other **2,169** customers were billed only for one month. This means that these customers are likely consuming water without making payments.

There is a need to continuously minimize the level of non-revenue water to the extent of defined acceptable loss. Revenue collection Internal controls should be strengthened to ensure that all water consumers pay their bills on regular basis. This will boost revenue of the company and assist in becoming financially self-sustaining in the future.

D) Unused Water production capacity of Nzove water treatment plants to meet water demand in city of Kigali

The audit noted that water production capacity of Nzove water treatment plants is not fully used to meet the increasing water demand in the city of Kigali. The actual water production is far below installed water production capacity. The average of water produced at Nzove (*old Nzove, NZOVE WTP 2, and NZOVE WTP 3*) treatment plants for the period of ten (10) months, from January to October 2019 is ranging between **41%** to **49%**.

Despite this continuing lower rate of using water production capacity of these water plants, some of the areas of Kigali city are extremely facing a problem of water shortage. For example in Kicukiro district, specifically in areas of Masaka, Kanombe, Kabeza and Busanza, water was accessed twice a week or sometimes, two weeks elapsed without water. This problem would have been significantly reduced with use of existing water production capacity.

Management attributed the lower water production to insufficient water forwarding infrastructures used to distribute water to consumers. Despite this management claim, the audit noted that the capacity of existing water forwarding infrastructures is not optimally used. For example average water production of Nzove II (calligan I) ranged between **4%** to **44%** while the installed water forwarding infrastructure is at the capacity of distributing water at the level of **67%** of water produced. This means that the quantity of produced water does not match the capacity of existing water forwarding infrastructures.

E) Delayed completion of contracts for water infrastructure projects

The audit identified cases of delayed completion of contracted works at WASAC. These include the following:

- **Delayed completion of the contract for construction of a new Nzove WTP, extending the capacity of Nzove 2 WTP and construction of forwarding infrastructures:** On 15 June 2017, WASAC Ltd signed with CULLIGAN International EACA an agreement worth **USD 1,625,400** for increasing the length of forwarding infrastructure by *8.6 Kms* ductile iron pipeline of ND400 NP25 from Mont Kigali - Kimisange main pipeline from Kimisange to Kicukiro. However, OAG field visit conducted on 26th November 2019 (18 months after the completion of expected period) noted that works from Nyanza (*Rwandatel up to Kicukiro centre*) were not complete.
- **Delayed construction of water supply system in Rwamagana District:** On 18th March 2016, WASAC signed an agreement worth **Frw 1,852,131,463** with the contractor for the construction of water supply system in Rwamagana district. However, OAG field visit conducted on 26th November 2019 (18 months after the completion of expected period) noted that works were not complete. Pending works include: the supply and installation of 2 motor pump units, construction of distribution pipelines for water supply to Ntunga, construction and connection of a reinforced concrete saction

tank of 250m3 at Muhazi, Trench excavation works and construction of a reinforced concrete reservoir of 250 m3.

- **Delayed construction works of Rebero-Mageragere prison water supply system in Kicukiro and Nyarugenge Districts:** On 17 November 2018, WASAC signed an agreement worth **Frw 1,036,004,830** with contractor for construction works of Rebero-Mageragere prison water supply system in Kicukiro and Nyarugenge districts. However, OAG audit field visit conducted on November 2019 (20 days after completion expected date) noted that works were not complete. Uncompleted works include: construction works for 50 m3 concrete water tanks at Ayabatanga village, Construction of kimisange to nyarufunzo pipeline, construction of 250 m3 reinforced concrete water tank in Nyarurama Village, construction of water taps on Rebero-Mageragere prison water supply system.
- **Delayed construction of water supply system in Gasabo district:** On 10th March 2016, WASAC Ltd signed contracts worth **Frw 421,111,137** with GASABO district to construct Karuruma water supply in Gatsata and Jali sectors. However, OAG audit field visit conducted in November 2019 (3 years after completion expected date) noted that works were not complete. Uncompleted works include: construction of 23 chambers (gate valves, washout and air valves) and five water taps at Gatsata, 2 chambers (gate valves, washout and air valves) and 4 water taps at Jali water supply system.

F) Unused and unmaintained water infrastructures

- **Unused public water taps in Burera district**: The audit noted four public water taps which were not used to serve water to population living at Nyabizi I and Nyabizi II Villages, Rutovu Cell, Kinyababa Sector in Burera District.
- **No water supplied for public stand pipes at Nemba and Gakenke sectors in Gakenke District:** The construction works of supplying clean water in Nemba and Gakenke sectors in Gakenke district costed **Frw 228,984,655**. However, no water supplied in 6 constructed public stand pipes from 2015.
- **Unmaintained water pipeline system at Bukago village in Nyabihu district:** The audit noted that water pipeline system supplies dirty water due to lack of maintenance

of water pipeline**.** Rainwater goes directly to water tank which pollutes water supplied to population. Hence, beneficiaries are not consuming clean water.

- **Unrepaired water supply pipes in Rulindo district:** There were water pipes at Gihanga water supply system broken during Base-Gicumbi road construction .These water pipes were not repaired which resulted into the shortage of water in 5 water taps at Gatiba Village, Bwimo Cell in Rukozo Sector.

Government's target under NST1 includes providing access to water for all Rwandans by 2024. This will be achieved through investments in construction, extension, rehabilitation of water supply systems in city of Kigali, other towns and rural areas. Daily water production capacity shall be increased from **182,120** to **303,120** cubic meters per day.
To achieve this target within the set timeframe, there is a need to improve efficiency in contract management to address the root causes of delayed contracts. Measures to use water production capacity of constructed water treatment plants should be in place to ensure that water demand is met.

Further, Adequate coordination between WASAC and the districts should be in place to ensure that constructed water infrastructures are used and regularly maintained to serve the intended purpose.

3.3.4.2 Rwanda Transport Development Authority (RTDA)

A) Forfeited funds due to failure to implement project activities within reasonable time

The audit of RTDA revealed that the Government of Rwanda lost funds amounting to **Frw 263,682,784** from BADEA meant for financing feasibility study for by pass roads in five (5) districts and construction of asphalting Rubengera –Gisiza Road Projects. This loss resulted from the failure to implement projects' activities within reasonable time. As such, to complete project activities, the Government of Rwanda will have to mobilize own resources which could have been utilised for other activities.

Enquiries from management revealed that the reason for not implementing project activities within reasonable time was due to the project feasibility studies and design that were not properly done.

Therefore, there is a risk that the planned projects activities may not be executed due to forfeited funds.

B) Abnormal contract price of study, monitoring and supervision for the works of Ngoma-Ramiro (63km) road

During the audit of the year ended 30 June 2019, it was noted that the contract price of study, monitoring and supervision for the works of Ngoma-Ramiro road was awarded at abnormal price of **Frw 79,722,038** per Km compared to other contracts' prices in the same region (Frw 13,869,584 per Km and Frw 18,092,259 per km).

Management attributes this to the Public Tender Committee (PTC) which did not compare the tender with other previous similar tenders, and conduct deep market research before setting estimated cost in procurement plan and awarding the tender.

Therefore, awarding contract at abnormal price implies RTDA procured services without observing the government principle of economy.

C) Continuous failure to complete project activities within the scope of initial set contract cost and period

Cases of contracts significant cost and/or time variations are continuing. The audit noted that on **41** contracts, RDTA extended period of completing work in the range of **50%** and **250%** from the initial planned period. Further, On **32** contracts, amount of **Frw 42,995,285,540** was added to initial contract amount to finalize the work**.**

Management attributed these variations to various reasons including: delays in payment of contractors' invoices, delayed road design studies, delays in payments for expropriation, unforseen adverse climatic conditions with heavy rainy seasons leading to obstacles such as landslides on some sections of the roads and unforeseen additional works required. While the variations in cost and time were justified, some of reasons are pointers of exisiting gaps in planning, and execution of road projects.

The above variations ultimately result in delayed completion of works and may therefore undermine value for money on expenditure incurred on road design studies, construction, rehabilitation and maintenance projects.

D) Stalled project for upgrading the road Base-Butaro-Kidaho road (63Km)

On **29**th September **2015**, RTDA and NPD Cotraco a contract worth **Frw 80**,**298**,**166**,**593** for upgrading and construction works of Base – Butaro-Kidaho Road (**63** km). On **24**th December **2018**, the parties amicably terminated contract.

Initially, the project could be financed by the government own budget. the Government changed the financing approach, and negociated a loan of **USD 66,600,000** with Export-Import Bank of India to finance the project. However, the audit of this project noted the following exceptions:

- **Delayed procurement processes to hire a new contractor under new financing agreement**

The audit noted that since the approval of new financing agreement on 15th May 2018 , the contract for executing the project has not yet been signed. Therefore, the project was stalled and civil works have not yet been resumed up to the time of audit in March 2020.

- **Defects noted on civil works paid on the contract for upgrading Base-Butaro-Kidaho road (63Km) during the execution of the first contract**

On 02nd March 2020, OAG conducted a field visit of works previously paid for and performed by NPD Ltd before terminating the contract and noted the following weaknesses:

- From Point Kilometric (PK3) in Kiruri to PK38 in Butaro, earthworks had not been completed which put the road in poor condition. **See details in the photos below:**

Example of sections where earthworks were ongoing and left uncompleted. (Photos Taken by OAG on 02 March 2020)

- Due to bad road condition , some of road sections were not easily usable. No further maintance works carried out to put the road in usable state. **See example in the photo below;**

Section of the road which was closed due to unfinished earthworks. (Photo Taken by OAG on 02 March 2020).

Review of available documentations revealed that delay to resume civil works was subject to the procurement processes which were reinitiated after cancelling the initial tender due to the bid price which was higher than estimated budget for the project.

Consequently, the project stalled due to delayed hiring process of new contractor to execute the project's activities. Therefore, intended objectives of the whole project and the benefits to the citizens will also be delayed. In addition, works executed during the execution of the first contract are deteriorating, and will require another huge budget for reconstruction.

E) Failure to construct bridge on Rambura road and protect palm trees planted along Kigali-Musanze-Rubavu road

On 31 August 2017, RTDA signed a contract worth **Frw 1,555,512,259** with the contractor relating to beautification along the road Kigali-Musanze-Rubavu and the maintenance of busogo-Rambura road. However, as highlighted in previous audit report, the audit again noted that Rambura road was not usable due to unconstructed bridge. Citizens are not using this road travelling to Gasiza center because of this collapsed bridge. In addition the palm trees planted along Kigali-Musanze-Rubavu road were not protected against domestic animals and pedestrians. **See photo below;**

Photo taken by OAG on 05/03/2020: The bridge was not yet constructed.

Though management revealed that the bridge was not part of the signed contract, it would have been part of the contract to make Rambura road usable.

Failure to connect Rambura road and Gasiza center casts doubt on the value for money of government expenditure spent on the road. Further, the unprotected palm trees planted may be easily be distroyed, hence, not achieving the intended road beauntification objectives.

F) Unexecuted works for repairing damaged sections of Rutsiro- Kavumu-Gashyushya-Kazabe road

On 08th May 2018, the contract worth **Frw 789,763,482** was signed between RTDA and the contractor for emergency works for repair of damaged sections on Rutsiro- Kavumu-Gashyushya-Kazabe road. Under this contract, 6 sections (spots) were to be repaired and completed on 10th January 2019.
However, as highlighted in previous audit report, on 4th March 2020, audit team carried out field visit and noted that issues previously noted were not yet corrected. Only three (**3**) sections (spots **2**, **3** and **6**) had been constructed at the contract cost and the remaining three (**3**) sections (**1**, **4** and **5**) had not yet been repaired and were severely damaged which led to Kazabe-Gashyushya /Satinsyi road unfit for use. This scales up the risk of erosion in Kazabe and neighbouring places. **See details below;**

- Spot 3 not yet constructed is located in Ngororero District (Kazabe). The road at Kazabe-Gashyushya/Satinsyi bridge has been washed away by Satinsyi river, which rendered the road impassable for free movement of citizens, goods and services.
  See photos on the next page;

Photos taken by OAG on 4 March 2020: the spot 3 on Satinsyi River not yet constructed and bridge washed away by river.

- Spot 5 not yet constructed is located in Rutsiro (Gashyushya). **See photos below;**

Photos taken by OAG on 4 march 2020: spot 5 not constructed and gabions washed out by rain (Rustiro District/Gashyushya)

- Spot 6 not yet constructed is located in Rutsiro (Kavumu). **See photos below;**

Photos taken by OAG on 4 March 2020: spot 6 not constructed and in bad condition (Rustiro District /Kavumu)

Further review of available documentation revealed that the change in scope of works was caused by heavy rain. In addition, enquiries from management revealed that rust of gabions was due to poor materials used by the contractor.

Failure to execute the entire contracted works casts doubt on the value for money of Government expenditure incurred on these roads.

G) Defects identified on maintained and constructed roads

- **Defects noted on the maintenance of Mbuga-Mpimbi-Burerabana-Nyabinoni unpaved road in Muhanga district:**

On 11th June 2015, Muhanga District, RTDA, RMF signed a contract worth **Frw 2,608,362,825** with Pyramide Mineral Supply LTD for maintaining Mbuga-Mpimbi-Burerabana-Nyabinoni (Lot1: 34km) unpaved road. Contract period was nine **(9)** months upon issuance of the service order on 01 October 2015.

On 3rd March 2020, three (3) months after final handover, OAG carried out field visit and noted the following defects:

- Several heavy landslides were noted in some sections of the road. If no action is taken to clear those landslides, they may continue to damage other parts of the road such as drainage system and limit passage via this road. **See photos below;**

Photos taken by OAG on 3 March 2020: the landslide fall down on the road and damaged carriage way.

- There was water flowing in carriage way on steep sections of the road. If no rectification and improvement is made to address this issue, it will hinder and make it dangerous to drive on this road especially during rainy season.

- **Defects noted on three years' periodic maintenance of Muhanga-Karongi paved road (74 Km):** On 15th June 2015, RTDA signed a contract with ECOAT for 3 years periodic maintenance works of Muhanga- Karongi (74 km) paved road. On 13 June 2017, second service order was issued with cost of **Frw 2,857,874,829.** The provisional handover took place on 30 March 2019. However, on 6 March 2020, audit team conducted audit field visit and noted that various sections of the road were seriously damaged and in a deplorable condition. It is worth noting that at the time of the field visit, no other ongoing maintenance contract that was in place. **See photo on the next page for detail;**

Photos taken by OAG on 6 March 2020: The section of the road seriously damaged

- **Defects noted under the emergency works for maintaining Pindura-Bweyeye and Nyungwe belt roads in Nyamagabe, Nyaruguru and Rusizi Districts:** On 28th August 2018, RTDA signed a work agreement worth **Frw 14,997,670,866** with the contractor for emergency works for maintaining Pindura-Bweyeye and Nyungwe belt roads in Nyamagabe, Nyaruguru and Rusizi Districts. During the field visit conducted in March 2020, the following were noted:
  - Several uncleared landslides at various different sections of Nyungwe belt road. There is a risk that if landslides are not removed and cleaned, they may damage other sections of the road. **See the photo on the next page;**

Photo taken by OAG on 4th March 2020, showing landslides at one of the sections

- Akanyaru bridge at PK10.7 of Lot 5 was not rehabilitated yet lot 5 has been handed over to the RTDA management. ***See photos below***;

Photo taken by OAG on 6th March 2020, showing Akanyaru Bridge not yet rehabilitated.

- Erosion on unprotected embankments was noted on lot 4. **See photos below**;

Photo taken by OAG on 6th March 2020, showing erosion on road embankment

- Improperly connected exit-drainage-side-ditch that needs to be extended to avoid further erosion at lot 4;
- Defects on masonry wing wall at Umunywanzuki bridge that needs to be repaired at lot 3. Unfinished masonry works at lot 3 may cause erosion and destroy the finished sections of the road.
- Unrepaired portholes at various different sections of lot 1.

- **Defects noted on works of maintaining Kigali–Muhanga-Akanyaru paved road 157 km:** On 20th March 2015, RTDA, RMF and HORIZON signed a contract worth **Frw 1,582,392,441** for three years periodic maintenance of Kigali-Muhanga-Akanyaru paved road (157km). On 14th September 2018, RTDA issued the service order for the third year maintenance. However, during the field visit conducted on 6th March 2020, the following was noted:

- Portholes at PK 132+ 500 and PK 132+ 600 were not yet repaired. **See the following photos;**

Photos taken by OAG on 6th March 2020: Sections with portholes not yet repaired

- Dormant site at PK 156 that need to be speeded up following the damaged road section that put the neighbouring house in high risk. **See photo below;**

Photo taken by OAG on 6th March 2020, showing a house in high risk

H) Abandoned works on the access road to Rusizi III hydroelectric (147 MW) dam

On 9th January 2013, a contract worth **Frw 2,623,009,142** was signed between RTDA, European Union and MINECOFIN on one hand and SAFRICAS CONGO SARL and *"Entreprise de construction SEBURIKOKO N. Emmanuel"* for the execution of works on the access roads to the Rusizi III (147 MW) hydroelectric dam located at Bugarama, Rusizi district between Rwanda and Democratic Republic of Congo. The contract was expected to be completed on 22nd April 2015. Out of **6.2 Km** contracted, the contractor completed **5.4Km** and handed them over to RTDA**.** However, the contactor abandoned the works and RTDA did not terminate the contract. 5 years elapsed since the expiration of the contract period. As such, the intended objective for this project was not fully realized.

3.3.5. Education Sector

3.3.5.1 Rwanda Education Board (REB)

My audit revealed issues relating to inefficiencies in implementing competence based curriculum through distribution of textbooks, flaws in procurement process and problems in the use of information and communication technology in education. These issues affected 2 thematic areas of REB mandate namely curriculum development and promotion of the use of information and communication technology in education. All these issues adversely affect the quality of education as described below.

A) Inefficiencies in implementation of competence based curriculum through distribution of textbooks: In 2015, REB introduced Competence-Based Curriculum, to replace the former Knowledge-Based Curriculum. The new curriculum "Competence-Based" was to be implemented progressively. However, the audit identified the following issues in implementation of competence based curriculum through distribution of textbooks:

- **Unsupplied textbooks to some secondary schools to support implementation of Competence-Based Curriculum**

OAG field visit conducted in October 2019, revealed **7** secondary schools which did not receive textbooks for some subjects from REB since the introduction of Competence-Based Curriculum. Unsupplied textbooks relate to the subjects of English and Literature, Physics, French, Religion and Ethics, Chemistry, English, Entrepreneurship, Physical Education, Creative and Fine arts, Sports, Geography, Mathematics, Biology, and Home Sciences.

In addition, Kiziguro Secondary School and GS Gahini, REB did not supply any textbooks for a single subject of S2 and S5 to enable the implementation of Competence-Based Curriculum. These schools located in Gatsibo and Kayonza Districts respectively.

Management attributes to unsupplied textbooks to some schools to failure of districts to submit to REB a complete list of schools which needed textbooks on specific subject subjects. This list formed the basis for distributing textbooks to schools.

- **Learning and teaching textbooks delivered to the schools with delays**

Learning and teaching textbooks were to be availed to schools at the start of school year to facilitate academic performance. However, it was noted that REB distributed textbooks to 31 schools in 7 districts (Bugesera, Rwamagana, Gakenke, Kayonza, Gatsibo, Karongi and Ngororero) with delays. For academic year started on 22nd January 2018, textbooks were distributed in the months of May, June, July and August 2018. This implies that these textbooks were distributed in the 2nd and 3rd terms, while they were useful from the start of academic year.

Management attributes delays to failure of contracted publishers to meet initial planned deadlines.

- **Mismanagement of learning and teaching textbooks**

The OAG conducted a field visit in October 2019 at various schools to confirm existence and management of textbooks delivered by REB to schools. However, the audit identified the following flaws in management of textbooks:

- **Missing textbooks at visited schools:** Physical counts conducted at the time of field visits revealed a total of **863** textbooks which were missing in **29** schools located in **9** districts. Management was unable to trace these textbooks at the time of audit.
- **Stolen learning and teaching textbooks:** The audit identified **1,516** textbooks stolen at GS Mukarange in Kayonza district. However, these textbooks are yet to be recovered.

The missing and stolen textbooks are an indicator of inadequate management of textbooks by respective schools. This mismanagement contributes to insufficient number of textbooks against students' population. As such, students' learning process is adversely affected.

- **Delays to avail learning and teaching textbooks to primary schools**

In the pursuit of progressively implementing the new Competence-Based Curriculum, REB contracted companies to print and distribute textbooks to beneficiary schools across the country to enable effective teaching and learning.

Textbooks subjected to distribution were for English and Mathematics for primary level (**P1, P2, P3, P4, P5** and **P6**). These textbooks were to be availed to schools in January 2019, which is the period of commencement of academic year. However, the audit noted that textbooks were only distributed to schools located in Kigali City. No textbooks were yet distributed in others schools located in other provinces by the time of audit in September 2019 (**2 months to the end of 2019 academic year**).

Delays to timely avail textbooks to schools were attributed to inefficiencies in the procurement process of textbooks. These inefficiencies include:

- **Delay to complete tender award process within planned period:** There was long delay in conducting and completing the tender award process to acquire textbooks. Contracts worth **Frw 4,750,582,961** were signed with a delay ranging between **5** to **8** months beyond the targeted date of 31 October 2018. The contracts to print and distribute textbooks were signed with textbook suppliers in months of March, May and June 2019 which was in the 2nd term of academic year.
- **Contractors delayed the activity of printing textbooks:** it was noted that printing activity of **954,210** textbooks was still ongoing by the time of audit in September 2019, yet the agreed distribution timelines had already been exceeded for some contracted batches.

- **Unexploited copyright of textbooks for Mathematics of P5 and P6 purchased by REB**

REB acquired copyrights from various publishers to enable printing of textbooks within the country. The audit identified that in October 2018, REB acquired copyrights relating to textbooks for the subject of Mathematics for P5 and P6 at a cost of **Frw 38,000,000.** However, REB had not proceeded with awarding a tender of acquiring planned **750,000** mathematics textbooks for P5 and P6 through printing and distribution services by local printing houses.

Management attributed this to budgetary constraint which dictated to put the procurement of these textbooks on hold despite purchased copy right.

Consequently, the above Inefficiencies in implementation of competence based curriculum through distribution of textbooks adversely impact on students' quality of learning. Hence, compromising the desired quality of education.

B) Gaps in the use of information and communication technology in education

- **Flaws in management of Content Access Points (CAPs) acquired from Positivo BGH Rwanda Ltd**

During the year ended 30 June 2019, REB purchased **1,613** Content Access Points – CAPs at a cost of **Frw 748,507,879** from Positivo BGH Rwanda Ltd. However, the audit noted the following flaws:

- **1,299 Content Access Points lying idle in REB store**: It was noted that out of **1,613** CAPs delivered to REB during the year ended 30 June 2019, only **319** CAPs representing **19 %** were distributed to schools. Hence, **1,299** CAPs representing **81 %** were not yet distributed to schools for use. They were still kept in REB's store at the time of audit in September 2019.
- **13 Unused Content Access Points (CAPs) delivered to schools:** Field visits conducted by OAG for a sample of selected schools revealed **13** Content Access Points which are not yet put into the intended use. REB delivered 1 CAP to each school. The CAPs were intended to be useful for teaching and learning, by enabling teachers and pupils to access the contents of various subjects taught in primary schools.

  Enquiries with the school management indicated that failure to use CAPs during teaching and learning was due to lack of sufficient training for teachers on how to use CAPs.
- **Delay to upload the subjects' contents to CAPs (cloning)**: At the time of audit in September 2019, it was noted that the process of uploading the subjects' contents to CAPs was not yet completed. Out of acquired **1,613** CAPs, **1,464** CAPs had been cloned, leaving **149** CAPs not yet cloned. The subjects' contents to upload are all subjects taught in Primary school. CAPs have to be distributed to schools with subjects' contents to enable learning and teaching.

  Management associates this delay with adjustments made on the content of textbooks which resulted into putting on hold the cloning process until the end of adjusting textbooks.

As a result of unused Content Access Points, the Government is not realizing value for money from their acquisition. Teaching and learning is not enhanced by this investment.

- **Mismanagement of computers distributed to schools for use in smart classrooms program**

The OAG conducted a field visit in September 2019 in various schools, to assess management practices of computers supplied by REB for use in smart classrooms program. However, the audit identified the following mismanagement flaws;

- **Stolen laptops in different schools:** The audit revealed **463** stolen positivo computers valued at **Frw 99,817,256**. These computers were stolen in **44** schools and are not yet recovered.
- **Unrepaired computers with technical problems:** the audit identified **819** positivo computers and **173** OLPC computers which are not used due to technical problems. These computers are not yet repaired to bring them back to use. The major technical problems included failure of power supply, broken screens, blocked key boards and un-updated operating system. These non-operating computers were noted in **65** visited schools.
- **Unused computers at GS Rwisirabo due to insufficient electricity:** The audit noted **105** unused positivo computers at GS Rwisirabo in Kayonza District. These computers were not used for smart classrooms program due to lack of sufficient electricity. The school is not connected to on grid electricity. It uses solar electricity to charge **5** used laptops per day. Except for these 5, Other **100** laptops are not utilized for intended purpose.

Due to these flaws identified in management of computers, smart classrooms program is at risk of not achieving optimally its intended objective, of enhancing quality of education through technology.

- **Persistent cases of idle E-solution system in some schools**

Field visit conducted by OAG team in September 2019 in 7 schools revealed that the E-solution system in these schools was no longer in use. **See the table below for details of visited schools.**

No	District	Name of the school
1	Nyarugenge	G.S Butamwa
2	Nyarugenge	G.S Akumunigo
3	Gasabo	G.S Kimironko II
4	Gasabo	G.S Kabuga Catholique
5	Karongi	GS Kibuye
6	Gisagara	G.S Gisagara A
7	Kicuro	Remera Catholique
8	Nyarugenge	GS Butamwa

The causes of not using E- solution system are attributed to non-operating servers identified in 4 schools (G.S Butamwa, G.S Akumunigo, G.S Kimironko II, G.S Kabuga Catholique), unutilized equipment identified in 2 schools (Remera Catholique , GS Butamwa) and stolen equipment identified in two schools (GS Kibuye and G.S Gisagara A).

- **Slowness in implementation of CADIE Project activities**

On 7th December 2017, the Republic of Rwanda and Korea International Cooperation Agency (KOICA) signed a “Record of Discussion” for implementation of the “Capacity Development for ICT in Education” (CADIE) Project as support to the Government of Rwanda through Rwanda Education Board (REB). The total project budget is **USD 7,000,000** (including **US$ 5,520,000** for financial support and **US$ 1,480,000** as direct payments by the development partner. The project initial duration was three (3) years, planned to be completed by 7th December 2020. Thereafter, KOICA extended the project period up to December 2021.

However, at the time of the audit in September 2019 (***22 months after the signature of the Record of discussion***), the audit identified various activities which are lagging behind and those which were not kicked off. Those activities include the following:

- **60 training Centers of Excellence (CoEs) not yet established:** The establishment of training Centers of Excellence was planned across the country, whereby each district will have two (2) centers of excellence. However, it was noted that these training centers of excellence were not yet established. At the time of the audit in September 2019, management was in preliminary works such as site visits to prepare the award of the tender in the next financial year (2019/2020).
- **Training of District Education Officers, Sector Education Officers, and pre-service teacher training institute not yet conducted:** it was planned to conduct the capacity building of training district education officers, sector Education Officers, and pre-service teacher training institute. However, this training is not yet conducted.
- **14 staff of REB Single Project Implementation Unit (SPIU) not yet hired:** REB received the approved SPIU structure from the Ministry of Public Service and Labour (MIFOTRA) on 18 July 2019. At the time of audit in September 2019, it was noted that out of **18** staff required per the approved SPIU structure, only **4** employees were hired. Thus, **14** required staff were not yet hired to occupy the positions on the structure to make SPIU fully operational. These 4 employees started working on 1st August 2019. It is worth to note that SPIU structure provides for 3 staff attached to CADIE Project. Only **1** employee was hired by the time of audit in September 2019.

  SPIU is responsible for developing detailed action plan, baseline and end line study, project implementation, day-to-day management based on the action plan, monitoring and evaluation of the Project. Due to missing staff, SPIU will hardly discharge its responsibilities towards smooth project implementation, which will in turn adversely affect project performance.
- **Non-conformity with funds disbursement schedule:** The audit noted that the disbursement schedule agreed in the signed Record of discussion was not complied with. Out of **US$ 3,796,000** expected to be disbursed by the development partner by 30 June 2019, only **US$ 1,730,286** were disbursed

(***representing 46 %***). Hence, a total of **US$ 2,065,714** (***representing 54 %***) could not be disbursed by the end of the financial year 2018/2019.

Due to slowness in implementation of project activities, there were unutilized funds amounting to **Frw 1,730,256** by the time of audit in September 2019. Therefore, government is not getting maximum value for money from development partner's funds. Further, if the project's activities are not fast tracked, the government may not be able to implement planned project activities within the project period. This will result into loss of funds which could have been efficiently utilized to improve on the quality of education in the country.

3.3.5.2 Higher-Education-Council

A) Persistent unresolved challenges highlighted by BRD in management of students' bursary and loans scheme

As reported in previous audit report, BRD highlighted challenges to be addressed by MINEDUC to improve on operations of tertiary education financing policy towards self-sustainability. However, it was noted that MINEDUC did not provide sustainable solutions for better management of the scheme. The unaddressed challenges include:

- Lack of academic status of students studying abroad to assist BRD to know the number of students who dropped out, those who repeated and those who should continue to receive support. Failure to institute the internal control in this area increases the risk of disbursing funds of students who suspended, repeating or died. For example during the year ended 30 June 2019, HEC paid tuition fees and living allowance of **Frw 37,550,000** for suspended and dead local students. Therefore, the risk is materializing and it is pertinent for HEC to put in place mitigating measures.
- Inconsistencies in data that came from high learning institutions and REB on some students, which create delays in paying the eligible students;
- Delays in receiving funds, lists or bursary confirmation letters of registered local or abroad students. Thus, it becomes difficult to make timely disbursements;

- Inconsistency between bursary letters and invoices from the Institutions regarding information of what constitutes tuition fees to be paid. This caused some misinterpretation in paying invoices received;
- Data on loan recovery from 1980-2015 loan beneficiaries which lack some key information such as National Identity Number, parent's names and phone number to enable recovery.

The persisting challenges hamper efficient operations of the scheme towards the achievement of self-sustainability in the long run.

B) Failure to report or disclose students' loans recoveries and unused balances of funds provided to BRD for student loans and bursaries

As reported in previous audit report, the audit again noted that HEC did not disclose recoveries from students loans amounting to **Frw 7,777,362,000** collected as at 30 June 2019, and unused balance of student loans and bursaries of **Frw 3,414,278,424.** The agreement between the government and BRD clearly states that this amount is not BRD's patrimony. However, it is not disclosed in financial statements of any government entity.

C) Lack of detailed list of students to support paid tuition fees and living allowance of students studying abroad

The agreement between BRD and MINEDUC relating to the management of student loans and bursaries requires MINEDUC to establish the list of student's loan and bursary beneficiaries for students studying abroad. The amount payable for tuition fees depends on invoices from higher learning institution where the student is enrolled, travel fees will be on a need basis, living expenses and research fees shall be as per cost structure approved by MINEDUC.

However, it was noted that HEC paid tuition fees and living allowance of **Frw 5,065,226,472** for students studying abroad without lists of sponsored students for each payment. The list should indicate the level and period of study, tuition fees, living allowances, travel and research fees (if any). Therefore, it is difficult to confirm the occurrence of this expenditure.

D) Gaps noted in the implementation of agreement between MINEDUC and BRD

On 15 October 2015, Development Bank of Rwanda (BRD) and MINEDUC signed an agreement to establish a binding mutual collaboration on management of student loans and bursaries. Review of implementation of agreement noted the following gaps:

- **HEC did not receive required reports from BRD*:*** Article 9 of the agreement states that MINEDUC has the rights of information on a semi-annual basis about the status of loans and bursaries disbursement, and loan recovery, performance reports including external audit reports. Further, as performance indicator BRD shall submit to MINEDUC quarterly reports not later than one month following the previous month on management of bursary and loans. However, HEC did not receive report on loan and bursary disbursement and loan recovery for months from July to December 2018 and external audit reports from BRD to facilitate monitoring of the implementation student loans and bursaries scheme.
- **Failure to conduct monitoring and evaluation of tertiary education financing system:** Article 6 of the agreement requires MINEDUC to conduct monitoring and evaluation of the implementation of tertiary education financing policy, and the use of funds for students' loan and bursaries on a semi-annual basis. A comprehensive short term (3 years), medium term (5 years) and longer term (10 years) evaluation of the tertiary education financing system should be conducted. However, HEC did not conduct semi-annual monitoring and evaluation of the system since 2015. Further, 3 years had been passed, and HEC did not conduct a short term evaluation as required.
- **Lack of database of beneficiaries eligible for paying back loans to enable measurement of BRD performance*:*** Article 5 of the agreement states that the number of loan beneficiaries paying back shall annually increase as follows:

- Year one (1): **15%**
- Year two (2): **25%**
- Year three (3): **50%**
- Year five (5): **70%**
- Year ten (10): **90%**

As highlighted in previous audit report for the year ended 30 June 2018, BRD should have achieved 50% of the number of loan beneficiaries paying back in 2018. However, the current year audit (four years had passed) revealed that complete database of loan beneficiaries that fulfil the conditions for paying back loans by 2018 was not prepared. In addition, no documented evidence of status of the achievement as at 30 June 2019 was availed. As result, it is difficult to confirm whether BRD performed at the expected rate.

3.3.5.3 Workforce Development Authority (WDA)

A) Persistent irregularities noted in the implementation of MoU between Les Roches for the establishment of the Hospitality Management Institute – Kigali

As highlighted in previous audit report for the year ended 30 June 2018, on 1 April 2015, the Government of Rwanda and WDA signed a Memorandum of Understanding (MoU) with *Gesthotel SARL*, *Les Roches* International School of Hotel Management Bluche - a limited liability Company domiciled in Switzerland for provision of advisory and support services to WDA in a project to establish the Hospitality Management Institute (HMI) – Kigali, which was supposed to start in January 2016. The MoU was valid for four (4) years from 1 April 2015 to 30 March 2019. The MoU was renewed twice for one year per each renewal.

However, Hospitality Management Institute did not start as envisaged due to the following irregularities:

- **Delayed construction of building facilities for HMI – Kigali campus:** As highlighted in previous audit report for the year ended 30 June 2018, the expected date for completion of construction of HMI buildings was 26 November 2017. However, by March 2020, the building was not complete, yet the contract worth

Frw 2,446,877,824 ended on 15 June 2019. The completed works were at the level of **81%** as indicated by supervising company report in June 2019. No further works progressed to finish the building and the amount of **Frw 2,058,566,626** had been paid to the contractor. ***See photo below for illustration:***

Incomplete works - front side of the building: Photo taken by OAG on 18 March 2020

Due to delayed construction of building, the commencement of the Institute has delayed by more than four (4) academic years as the expected date for commencement per the MoU was January 2016. Further, purchased equipment at a cost of **Frw 488,099,153** are still idle due to uncompleted building.

- **Wasteful expenditure resulting from payments made to Gesthotel SARL for services not provided for:** As reported in previous audit report, WDA paid *Gesthotel SARL* an amount of **Frw 474,150,852** without receiving any service. Considering the fact that the MoU ended on 30 March 2019 without further amendment, WDA is not likely to receive any future service for compensating paid amount. Hence, the loss of public funds.

B) Delays in conducting final handover of completed construction works

Article 127 of Law N°62/2018 of 25/08/2018 governing public procurement stipulates that final acceptance of works concerns the entire work and takes place within twenty (20) days prior to expiry of the guarantee period for the provisional acceptance of works. The final acceptance takes place on the last period of guarantee for the provisional acceptance of works if there had been several partial acceptances of works.

Contrary to the above provision, the audit noted that WDA failed to conduct the final handover of the construction works related to four (4) contracts worth **Frw 3,450,145,918** before expiry of the guarantee period. Though the last guarantee period expired on 27 January 2020, no final handover had taken place by the time of audit in March 2020.

Failure to conduct final hand over casts doubt on whether construction works were executed in accordance to the terms and conditions of the signed contract.

3.3.5.4 Rwanda Polytechnic (RP)

Performance audit of **vocational skills development** revealed the following weaknesses:

A) Absence of approved curricula

RP-IPRCs use curricula that are yet to be finalized and formally approved. Although there were efforts to harmonize the curricula for various academic programs, they are still incomplete.
Lack of a complete up-to-date curricula make the academic staff to rely on other resources that may not be reliable for guidance in planning and delivering lessons. Curricula that has not been officially approved cannot be published and its reliability is questionable.

B) Insufficient training and lack of industrial practical experience for academic staff

TVET policy of 2015 targeted to increase trainers capacity that were characterized by lack of suitable technical qualifications, pedagogical qualifications and minimal industrial experience.

However, by the time of audit in December 2019, 75% of 222 sampled academic staff did not receive trainings on teaching methodology. These trainings help academic staff upgrade the knowledge and skills that facilitate them to deliver effective lessons and skills to students. In addition, 70% of 222 academic staff did not have industrial experience in their respective fields. This affects the practical knowledge and hands-on skills that is imparted on to students. Consequently, RP graduates may be less competitive at the labour market.

C) Absence of research and innovation activities

Rwanda Polytechnic Workload Policy allocates hours for research for each of the academic staff at IPRC Kigali, Kitabi, Huye, Tumba and Ngoma.
However, there was no evidence that any of the staff conducted any research during the period under review. Research assists in discovery of new information that can form a basis for creating better and innovative solutions to societal and national problems.

For skills based institution like RP, this limits the possibility of knowledge being shared and promoting continuous learning. Therefore lack of research based knowledge and skills transfer limits the ability for the Rwanda Polytechnic teaching staff to acquire modern and continuous innovations necessary to equip the RP learners with maximum skills for the current employment demands.

3.3.5.5 University of Rwanda (UR)

A) Persistent problem of unreliable financial statements

The audit of UR financial statements identified significant accounting errors that resulted into issuance of an adverse audit opinion. Some of the identified errors are summarized in the table below:

Folio	Description	Amount Frw	Comment
1	Prior year adjustments	85,365,494	Unsupported
2	Revenue	1.079,185,013	Unsupported
3	Unbilled Fees	710,100,000	Students not billed
4	Unallocated receipts:	480,201,079	Suspended receipts
5	Unsupported receivables	2,353,580,069	Long unsupported balance
6	4 Omitted bank accounts	1,176,740	Transactions & balances missing

These errors are associated with inadequate internal controls aimed at ensuring the completeness, accuracy and quality of financial information.

B) Wasteful expenditure associated with the acquisition of students' hostels at UR's Huye Campus

On 25 September 2013, MINEDUC signed a purchase agreement on behalf of University of Rwanda with Societe Hostels 2020 Ltd for the purchase of students hostels composed of 3 buildings constructed in Busenyi Village, Butare Cell and Ngoma Sector in Huye District. The purchase price was **Frw 7,619,387,227** all taxes inclusive, that is **Frw 6,457,107,820** VAT exclusive. However, in the execution of this agreement, it was noted that UR incurred a wasteful expenditure of **Frw 1,315,498,204** as described below.

- **VAT paid on exempted item:** Law Nº 37/2012 of 09/11/2012 establishing value added tax exempts the sale of whole or part of building meant for residential purpose (accommodation) from value added tax. However, UR paid VAT amounting to **Frw 1,162,279,408 on the purchase of** students' hostels at UR's Huye Campus**.**
- **Payments of delay penalties:** an amount of **Frw 153,218,796** was incurred during the year ended 30 June 2019 as delay penalties due to failure to respect payment modalities. It is worth to note UR incurred **Frw 184,746,935** in previous years.

C) Gaps noted in rehabilitation work of UR buildings

- **Failure to rehabilitate rooms of hostel at Nyarutarama building at Huye Campus:** Rehabilitation works at Huye Campus had a contract value of **Frw 1,214,333,158**. The work included repairing wood doors by replacing damaged plywood and paintings of Huye hostel (Nyarutarama building). However, OAG audit field visit conducted on 05 March 2020, 3 months after provisional handover, revealed that **ten (10) rooms** of hostel at Nyarutarama building do not have doors yet they were part of contracted rehabilitation works. Consequently, the rooms are not in use.
- **Bathrooms not fully repaired at Nyarugenge Campus**: On 10th October 2018, University of Rwanda signed a contract worth **Frw 1,362,158,427** with the contractor for renovation/rehabilitation works at Nyarugenge Campus for a period of 2 months starting from the date of receipt of the first instalment of 20%. The rehabilitation works were expected to be completed on 22 March 2019 The provisional handover of works took place on 24 January 2019. However, OAG audit field visit conducted on 04 March 2020 revealed 3 bathrooms worth **Frw 167,614,559** were not fully rehabilitated and put into use, yet UR paid the contractor for this work.

D) Utilization of Integrated Education Business Management Information System (IEBMIS)

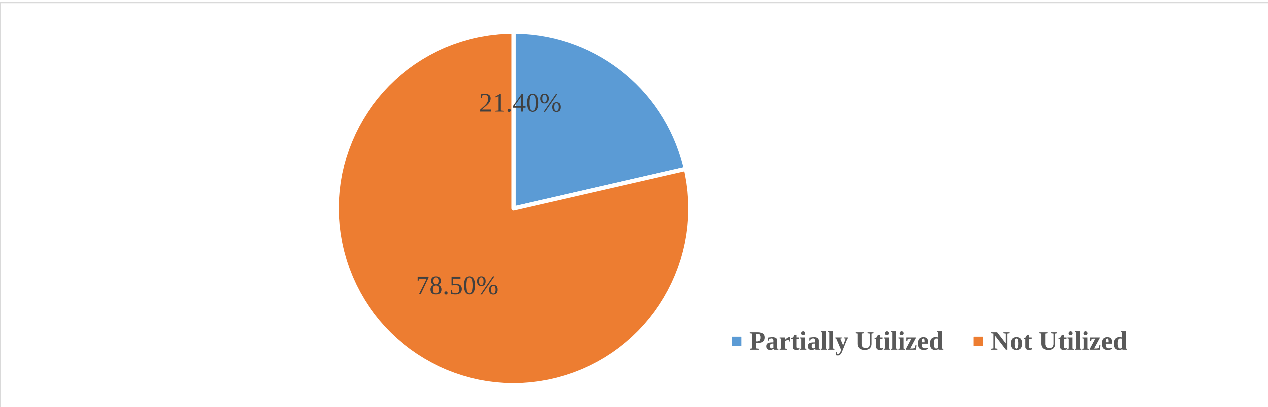
IEBMIS is an integrated system acquired to automate University of Rwanda core processes. These processes include registrar, financial and human resources management.

This system is made of the following three components which each has its modules.

- Students management component has 3 modules,
- Financial management component has 4 modules,
- Human resources management has 7 modules.

IEBMIS is not used to its full capacity and is not serving for the intended purpose while UR continues to invest money to service it. The audit noted that 3 out of 14 modules of IEBMIS equivalent to 21.4 % are partially utilized while 11 modules equivalent to

78.6 % have never been put to use. The accumulated amount spent on IEBMIS as per available documentation is **Frw 2,323,035,463.** ***Chart showing utilization rate of IBMIS modules;***



- **Student management component partially utilized:** This component is made of three modules and was developed to manage students in order to fulfil the needs of both teaching staff and academic administration. Two out of three modules of this component equivalent to **67%** are partially used while one module equivalent to **33%** is not utilized.
- **Financial management component partially utilized:** This component is made of four modules and was developed to capture all financial related activities and facilitate in financial reporting. Three out of four modules of this component equivalent to **75%** are not utilized while the one module equivalent to **25 %** is partially utilized
- **Human resources management component not used:** This component is made of seven modules and was developed to automate all Human Resources (HR) processes and its related activities. All seven modules of this component have never been used.
- **Strong reliance on IEBMIS vendor support:** Since its acquisition on 8th July 2011 to date the University is still heavily relying on external consultants as indicated in availed 22 contracts with vendors. UR needs to build its own capacity in order to have full ownership and befit of the system, this will also reduce the service costs.

The main reason for this is the lack of knowledge related to the full functionality of the system, ineffective roadmap plan for IEBMIS implementation and strong reliance on IEBMIS vendor support.

E) Write off of debts relating to tuition fee without evidence of follow up

On 22 August 2018, the Board of Governors approved to write off debts of **USD 110,000** for 11 graduates from former NUR in Masters Computer Science/Software Engineering in Telecommunication Engineering amounting**.** However**,** there is no evidence that UR had done adequate follow up to recover this money from the concerned students. This indicates leakages in revenue collection process. As result, there is loss of funds which could have used to finance UR operations.
UR should follow up these students to ensure recoverability of these funds.

3.3.6 Agriculture Sector

3.3.6.1 Rwanda Agriculture Board (RAB)

A) Gaps noted in implementation of irrigation and mechanization program

- **Delayed completion of the exports-targeted irrigation (ETI) project:** on 26 October 2013, the Government obtained a loan of **USD 120.05 million** from Export-Import Bank (EXIM Bank) of India to execute exports-targeted irrigation (ETI) project. The project aimed at providing modern irrigation facilities to **7,000 ha** command area in Mahama, Mpanga and Nyamugali sectors of Kirehe district.

  However, OAG audit noted that in March 2020 (7 months after the expected completion date) this project was not yet complete. Initial project completion date was 20 April 2016 which was extended to 31 July 2019. Despite this extension of the project period, the following project activities are remarkably lagging behind:

- **Stopped works of establishing the center of excellence in farm mechanization:** On 17 May 2017, RAB signed a contract worth **USD 12,286,575** with Technofab Engineering Ltd to establish the centre of excellence in farm mechanization in Kanombe Sector, Kicukiro district. However, it was noted that the contractor suspended the work at **58%** towards completion due to the financial incapacity to execute the contact.

- **Delayed works of constructing irrigation and watershed development in Mpanga Sector:** On 8 May 2017, RAB signed a contract of **USD 16,584,644** with OM Metals –SPML joint venture of constructing irrigation and developing watershed in Mpanga Sector. The expected completion date of the contract is 31 March 2020. However, it was noted that in March 2020, the works completed was at the level of **72.8%.** This indicates that this contract will require further time extension for finalisation of works**.**

B) Conducted feasibility studies whose related projects were not subsequently implemented by RAB

RAB conducted various feasibility studies for irrigation area through rehabilitation or development of marshlands including dam, diversion weirs and other irrigation facilities. However, as reported in previous audit report, the audit again identified feasibility studies that have been conducted in 1 to 3 years ago at costs of **Frw 2,220,536,602** whose projects were not subsequently implemented. There is no road map to implement the related projects yet the government spent significant funds on feasibility studies. As such, government is not getting value for money from expenditure incurred on feasibility studies.

C) Weaknesses noted in seeds and fertilizers acquired and distributed under crop intensification program

- **Persistent delayed delivery of imported seeds and fertilizers from the contractor to the Agro dealers:** On 1st July 2018, RAB signed contracts with different suppliers or importers for the supply of seeds and fertilizers for 2018 A and B agricultural season. The seeds have to be available in the country and ready for use by famers before 15th August 2018 and 15th January 2019 for seasons 2019

A and B respectively. However, the audit noted instances where seeds worth **Frw 314,614,185** and fertilizers **Frw 104,430,350** delivered to agro dealers located in the different districts of the country with significant delays. The delays ranged from **47** to **138** days for seeds and **110** to **138** days for fertilisers. The suppliers delivered seeds near the end of seasons instead in the beginning to enable famers using them in agriculture activities. As such, the intended objective was not met.

- **Concern over continuing dependence on seed importation:** The country is pursuing self-reliance on the local production of agriculture seeds needed in the country. National Leadership Retreat of 2018 resolved to achieve this target in a period of 3 years. However, RAB is continuing to heavily depend on imported seeds. During the year ended 30 June 2019, RAB imported **3,579.73 Metric Tons** costed **Frw 6,532,095,936** which represent **86% (2018: 91%)** for all the annual seeds purchases. This high level of seeds dependence is associated with the failure of RAB to achieve the set local seed production annual target. It was noted that RAB and agriculture sector partners achieved 31% of set annual seeds production target. If the local production of seeds is not speeded up, self -reliance could be hardly achievable in the near future as envisaged.
- **Failure to reconcile the seeds distributed to agro dealers and seeds received by farmers:** According to the guideline for the implementation of inputs subsidies of 2017 requires district to provide to RAB monthly, quarterly progress and annual reports on seeds ordered, and supplied to farmers. However, districts did not provide reports to RAB to account for distributed seeds. Therefore, RAB is unable to maintain a consolidated reports to account for the distribution of imported seeds worth **Frw 6,532,095,936.**
- **Loss incurred resulting from poor management of acquired seeds:** RAB acquires locally produced seeds from different seeds multipliers across the country at the prices agreed in signed contracts. The seeds acquired by RAB are stored awaiting distribution to various different farmers through agro-dealers. The audit noted that RAB incurred a loss of **Frw 128,659,155** due to poor management of seeds acquired and stored at RUBILIZI station. This loss was associated with

stored seeds which lost their germination capacity and are sold for consumption at a price lower than acquisition cost.

- **Unrecovered debt from MINAGRI/National Strategic Grain Reserve (NSGR):** As highlighted in previous audit reports, RAB transferred maize seeds equivalent to 1,185,052 Kgs worth **Frw 474,020,800 (at Frw 400 per Kg)** to MINAGRI/National Strategic Grain Reserve (NSGR) for consumption without any payment. Normally, these seeds were intended to be sold to farmers for planting. By the time of audit in March 2020, i.e. four **(4)** years and seven (**6**) months, this balance is not yet settled by MINAGRI. No evidence of follow up made by RAB to recover this amount. The unrecovered balance denies RAB cash flow which could be utilized to finance its operations.

D) Doubtful recoverability of debt relating to fertilizers, sheetings and shellers due to slow rate of repayment

Government institutions, agro-dealers and farmers' cooperatives received fertilizers**,** sheetings and shellers from Post-Harvest Handling and Storage Task Force (PHHSTF) for distribution to farmers on credit. These distributors had an obligation to pay back to PHHSTF after collecting money from farmers in agreed period.

However, by the time of audit in January 2020, it was noted that these distributors owed to PHHSTF a debt of **Frw 11,514,565,831** which remained uncollected for a period ranging from **2** to **9** years. The rate of debt recovery had been slow since 2010. For example, out of balance of **Frw 11,575,451,093** reported in my previous audit report**,** distributors paid **Frw 60,879,262** representing 0.53% of total debt. Due to slowness of distributors to pay back the debt, its recoverability is doubtful.

There is a need to speed up recovery process to ensure this money is recovered from respective debtors.

3.3.7 Health Sector

3.3.7.1 Management of Community Based Health Insurance Scheme (Mutuelle de santé)

As highlighted in previous report, MINISANTE did not settle CBHI arrears of **Frw 2,684,994,518** to RSSB. These comprised arrears of **Frw 883,914,291** claimed by hospitals (Muhima, Ruhengeri, Masaka, and Kabutare) and arrears of **Frw 1,801,080,227** claimed by 1 referral hospital, 6 District hospitals and 95 health centers.

I recommended concerned entities (MoH, MINECOFIN, MINALOC and RSSB) to solve CBHI arrears with claiming health facility. However, there is no evidence of actions taken to solve this issue. The financial statements of the hospitals (Muhima, Ruhengeri, Masaka, and Kabutare) showed that these arrears are still outstanding.

This issue should be followed up to enable these health facilities obtaining cash flows to finance their operations to improve quality of service delivered to citizens.

3.3.7.2 Ministry of Health

A) Concern over the provision of article 6.1.4 of the sale agreement of incinerator located at MAGERAGERE site

As reported in the previous audit reports, MOH acquired incinerator in 2011 which remained idle for a period exceeding 8 years. The acquisition and management cost of the incinerator up to 30 June 2019 stood at **Frw 734,855,556**. MoH made efforts to reduce incurred government' loss through unused incinerator by selling the asset to Depot Kalisimbi Lts at a selling price of Frw **536,000,000.** The sale agreement was signed with Depot Kalisimbi Lts on 18 December 2019. However, I am concerned with provision of article 6.1.4 of the sale agreement as described below.

- **No cost benefit analysis conducted to support exclusive buyer' right of providing incineration services of medical waste and other hazardous to health facilities**

  Article 6.1.4 of the sale agreement provides to the buyer, exclusive right to provide incineration services for medical waste and other hazardous to exclusivity health facilities without any interruption in exclusive period of 10 years. The exclusivity Health facilities are not allowed to acquire, repair or use their own incinerator during the exclusive period.

  This provision will cause the incinerators used by 31 Health facilities to become idle. In addition, these health facilities shall be paying service fee as a result of incineration services received from Depot Kalisimbi Lts. However, MoH did not conduct any cost benefit analysis to evaluate opportunity costs of 31 Health facilities in 10 years to conclude whether the government will minimize loss of funds through this sale agreement.

  Consequently, government may not minimize the loss through the sale of the incinerator.

3.3.7.3 Rwanda Biomedical Center (RBC)

A) Delayed completion of works relating to health centers

- **Delayed construction of Gatunda health center:** On 02 May 2017, the Ministry of Health signed a contract with the contractor for the construction of Gatunda health centre, in Nyagatare district. The audit noted that the contract price was revised two times and increased from **Frw 3,658,354,962** to **Frw 4,373,640,777**. Accordingly, the initial completion date of 04 September 2018 was rescheduled to 30 April 2020. Implying that the works completion period was prolonged by **634 days**.

- **Delayed construction of Gatonde health center:** On 03 May 2017, the Ministry of Health signed an agreement with the contractor for the construction of Gatonde health centre, in Gakenke district. However, the audit noted that through two amendments the contract price was revised from **Frw 2,490,950,910** to **Frw 2,886,602,345.** As result, the works completion were extended to 30 April 2020, hence prolonged completion period **664 days**, after the initial completion date of 06 July 2018**.**

  There was ineffectiveness in supervision process, as all the above price increases and extensions of contract period happened towards the completion of the works. The delay in completion of contracted works could be also attributed to the lack of proper oversight in procurement and contract management by all stakeholders in the above construction projects (i.e. MoH, RHA and RBC).

B) Poor planning and management of medical forms purchased for health facilities

During the year ended 30 June 2019, RBC paid **Frw 771,825,913** to acquire various medical forms. These stationaries were meant for distribution to hospitals for use. However, the audit noted that by 29 January 2020 (**6 months after buying these forms**), RBC was holding forms worth **Frw 62,487,100**. These forms were in bad conditions due to poor storage. Some of them were stored in corridors. This indicates that these stationaries were bought without being necessarily needed for use. As such, government is not realizing value for money from expenditure incurred on these medical forms.

3.3.7.3.1 Performance audit of supply chain of essential medicines

OAG conducted a performance audit of supply chain of essential medicines with the objective of assessing whether RBC/MPPD timely acquires and distributes the required of essential medicines. Major findings are highlighted below:

A) Failure to meet demand of essential medicines

For the period from July 2016 to September 2019, RBC/MPPD had been able to supply only **29%** of the overall demand. This undermines the reason for MPPD existence to serve government health facilities. RBC/MPPD central store experienced stock out of essential medicines in the range between **54%** and **71%** over a period of 3 years.

As a result, RBC/MPPD served only one third of the orders received from the district pharmacies. Placed orders including emergency for some medicines were not available in the stock. This affected the distribution and availability of essential medicines in health facilities and impacted negatively on the quality of healthcare services provided to population.

The major problems which caused the shortage of essential medicines are the following:

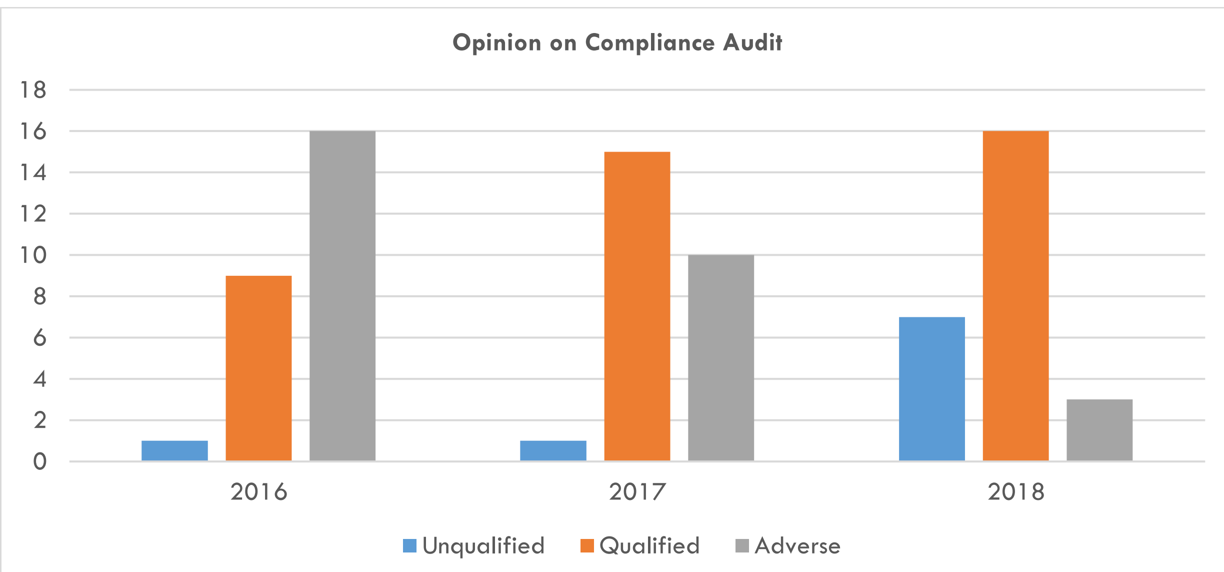
- **Unrealistic demand forecasting of essential medicines:** There is no evidence that data of stock levels from health facilities and district pharmacies were used for estimating and updating plans to determine data on demand and preparation of supply plans for all health facilities across the country. RBC/MPPD only relies on the standardized reporting system (e-LMIS) data that are not regularly captured and updated. Hence, not reliable.
- **Inefficient process of procurement and delayed delivery of essential medicines:** There were unpurchased medicines over the years yet, they were on the supply plan. Further, there were delays up to **274** days in awarding contracts to different medicine suppliers compared to the date of planned supply.
- **Idle production unit:** In 2011, former CAMERWA and LABOPHAR were merged and became a production unit (MPPD) of RBC. After merger, RBC/MPPD did not develop any strategic, feasibility study, business plans and annual plans to increase the performance of the factory (former LABOPHAR).

  Since 2013, the production declined and the current RBC/MPPD production of essential medicines is 0% while the target set in national health strategic plan was 11% by 2018.

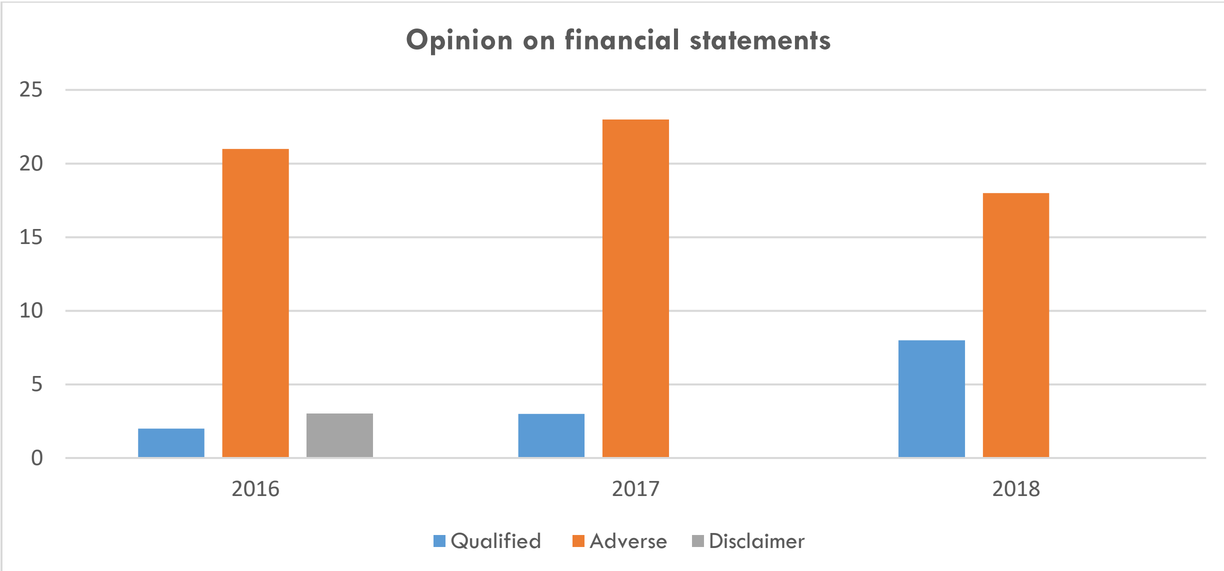
As a consequence, essential medicines that were produced by MPPD like Sodium chloride 0.9% 500 ml and lactated ranger 500ml experience recurrent stock out at MPPD and health facilities. The raw materials worth **Frw 327,483,612**, **8** buildings and **54** equipment are idle, while raw materials worth **Frw 29,069,726** had expired.

3.3.7.4 District Hospitals

The audit of district hospitals revealed some improvements regarding compliance with the provisions of Organic Law No. 12/2013/OL of 12/09/2013 on State Finances and Property and all applicable laws and regulations governing public financial management in incurring public expenditure. Seven (7) district hospitals obtained unqualified audit opinion, sixteen (16) qualified audit opinion while three (3) obtained adverse audit opinion. **See graph below for opinion for the last 3 years;**



However, district hospitals still experience weaknesses in book keeping and management of public funds at their disposal. Out of 26 audited district hospitals, only eight (8) obtained qualified audit opinion while eighteen (18) obtained adverse audit opinion on the financial statements. **See the graph below for audit opinions for the last 3 years;**



The following are major concerns highlighted in the audit of district hospitals:

A) Accounting errors noted in the district hospitals' financial statements

The audits of financial statements identified various accounting errors which affect the fairness of financial statements. These errors are described below:

- **Overstated expenditure:** Expenditure amounting to **Frw 585 million** relating to prior years was recognized in the year under review. This was noted in 10 District Hospitals.
- **Overstated internally generated revenue:** Internally generated revenue amounting to **Frw 1.2 billion (2017: Frw 721 million)** relating to prior year periods was recognised as revenue in the year under audit. This was noted in 12 district hospitals.
- **Omitted receivables;** Receivables amounting to **Frw 276 million (2017: Frw 1 billion)** were omitted in the financial statements of seven (7) District hospitals.
- **Omitted liabilities;** Liabilities to a tune of **Frw 615 million (2017: Frw 765 million)** were omitted in the financial statements. This was noted in 16 district hospitals.
- **Unsupported debtors;** Debtors to a tune of **Frw 580 million** were not supported. This was noted in seven (7) district hospitals.

- **Unsupported creditors;** Creditors amounting to **Frw 387 million** were not supported. This was noted in eight **(8)** district hospitals.

  Accordingly, accuracy of the reported balances in the financial statements of the affected district hospitals could not be confirmed.

  The Office of Accountant General should provide necessary support to district hospitals to ensure reliable financial statements are prepared. In addition, the district management should strengthen review of district hospitals financial statements to ensure that accounting errors are avoided.

B) Long outstanding receivables that may negatively affect operations of district hospitals

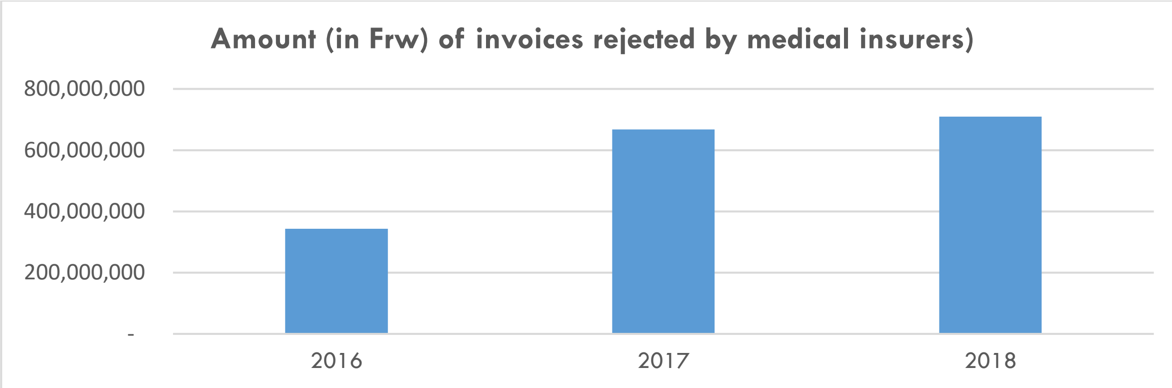
Receivables amounting to **Frw 2,413,742,834 (2017: Frw 2,553,601,812)** have been long outstanding. The delays ranged between 24 months and 120 months. The long outstanding receivables mainly relate to *mutuelle de santé* arrears that were not cleared at the time of handing over management of *mutuelle de santé* to RSSB in 2015. This was noted in twenty two (22) district hospitals.

Long outstanding receivables deny the district hospitals the needed cash flows for their effective operations. As such, adversely affect medical service delivery in district hospitals**.**

The district management in collaboration with the district hospitals should continue to engage MINECOFIN and MINISANTE to ensure that the long outstanding receivables mainly from *mutuelle de santé* are settled.

C) High cases of rejected claims which may threaten service delivery

Audits of district hospitals again revealed high cases of rejected claims to a tune of **Frw 709,942,311 (2017: Frw 667,626,593)** as result of insurers adjusting medical invoices. This was mainly due to; use of invalid insurance cards, overcharging of patients, lack of transfers, medical services provided which are not part of the insurance approved medical care etc. This was noted in twenty two 22 (**2017:23**) district Hospitals. **See the graph below for the 3 years;**



The above graph shows a continued increase in rejection of claims.

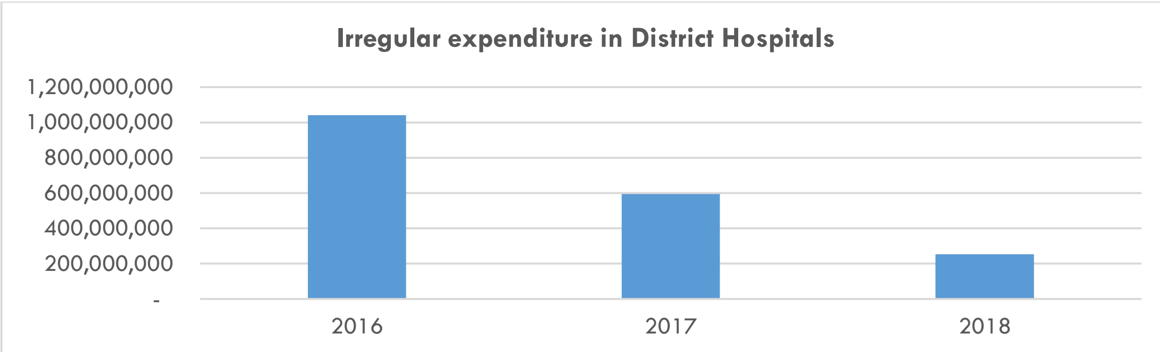
There is need for the district hospital management to exercise due care in billing insurers. In addition, patients with medical insurance should only be provided with authorised medical services as per the signed agreement between medical insurers and district hospitals. Unauthorized medical services should be invoiced and paid by the patients.

D) Irregular expenditure

The audit identified that district hospitals incurred Irregular expenditure amounting to Frw **253,120,469**. **See details in the table below:**

Description	2018 Frw	2017 Frw	2016 Frw
Unsupported expenditure	31,889,513	115,925,665	615,132,518
Partially supported expenditure	96,331,745	358,270,148	158,178,217
Wasteful expenditure	124,899,211	119,918,928	192,090,064
Total	**254,120,469**	**594,114,741**	**965,400,799**

The graph below demonstrates the trend for the last 3 years



Although there is an improvement compared to prior years, there is need for district hospital management to appreciate applicable laws, regulations and guidelines and ensure that they are complied with to avoid incurrence of irregular expenditure.

E) Persistent idle assets

The audit noted idle assets acquired at a cost of **Frw 406,500,070**. These assets were identified in 13 district hospitals. It is important to note that various assets had no acquisition costs as most of them were donations. They were mainly medical equipment. Examples included: autoclaves, phototherapy, breast pumps, hysteroscopy, suction units, incinerators, anaesthesia machine, ultra violet air purifier, digital tourniquet, clinical chemistry analyser etc.

Enquires made to management revealed that the idle assets were mainly caused by lack of technical expertise to operate some medical equipment, lack of spare parts, technological obsolescence and assets delivered in excess of what is needed.

The district management in collaboration with MINISANTE should ensure that the idle assets in the district hospitals are put to use as soon as possible.

3.3.8 Trade and Investment

3.3.8.1 Business Development Fund (BDF)

Government of Rwanda established BDF in 2011 with a mandate of facilitating start-ups and existing Small and Medium sized-Enterprises (SMEs) to access finance and business advices. This was in line with government initiative of eradicating poverty by creating jobs and developing SMEs through empowering youth and women, to do businesses through entrepreneurship and access to finance.

BDF put in place various financing products such as credit guarantee, quasi-equity investments, grants, SACCO refinancing and agribusiness financing to enable SMEs to access finance. Performance audit of the facilitation of access to finance for Small and Medium-Sized Enterprises (SMEs) noted a deviation from its mandate due to visible inefficiencies in management of financing products as elaborated below.

A) Gaps noted in management of credit guarantees

Credit Guarantee was initiated in 2011 to address SMEs challenges of insufficient collaterals to access loans from financial institutions. National SMEs development policy defines SMEs as enterprises not exceeding **75 million** of net capital investments; **50 million** of annual turnover and 100 employees. However, the audit noted the following gaps in management of credit guarantees:

- **Guarantees provided to large enterprises not aligned with BDF mandate:** BDF is mandated to support small and medium enterprises without sufficient collaterals in form of guarantees. However, BDF provided credit guarantees worth **Frw 25,101,905,849** out of the total available credit guarantee fund of **Frw 49,254,966,824.** The above credit guarantee **(Frw 25,101,905,849)** to finance **217** projects of large enterprises as opposed to the original policy of SMEs.

This credit guarantee represents **51%** of total credit guarantees **(Frw 25,101,905,849/ Frw 49,254,966,824)** provided from 2011 to August 2019. This implies that a high portion of credit guarantee was provided to secure finance of **2%** (217/10,191 projects) of total projects secured in this period. This does not facilitate as many deserving beneficiaries to access finance as should have been. Providing credit guarantees to large enterprises deviates BDF mandate.

It is worth noting that **13** claims for loss compensation were submitted to BDF by large enterprises. This accounts for **Frw 1,672,244,176** which represents **54%** of the total claims approved by BDF from 2011 to August 2019. This weakens the strategic objective of guaranteeing SMEs to access financing for the bonafide projects. It also weakens the overall objective of poverty reduction and job creation amongst small entrepreneurs.

- **Commitment of credit guarantees without prior proper assessment of projects viability:** BDF committed guarantees worth **Frw 813,860,394** to **11** enterprises without appropriately assessing projects viability. BDF did not consider key projects aspects and risks such as availability of market, certification of the project, sufficiency of working capital and availability of infrastructure like electricity to enhance envisaged production. Consequently, projects failed and BDF compensated **Frw 452,385,286** representing **56%** of committed guarantees**.**

- **Failure to consider financial risks highlighted by financial institutions before committing credit guarantees:** Commercial Banks highlighted financial risks of 2 projects as the clients were not compliant with loan repayment terms. However, BDF did not consider such risk and committed guarantees amounting to **Frw 415,659,411**. Both projects failed and BDF compensated **Frw 45,203,738** by the time of the audit in March 2020**.**

- **Failure to consider risks highlighted by investment committee and monitoring team before compensating the claims**

BDF Investment Committee and monitoring team assessed 5 claims associated with committed credit guarantee worth **Frw 548,470,327** as ineligible for compensation. However, BDF management approved compensation of these claims without evidence of clearance of investment committee and monitoring team. As of August 2019, BDF had already advanced **Frw 274,235,164** out of the **Frw 548,470,327.**

- **Provision of credit guarantees to restructured defaulting loans**

  BDF credit guarantee policy of 2012 allows BDF to provide guarantees to only fresh loans. Therefore, restructured, renegotiated, rescheduled or refinanced loans were not eligible. However, on 6 May 2016, board of directors approved management proposal to allow guarantees for refinanced and restructured defaulting loans.

  It was noted that revision of that provision caused losses. BDF guaranteed projects worth **Frw 2,432,541,742** for ten (10) restructured loans. Subsequently, six (6) out of ten (10) beneficiaries defaulted. BDF compensated **Frw 376,872,**514 for the failed projects**.**

  Restructured and renegotiated loans presents outright risks of loss and increased potential pay-outs of otherwise avoidable compensation.

- **Provision of credit guarantees to foreigners**

  BDF undertook five (5) guarantees worth **Frw 261,150,000.** These were to three (3) foreign-owned companies which sought 5 guarantees from BDF. One of them guaranteed at **Frw 108,300,000** has already defaulted. BDF is exposed to loss of fund meant to facilitate access to finance nationals.

- **Compensation of credit guarantees on the basis of ineligible claims**

BDF did not exercise due care in compensating credit guarantees. It compensated **Frw 256,486,185** on **24** credit guarantees on the basis of ineligible claims. The cases of compensating ineligible claims indicate loopholes in the process of reviewing claims for payment before authorization. These relate to claims for deviated projects and expired credit guarantees as elaborated below:

- **Credit guarantees compensated for deviated projects**: BDF approved guarantee claims worth **Frw 180,560,984** for **16** cases of deviated projects. This contravenes BDF credit guarantee policy which restricts compensating loans for deviated projects. At the time of the audit, BDF had advanced **Frw 107,426,098** as compensation**.**
- **Compensation of expired guarantees:** In August 2018, BDF reported **eight (8)** cases of expired guarantees worth **Frw 75,925,201** to BRD. However, the claims report of August 2019 indicated that BDF approved compensation of these guarantees and disbursed first instalment worth **Frw 37,962,600** to BRD. No further documentation provided to support additional assessment done to validate the compensation of expired guarantees.

• **Concern over high level of failed projects financed by BRD as co-owner of BDF**
The analysis of claims of financial institutions for compensation due to failed projects and credits guarantee compensated indicated that the big portion of failed projects belong to BRD, the co-owner of BDF. The evidences of high portion of failed projects are described as follows;

- **BRD' share of credit guarantee claimed for compensation is the highest among financial institutions:** Analysis of BDF credit guarantee claimed for compensation from 2011 to August 2019 indicated that BRD, the co-owner of BDF claimed **Frw 2,001,481,724** representing **59%** of total credit guarantee claims from financial institutions approved by BDF.
- **Full or high amount of credit guarantees paid to BRD confirms projects failure in initial stages:** Credit guarantee policy provides that, the guaranteed amount should proportionately reduce as the principal loan is amortized. However, BDF approved 16 credit guarantee claims worth **Frw 1,370,509,583** from BRD, representing **97%** of initially committed guarantees to the same beneficiaries. This denotes that beneficiaries did not repay any portion or paid very small portion of BRD loans.

The above cases indicate loopholes in assessment and monitoring the performance of projects financed by BRD. This results into losses to both BRD and BDF.

B) Gaps noted in management of quasi equity investment

The quasi equity credit line was established in 2013, with the objective to reduce the risk-financing gap and support innovative high growth SMEs to achieve social impact objectives such as creation of sustainable above minimum wage paying jobs. To operationalize this financing scheme, BDF received funds amounting to **Frw 4,775,000,000** from different partners to invest in SMEs between 2013 and 2019. In the same period, BDF invested **Frw 2,385,527,894** in 23 enterprises. However, the following poor performance of investments in the scheme and other operating inefficiencies cast doubt over its sustainability:

- Twelve (12) investments worth **Frw 268,279,896** failed. Subsequently, on 26 October 2017, BDF wrote them off.
- Six (6) investments worth **Frw 471,076,215** were poorly performing. Consequently, continuously delayed to repay BDF up to 1,400 days as of 30 September 2019. BDF did not obtain the financial reports from these companies as required by the financing agreements which limits assessment of investees' performance.
- Fourteen (14) investments amounting to **Frw 592,631,454** were not secured by either collaterals or share certificates. This was contrary to quasi equity procedure and implementation manual. Recoverability is doubtful as BDF did not secure its investment yet some of them have failed and others are tending to fail.
- Un-invested balance amounting to **Frw 2,389,472,106** was used in violation of the intended purpose.

C) Gap noted in management of matching grants

These are aimed at encouraging rural population and Participating Financial Institutions (PFIs) to invest in agriculture sector. The grants support agriculture and livestock production, processing, storage facilities and investments in climate resilient technologies and productive post-harvest infrastructure. The audit noted the following gap in management of matching grants:

- **Grants disbursed to beneficiaries above the set limits**

  Grant procedures set the grant ceiling of amount allowable for each beneficiary**.** However, BDF disbursed **Frw 672,467,387** as grants to nine (9) beneficiaries above the allowable set grant limits. Grants committed above the set limits constitute ineligible expenditure as it may deny other beneficiaries from accessing the scheme***.***

D) Gaps noted in management of SACCO refinancing scheme

SACCO refinancing aimed at addressing the liquidity shortage in Umurenge SACCOs by providing them with subsidized loans. The purpose of this product is to increase their lending capacity in both urban and rural areas to their clientele including Small and Medium-sized Enterprises (SMEs).

However, the audit noted the following gaps in management of this financing scheme:

- **Delay to disburse loans and grants to toolkit beneficiaries**

  There was a delay in assessing the projects and disbursing funds to toolkits beneficiaries. This delay started at application to reception of funds ranged from the period of one (1) to over two (2) years. This delay caused some beneficiaries to abandon their projects. This was evidenced by 18 SACCOs that transferred back to BDF an amount of **Frw 178,593,550** which represents **39%** of funds disbursed by BDF on the ground that beneficiaries abandoned their projects.

- **Business plans of toolkit beneficiaries partially financed by SACCOs :**

  Two SACCOs financed 155 clients with less amount compared to the amount required to finance their business plans. SACCOs did not fully finance business plans of beneficiaries, yet they kept unused balance of **Frw 72,944,860** meant for financing business plans of toolkit beneficiaries. This practice affected implementation of projects due to insufficient working capital and led to failure of concerned projects, default on loans and seizure of equipment by SACCOs.

- **Under-utilization of Women, Youth and Iwawa graduates funds**

  From 2011 to August 2019, BDF utilized **Frw 253,423,400** (representing 28% of **Frw 904,752,807**) out of received to support women, youth and Iwawa graduates projects. This indicates that intended objective of the scheme was not achieved to the required level.

3.3.8.2 Rwanda Development Board (RDB)

A) Weaknesses noted in collection of revenues generated from tourism

Review of tourism revenue collection process revealed the following irregularities:

- **Misappropriated revenues from tourism**

  The audit noted tourism revenue amounting to **USD 408,486** (equivalent to **Frw 363,303,364**) paid by tourists between August 2018 and January 2019. This money was collected manually instead of using the official online platform (Irembo system). OAG audit revealed that this money did not arrive at RDB bank account by the time of audit in March 2020.
- **Delays in transferring revenue collected from tourism to RDB bank account**

  RDB holds two bank accounts opened in Bank of Kigali to collect tourism revenue for all tourism services. Rwanda online ltd collects revenue from tourism and then, funds are transferred to RDB bank accounts. However, it was noted that revenue collected from tourism amounting to **Frw 316,758,027** was transferred to RDB bank account with delays ranging from **121** to **695** days.

  There is need for RDB to upscale its controls over tourism revenue.

3.3.8.3 Rwanda Information Society Authority (RISA)

A) Concern over potential huge loss of funds associated with managing the distribution of POSITIVO laptops between RISA and ASID

In the light of implementing the agreement between POSIVO BGH and the government of Rwanda, the government hired Africa Investment Smart Distribution (ASID) as sole distributor of POSITIVO laptops. Government procured laptops from POSIVO GBH following its contractual commitment, and then handed them over to ASID in form of stock on credit for sale. ASID had an obligation of paying back government after selling laptops.

Review of available documentation revealed that the government is at risk of losing funds amounting to **Frw 4.7 bn**. These funds relate to **19,449** laptops distributed by ASID and **7,246** defective laptops returned to RISA as described below.

- **Doubtful recoverability of ASID's debt to government due to low rate of repayment**

In January 2018, ASID owed to the government a debt of **Frw 3.5 bn** resulted from unpaid stock of **19,449** POSITIVO laptops received from government for sale. According to debt settlement agreement signed between MINECOFIN and ASID, this debt was to be repaid in **30 monthly instalments** starting from 30 January 2018 up to 30 June 2020. Hence, monthly instalment of **Frw 117 mn**.

As at 30 June 2019, ASID was supposed to have repaid an amount of **Frw 2.1 bn.** However**,** the audit noted that only **Frw 167 mn** had been repaid which represented **8%** of due amount as at 30 June 2019. Due to the low rate of repayment, a debt of **Frw 3.35 bn** is at risk of being lost.

- **Potential loss due to unrepaired defective POSITIVO laptops returned by ASID to RISA**

Through the review of availed documentation, the audit noted **7,246** defective laptops worth **Frw 1.35 bn.** These defective laptops were to be repaired by

POSITIVO GBH. However, Inquiry made with management revealed that these laptops had not been repaired at the time of audit in June 2019. POSITIVO GBH delayed to repair them for a period of **384** days.

Considering the fact that government paid off the cost of these laptops to POSITIVO GBH, value for money is not being realized from invested funds. These funds may be lost if these laptops are not repaired or replaced for use.

Government should make follow up to recover ASID's debt and ensure that defective laptops are either repaired or replaced by POSITIVO GBH for use.

3.3.8.4 National Industrial Research and Development Agency (NIRDA)

A) Delay to operationalize Rwamagana Banana Community Processing Centre

NIRDA invested **Frw 1,198,867,647** in constructing and equipping Rwamagana Banana Community Processing Centre. This Center was fully constructed and equipped in January 2019. However, by the time of audit in January 2020, after one year of its readiness for operation, the Center was not yet put into the intended use.

B) Loss incurred in the sale of Nyanza Ceramic Center

The construction and equipment of Nyanza Ceramic Community Processing Centre factory costed NIRDA **Frw 407,105,187.** In the pursuit of putting this factory into use, NIRDA sold this factory without the buyer paying any proceed towards investments made in buildings and equipment. The buyer paid only **USD 100,000** (Frw 88,628,152) for land availed by Nyanza District. The buyer claimed that purchased equipment do not meet the standard of a modern ceramic factory. Therefore, NIRDA incurred a loss of **Frw 407,105,187** invested in building and equipment due to poor planning**.**

C) Idle laboratory equipment and furniture

The audit identified idle laboratory equipment and furniture worth **Frw 1,469,087,114** kept at NIRDA laboratory located in Huye District. These assets had been idle for a period ranging from **5** to **55** months. Accordingly, government is not realizing value for money from expenditure incurred from acquisition of these assets.

3.3.8.5 Rwanda Printery Company (RPC)

A) Lack of approved mandate which sets RPC's strategic direction

RPC operates under strategic plan approved by the Board of Directors. However, there was no mandate approved by the government. Therefore, the whole spectrum of RPC corporate governance lacks strategic direction. This could partly be responsible for the dismal performance of RPC. For example, there was unsupported expenditure amounting to **Frw 3.5bn.** Total Procurement to the tune to **Frw 1.2bn** was conducted outside the E- procurement system.

B) RPC Ltd operating below production capacity which may threaten its going concern

RPC Ltd operates below its production capacity. Its business is declining.

Since 2016, the clients decreased from 29 to 8 in 2019 due to poor marketing strategy to boost revenue.

3.3.9 Local Government

A) Concerns over funds for capitation grant and school feeding transferred to schools

Capitation grant and school feeding funds are meant to support schools in their operations as expected. In the pursuit of addressing experienced delays in transfer of funds to schools, MINEDUC and MINECOFIN in the meeting of 20 December 2018, resolved that transfers shall not exceed 35 days from start of school term.

However, audits of districts noted the following irregularities:

- **Delay to transfer funds for capitation grant and school feeding:** Delays in transfers of capitation grants and school feeding funds to schools amounting to Frw **3,167,277,461 and Frw 2,193,952,186** respectively was again noted.

  The delays for both capitation and school feeding were up to 112 days. This is contrary to the set time line of 35 days after commencement of a school term. This was noted in 26 districts.

  This was mainly attributed to delays by the Districts to prepare and validate lists of students from schools at the start of the academic term and MINECOFIN delaying to transfer funds to the respective schools.

  Delay to transfer capitation grant and school feeding funds adversely affects schools operations. As such, adversely affecting the quality of education.

  Districts in collaboration with MINECOFIN and MINEDUC should ensure that capitation grant and school feeding funds are sent to schools on time. This will ensure their smooth operations.

- **Failure to transfer capitation grant and school feeding funds to schools**: Capitation grant and school feeding amounting to **Frw 1,120,270,316** had not been transferred to the respective schools at the time of audits. This included **Frw 767,888,734** for prior years. This was noted in 8 districts of Huye, Nyanza, Nyaruguru, Nyabihu, Musanze, Kirehe, Gakenke and Gasabo.

Management attributes this failure to budget constraints. As a result, this may lead to difficulties in operations of the affected schools.

The affected districts in collaboration with MINEDUC and MINECOFIN should ensure that the above funds are obtained and transferred to the respective schools.

B) Delayed disbursement of VUP direct support funds to beneficiaries

Section 3 paragraph 9 of direct support guidelines issued by LODA in July 2018 states that the payments shall be made directly to beneficiaries' accounts opened in formal financial institutions such as banks or SACCOs. Payments will be made every month and not later than 10 calendar days of the following month.

However, as highlighted in the previous audit report for the year ended 30 June 2018, it was again noted that VUP direct support funds amounting to **Frw 1,258,360,732** delayed to reach beneficiaries for a period ranging from **2 to 190 days**. This was noted in sixteen (16) districts.

This was mainly attributable to delays in updating beneficiaries' lists. Consequently, delay in the disbursing VUP Direct Support funds to beneficiaries may negatively impact their welfare.

MINALOC in collaboration with LODA should ensure that Districts update beneficiaries' lists on time to avoid untimely transfer of funds.

C) Delayed payment of VUP public works to beneficiaries

- **VUP expanded public works**

Section 6.5.1 of guidelines for VUP expanded public works of May 2017 states that expanded public works participants will be paid a flat monthly wage of **Frw 10,000** per month within the first 10 working days of the following month.

However, as highlighted in the previous audit report for the year ended 30 June 2018, again the audit noted cases whereby VUP beneficiaries' wages amounting to **Frw 219,397,949** were paid with delays ranging from **2** to **158 days**. This was noted in eight (8) districts.

Consequently, delay in paying wages to beneficiaries of VUP expanded public works implies that beneficiaries' welfare is not timely improved as envisaged by the program. This may hinder achievement of the program intended objectives.

- **VUP classic public works**

Section 3.3 of VUP -Classic public works guidelines issued by LODA on 20 July 2018 states that classic public works wages shall be paid not later than 15 calendar days after the end of each 10 day working cycle.

However, the audit noted cases whereby VUP beneficiaries' wages amounting to **Frw 1,484,643,052** were paid with delays ranging from **2** to **128 days**. This was noted in eighteen (18) districts.

The delay is attributable to the long time it takes to prepare, verify and consolidate payrolls for beneficiaries for the projects executed in different sectors. Delayed payment of beneficiaries negatively impacts their wellbeing.

MINALOC in collaboration with LODA and Provinces should ensure that districts prepare payrolls in time to avoid unnecessary delayed payments.

D) Concerns over VUP public works

The objectives of VUP classic public works component are to provide consumption smoothing employment and promote graduation from extreme poverty among labour-endowed households; and to support long-term economic development through community asset creation.

The audits of districts revealed a total amount of **Frw 1,474,119,399** on 37 contracts. However, the audit noted uncompleted works, poor executed works and omitted key works of the roads in some instances such as water drainage. This was noted in eleven (11) districts of Musanze, Nyaruguru, Nyanza, Ngororero, Rubavu, Nyamagabe, Karongi, Gakenke, Nyamasheke, Rulindo and Ngoma Districts.

This is attributed to poor planning & budgeting, lack of appropriate supervision of public works and adequate involvement of the citizens.

As a result lead to substandard works being done and in some instances works not complete as expected. Hence, no value for money on expenditure incurred. In addition, the durability of the infrastructure is questionable.

MINALOC in collaboration with Provinces should make deliberate efforts to ensure that there is value for money in public works. Quality considerations should be made in design of public works in districts.

E) Persistent delays in recovering loans under VUP financial services

- **Low percentage of loan recovery under VUP financial services (old scheme)**
  As highlighted in the previous audit report, review of VUP financial services report revealed that from 2009 to 2015, LODA disbursed loans totalling **Frw 20,853,045,051** to VUP financial services' beneficiaries to 30 districts in the country. The total loans and interest amounted to **Frw 21,271,640,162.** The loan repayment was supposed to be done in instalment within a period not exceeding 12 months. By end of previous year 30 June 2018, **Frw 6,322,600,464** was outstanding**.**

  Subsequent to the year ended 30 June 2018, only **Frw 527,678,140** representing **8%** of the outstanding balance of **Frw 6,322,600,464** had been recovered. Hence, loans balance of **Frw 5,794,922,324** had not been recovered by the time of audit. These loans have been outstanding for a period ranging from 6 to 10 years.

  Delay to recover the granted loans to beneficiaries are mainly attributed to some beneficiaries having moved to other places, failure of beneficiaries' projects and lack of clear enforcement procedures of defaulters.

Long delays to recover loans meant to constitute a revolving fund may deny other potential beneficiaries from accessing loans for implementing projects aimed at uplifting them out of poverty.

LODA in collaboration with districts should make deliberate efforts to identify the challenges limiting beneficiaries from refunding the money. Recoverable and unrecoverable loans should be identified for appropriate action.

- **Loans disbursed under VUP to beneficiaries partly recovered (Scheme two)**

Review of VUP financial services districts quarterly reports revealed that LODA disbursed loans amounting to **Frw 19,282,012,058** to districts under VUP – financial services (Scheme two) from 2015 to 2019. From the total amount of **Frw 19,282,012,058**; loans that matured amounted to **Frw 15,779,080,272.** Subsequently, **Frw 13,301,019,591** representing **84%** of loans disbursed was recovered from different beneficiaries in each district as at 30 June 2019. Hence, an amount of **Frw 2,478,060,681** representing **16%** was still not yet recovered.

The delay to recover loans granted to beneficiaries is mainly attributed to some projects of beneficiaries that failed and high interest rate of 11% per year.

Failure to repay loans on time will result into lack of funds to be loaned to other eligible beneficiaries. Consequently, the objective of reducing/eradicating extreme poverty through financial services may not be attained as envisaged.

LODA in collaboration with districts should make deliberate efforts to ensure that the funds disbursed through SACCOs under the second scheme are recovered to facilitate revolving funds.

F) Concerns over implementation of ubudehe program-households' projects

According to section 5.2 of Ubudehe concept note of May 2009, Ubudehe program beneficiaries are poor households selected by the community.

Beneficiaries were advanced **Frw 60,000** to implement each of the selected projects. The projects were supposed to generate income with a rotating character (revolving) of funds received.

However, the audits noted the following irregularities:

- **Lack of comprehensive database**: Audits of districts noted lack of comprehensive database for information on number of beneficiaries, projects and amount invested in the program since it started in 2007 up to 2018. This was noted in all districts.

  In absence of a comprehensive database is an indicator that monitoring of the program by the districts is ineffective and may lead to failure to achieve its intended objectives.

- **Lack of revolving mechanism:** The supported household by the program at village level, was to conduct revolving process (**known as kwitura**) to the village. The beneficiary was to reimburse the support to village such as funds, livestock or any other support to enable income generating.

  However, audits of districts revealed that there was no revolving mechanism established by the districts.

  Consequently, without mechanism in place for revolving, funds advanced to supported households will not rotate (**Kwitura)** for the interest of other eligible households. Hence, the intended objectives will not be achieved as envisaged.

- **Lack of impact assessment since 2014**: There was no impact assessment that was carried out to establish whether the program has improved the lives of beneficiaries of the program as envisaged. This assessment could enable determine whether the program is achieving its set objectives.

  Accordingly, failure to conduct an impact assessment of the supported households under Ubudehe program implies that the government could not know its actual outcomes so as to identify any challenges that may hinder realization of program objectives for appropriate action.

  MINALOC in collaboration with LODA and Districts should ensure that an impact assessment of the program is conducted to confirm whether beneficiaries' welfare is improving as envisaged.

G) Major concerns noted in the implementation of biogas program

The main objectives of the program is to substitute the use of firewood for cooking energy by biogas, hence protect the environment, people's health, improve sanitation in the kitchen, reduce the burden to women and children who collect firewood for cooking in their families. The government provided a subsidy of **Frw 300,000** per household willing and eligible to have a biogas plant. Other biogas plants were constructed under IDP model. The audit noted the following irregularities:

- **High number of non-operating biogas plants that may threaten sustainability of the program:** Audits noted that in most of the districts, there was high number of non-operating biogas plants for the beneficiaries. Total number of constructed biogas plants were **4,952.** However, **2,454** were not operating representing **50%.** This was noted in fourteen **(14)** districts.

  The continued increase in number of non-operating biogas plants is attributed to lack of spare parts for the biogas plants, some beneficiaries who had sold off their cows hence no cow dung to feed the digester, insufficient technicians for maintenance and repair.

- **Lack of updated database of biogas plants by some districts:** Audits noted that nine (9) districts did not maintain updated database of beneficiaries of biogas plants and their current status. These included: Kirehe, Nyamagabe, Nyabihu, Nyamasheke, Gasabo, Kayonza , Gicumbi, Rwamagana and Karongi districts. As a result, the status of biogas program in these districts could not be confirmed. This demonstrates laxity in monitoring of biogas program.

  There is no value for money obtained from the investment made in non-operating biogas plants. This will affect the sustainability and achievement of Biogas program's objectives, specifically the reduction of firewood usage. In addition, the Program's intended objectives will not be achieved as envisaged.

MINALOC in collaboration with MININFRA should urgently strategize on how the biogas program can be revamped to ensure its sustainability.

H) Concerns over constructed health posts in districts

Pillar of Social transformation, under priority Area 3 of NST1, the key strategic intervention n° 52 are to construct and upgrade health facilities with adequate equipment. In this respect, districts are planned to build 150 health posts across the country.

For the purpose of implementing NST1, the districts earmarked transfer guidelines for fiscal year 2018-2019, recommended that Ubudehe funds would be used in construction of heath posts at cell level. These health posts should be operated by private operators.

During the year under review, it was noted five (5) districts used **Frw 804,273,677** for construction of **70** new health posts. The districts included: Burera, Gicumbi, Rusizi, Karongi and Ngororero. However, the following anomalies were noted:

- **Idle constructed health posts:** 54 constructed health posts worth **Frw 609,908,931** were not operational. This was noted in 5 districts.

The health posts have been idle for a period ranging from 2 to 4 months.

The idle health posts are attributed to lack of proper planning.

- **Delay to complete construction works of health posts**: 5 health posts were not yet completed and construction works had been halted after spending **Frw 20,615,072.** This was noted in Gicumbi District. Management attributed to the stoppage to shortage of funds.

  There is no value for money obtained from the investment made in idle and delayed health posts.

  MINALOC in collaboration with MINISANTE should make follow up to ensure that the constructed health posts are put to use in order to serve the purpose they were constructed for. In addition, there is need to ensure that delayed completion of construction of health posts is expedited for the intended beneficiaries to receive expected healthcare.

I) Concern over management of cross border markets in local government entities

The audits revealed funds invested in cross border markets of Burera, Karongi and Nyamasheke districts amounting to Frw **5,513,502,576**. These new modern cross border markets are meant to facilitate cross border trade and reduce the cost of doing business.

The following irregularities were noted:

- **Low occupancy rates**: Cyanika Cross Border Market occupancy was at 20%. For Karongi market, the livestock section of the market is the only one which is in use. Other sections of the market: the main building and warehouse are not occupied.
- **Lack of a documented plan to attract users of Nyamasheke cross border market:** Nyamasheke District has contracted for construction of a cross border market worth **Frw 2,396,785,437**. It is expected to be completed by 15th April 2020. The location of the cross border is in rural (remote) area. However, there was no documented plan to attract users of this infrastructure. As such, the market risks having low occupancy rates upon completion.

  MINALOC in collaboration with MINICOM should put in place incentives to attract business operators in the above cross border markets. These incentives should include: Construction of roads, water supply in areas where the markets are located.

J) Concern over management of modern markets in the districts

- **Low occupancy rates of the constructed markets**

The audits identified investments in construction of six (6) modern markets worth **Frw 891,207,506** in Rubavu, Muhanga, Karongi and Gatsibo Districts.

However, the audits noted there were low occupancy rates of the constructed markets. Occupancy rates ranged between **3%** and **50%**.

The low occupancy rates are attributed to lack of proper feasibility studies and in some instances there are some surrounding small markets hence, making them less attractive.

Provinces in collaboration with Districts should devise strategies to attract users of the market and make them fully operational with the aim of obtaining value for money from the investment.

- **Stalled project for construction of modern Gisenyi market**

As highlighted in the previous audit reports, the construction works for Gisenyi modern market has not resumed. Earlier attempts to sell it off had failed. The district had incurred **Frw 1,096,593,206** on its construction.
It is worth noting that 6 years had elapsed as at the time of audit in December 2019.

Accordingly, the works already done had started to deteriorate or get damaged. As such additional costs will be incurred by the district, if no urgent action is taken. In addition, there is no value for money for the investment already made. Hence, the objectives associated with putting in place a modern market for business operators is not yet achieved.

MINALOC in collaboration with Western province should work hand in hand with its strategic stakeholders in order to ensure the construction works are resumed and completed.

4.0 Conclusion

Volume 1: Executive Summary, is a summary of the entire "Report of the Auditor General of State Finances" for the financial year ended 30 June 2019. A more detailed report is submitted in volumes 2 to 5. The Executive Summary gives a snapshot to the public and stakeholders of the manner in which public institutions used the budget of prior financial year- 2019 to deliver services to citizens.

My audit coverage in terms of expenditure by audited entities has been slightly disrupted by the conditions of the COVID-19 pandemic. However, 9 entities which are work in progress at the time of tabling my report, will be completed upon lifting of the lockdown. The concluded audits are significant to enable me express an audit opinion on government consolidated financial statements, and give a holistic view on how the budget of previous year was spent by public institutions.

There is continuing trend for public entities of not complying with applicable laws and regulations in spending public resources. This is reflected by the high number of qualified and adverse audit opinions expressed on many public institutions in the discipline of compliance audit. Districts, Boards and GBEs need to put more efforts in compliance management aspects while spending public funds in the course of delivering services to citizens.

My audits identified problems which need adequate attention which may threaten smooth implementation of National Strategy for Transformation (NST1). These issues include: Delayed & abandoned contracts, stalled projects and idle assets are still re-occurring.

On social economic front, I noted BDF which was founded to offer opportunities of entrepreneurship especially for SMEs and creation of access to finance for start-ups and existing small businesses. However, it largely made losses and deviated from its founding mandate.

OAG will continue to follow up implementation of audit recommendations as to reach audit effectiveness. I recognize that the audit would be of little value if recommendations are not implemented to address issues highlighted in audit reports. With a continuing low rate of implementation of recommendations, I call upon public entities to recognize the audit reports as a management tool meant to enhance their improvement of PFM country system.

There is a great need for the PFM country system to strengthen the accounting function as a basis to achieve the very much needed accountability and transparency especially amongst the GBEs and Boards.