REPUBLIC OF RWANDA

OFFICE OF THE AUDITOR GENERAL OF STATE FINANCES

OAG

In Public Interest

ANNUAL AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2021

Making a difference in the Lives of Citizens

APRIL 2022

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ABBREVIATIONS AND ACRONYMS

AFROSAI-E	African Organization of Supreme Audit Institutions-English speaking
ACCA	Association of Chartered Certified Accountants
BDF	Business Development Fund
BNR	National Bank of Rwanda
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
EATTFP	East Africa Trade and Transport Facilitation Project
EIF	Enhanced Integrated Framework
EWSA	Energy, Water and Sanitation Authority
EDCL	Energy Development Corporation Limited
EUCL	Energy Utility Corporation Limited
FARG	Genocide Survivors Fund
GBEs	Government Business Enterprises
GF	Global Fund
GoR	Government of Rwanda
ICPAR	Institute of Certified Public Accountants of Rwanda
IFMIS	Integrated Financial Management Information System
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
LAFREC	Landscape Approach to Forest Restoration and Conservation Project
LODA	Local Administrative Entities Development Agency
LWH	Land Husbandry Water Harvesting and Hillside Irrigation
MINADEF	Ministry of Defence
MINAGRI	Ministry of Agriculture and Animal Resources

MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Trade and Industry
MINIJUST	Ministry of Justice
MININFRA	Ministry of Infrastructure
MINISANTE	Ministry of Health
NBA	Non-Budget Agency
NIRDA	National Industrial Research and Development Agency
NISR	National Institute of Statistics of Rwanda
NPPA	National Public Prosecution Authority
NST1	National Strategy for Transformation
OAG	Office of the Auditor General of State Finances
OCGA	Other Central Government Agencies
PAC	Public Accounts Committee
PAYE	Pay As You Earn
PFM	Public Financial Management
RAB	Rwanda Agricultural Board
RBC	Rwanda Biomedical Centre
RCA	Rwanda Cooperative Agency
RDB	Rwanda Development Board
REB	Rwanda Education Board
REMA	Rwanda Environment Management Authority
RESSP	Rwanda Electricity Sector Strengthening Project
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
RWB	Rwanda Water Board
RISA	Rwanda Information Society Authority
SAI	Supreme Audit Institution
SEDP	Sustainable Energy Development Project
VAT	Value Added Tax
VUP	Vision Umurenge Program
WASAC	Water and Sanitation Corporation
WDA	Work Force Development Agency

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AUDITOR GENERAL'S MESSAGE

The audit outcomes presented in this flagship report of Auditor General are aimed at enabling Government oversight bodies and management of public institutions to focus on those issues that will result in improvement of public financial management system, service delivery and compliance with laws and regulations. This report was prepared in accordance with Articles 165 and 166 of the Constitution of the Republic of Rwanda of June 2003, revised in 2015.

The report is meant to promote public accountability and empower citizens by informing them how public institutions used the budget appropriations for the financial year ended 30 June 2021. I

report on the material irregularities identified and the progress made towards resolving them in accordance with relevant laws and regulations.

Management of public institutions is required to implement all recommendations of OAG to ensure that issues affecting the proper use of public funds are closed to realize the value for money.

Management has the primary responsibility to institute preventive, detective and corrective controls to safeguard public resources, and to prepare and present financial statements which give a true and fair view of the entities financial position and performance and ensuring that transactions comply with applicable laws and regulations.

As our country aspires to become a middle-income country by 2035, we aim to continue maintaining our role as country's funds watchdog to ensure public resources are used to make a dream of "Rwanda we want" a reality through promoting a culture of accountability. We remain committed to serving the people of Rwanda and contributing to their wellbeing through INTOSAI- P12: “Making a difference to the lives of citizens.”

In addition to presenting the outcomes of our audits, this report highlights the steps we have made in implementing the Office’s mandate as stipulated in the constitution of the Republic of Rwanda of June 2003 revised in 2015.

To respond to the changing environment, the Office aims to incorporate real-time audit approach in audit of high-risk expenditure to complement management effort in instituting preventive and detective controls to deter irregularities that could result in loss of resources. In addition, we plan to increase the performance audits and regularity audits of Government Business Enterprises; and plan to digitalize the audit processes in order to increase our audit coverage and timely provide information to decision makers.

The present report is a summary of **238** financial and compliance audit reports that were issued to different public entities including Ministries, Districts, Public enterprises, Public Hospitals, and **10** performances and **6** IT audits.

I wish to reiterate my commitment of continuously investing more effort to ensure that public resources are utilized for national priorities and the wellbeing of Rwandans.

OFFICE OF THE AUDITOR GENERAL FOR STATE FINANCES

KAMUHIRE Alexis
AUDITOR GENERAL
Kigali, 28th April, **2022**

ACKNOWLEDGEMENT

I want to acknowledge the Government of the Republic of Rwanda for the continuous availability of human and financial support to my office. OAG had been continuously equipped with required resources to implement the constitutional mandate.

I want to acknowledge the Parliament of the Republic of Rwanda for its oversight role and the Public Accounts Committee (PAC) for the commendable work done in scrutinising the Auditor General's report and holding accountable those in charge of managing public funds through public hearing sessions.

I acknowledge the continued support from Development Partners in strengthening OAG operational capacity.

I wish to express my sincere gratitude to OAG staff, who have consistently demonstrated professional resilience and enthusiasm, enabling OAG to deliver its constitutional mandate satisfactorily.

I also wish to thank our auditees who worked with us during the audits for their cooperation, and a great sense of acceptance of accountability culture in public institutions.

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INTRODUCTION

This year we audited the State consolidated financial statements; expenditure incurred by Government entities and operations of Boards and Government Business Enterprises during the year ended 30 June 2021.

This report is the Executive Summary and only highlights major audit findings identified in individual entities to convey key messages to the people of Rwanda and strategic stakeholders on the state financial statements for the previous year. It summarizes the financial, compliance, performance, IT and special audits conducted by OAG during the period from May 2021 to 20 April 2022.

The entirety of the annual report consists of three volumes. Besides the executive summary, we have the audit report on consolidated financial statements, and a report on performance, special and IT audits carried out during the year. Individual reports containing the audit opinion, conclusions and details of all findings have been issued to each audited entity and discussed accordingly.

I conducted these audits in line with Articles 6 and 14 of Law Number 79/2013 of 2013 Determining the Mission, Organization and Functioning of the Office of the Auditor General of State Finances and in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

In accordance with Article 166, the report indicates the way 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 ended 30 June 2021.

The audit findings call attention to the public and remedial action by those charged with governance to improve transparency and accountability in the management of public resources.

This report contains three sections as follows:

***Section 1: Scope and operations of the OAG*.** This section focuses on the mission, organization and functioning of the Office of the Auditor General of State Finances and its legal mandate to audit public entities. This section further indicates how OAG has endeavored to achieve its mandate as per Articles 165 and 166 of the Constitution of the Republic of Rwanda and provides information on the audit coverage achieved.

Section 2: *Audit results and findings*. This section gives an overview of audit results across audited government institutions. The overview is supported by a summary of cross-cutting audit findings and sectoral specific matters that should be brought to the public's attention. The section also includes recommendations when implemented will contribute to the improvement in service delivery thereby strengthening accountability, transparency and integrity in the government and public sector entities.

Section 3: Conclusions. In this section, the report concludes our message to the people of Rwanda and strategic stakeholders on the state of public financial management for the year ended 30 June 2021.

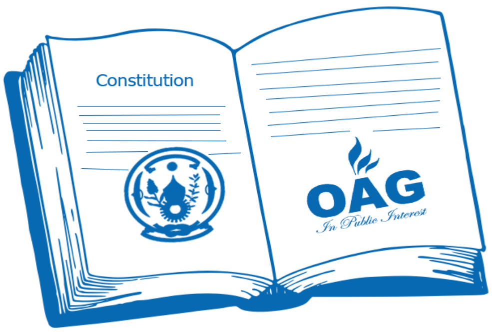
SECTION 1

SCOPE AND OPERATIONS OF OAG


Mandate and Function of the OAG
Vision, mission and core values of the OAG
Development of the human Capital
Audits performed by OAG

1.0. SCOPE AND OPERATIONS OF OAG

1.1. Mandate and function of OAG



Article 165 of the Constitution of the Republic of Rwanda of 4th 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 as amended to date require the Auditor General to audit and report to parliament on the Public Accounts of Rwanda and of all Public offices including central government, local government organs, public enterprises and parastatal organizations, 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 the 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 4th 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 way the budget was utilised, unnecessary expenditure which was incurred or expenses that were contrary to the law and whether there was wasteful expenditure or misappropriation.

This report is issued in furtherance of this mandate.

1.2. Vision, Mission & Core values of 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.

1.3. Our human capital development at glance

OAG continues to invest in cutting-edge innovations to reduce the amount of manual and time-consuming work required for an audit. Nevertheless, audit remains a labour-intensive profession, as it has traditionally been, which explains why our employees occupy the center stage.

Currently, OAG has one hundred ninety-six **(196)** employees, including one hundred sixty-seven **(167)** audit staff members, which translates to **85%** of the total staff. Mindful that investing in our human resources for growth and success is investing in the success of our office, we keep supporting employee training.

Out of **196** employees, **55** have professional qualifications, including forty-five (**45**) with accounting qualifications (ACCA, CPA). Other **78** are currently pursuing qualifying courses, including ACCA, CPA, CIPS, CGI, HR Certificate, Actuarial course, CISA, CFE, and PMP, among others.

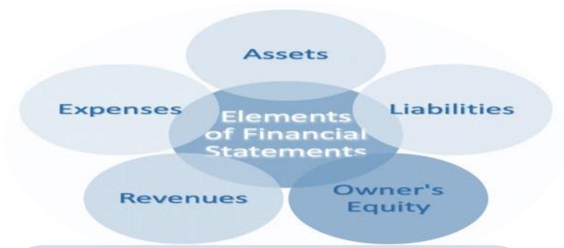
Thirty-nine **(39)** experienced auditors left OAG in the previous three (**3**) fiscal years. This has resulted in the recruitment of forty-one (**41**) employees this year.

Although the turnover of experienced staff members may indirectly positively impact public finance management, especially when they have joined government entities we audit, it is a direct loss to OAG. Training an auditor takes a long time and losing them prevents the office from reaping the advantages of the learning curve.

1.4. Audits performed by OAG

The Office of Auditor General meets its mandate by pursuing the three main audit disciplines (1) Financial, (2) Compliance and (3) Performance audits. We also perform IT and special audits.

Below are the definitions of the three (3) main types of audits our office carries out.



FINANCIAL STATEMENTS AUDIT

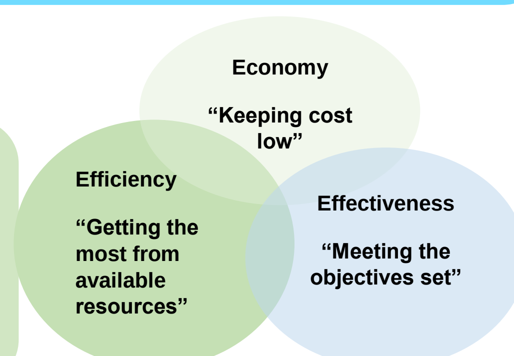
This audit determines whether the entity's financial statements were prepared in accordance with applicable financial reporting and regulatory framework, and they do provide clear information regarding the financial situation and performance of institutions.

COMPLIANCE AUDIT

This audit is performed by assessing whether financial transactions and activities are, in all material respects in compliance with the authorities which govern the audited entity. These authorities may include rules, laws and regulations, budgetary resolutions, policies, agreed terms, conduct of public officials, etc.

PERFOMANCE AUDIT

This audit determines whether the audited entity carried out its activities in an effective, productive and cost-efficient manner with respects to value for money.



Our office pays attention to high-risk entities that includes among others, GBEs, Boards and those which implement programs that impact significantly on the lives of citizens as described in the section on our annual audit coverage below.

1.4.1. Coverage of financial & compliance audits

Audit coverage section shows a summarized snapshot of total number of Government entities our office audited, number of audit reports produced, expenditure audited, and type of audits carried out during the audit period which runs from 1st May to 30th April each year. Below is the trend of financial & compliance audits performed over a period of 4 years.

AUDIT COVERAGE

Financial and Compliance Audits

	2017-2018	2018-2019	2019-2020	2020-2021
Projects	74	69	63	64
Central Gov't	17	22	29	18
Boards	10	11	10	11
GBEs	5	2	6	10
Direct Investments By Entities	-	-	-	7
Ministries	10	12	10	8
Districts and CoK	31	31	31	28
Public Hospitals	26	26	26	30
Former District Pharmacies	-	-	-	30
Total	173	174	175	206
Expenditure	2,001Bn	2,363Bn	2,793Bn	3,562Bn
% Coverage	86.6%	87.1%	87.8%	91%
Audit Reports	178	181	188	238

Decrease
Increase

As indicated in above snapshot, the number of financial and compliance audits performed, and the percentage of government expenditure audited by office increased steadily over the period of four **(4)** years.

The current year audits covered **206** public entities and projects which comprise of **64** projects, **18** central government institutions, **8** ministries, **11** boards, **10** GBEs, **7** Other Direct Investments by Entities (Private companies), **28** districts, **30** public hospitals and **30** former districts pharmacies.

The percentage of our audit coverage considered expenditure amounting to **Frw 3,562 billion** incurred by **108** public entities and projects which represents **91%** of the reported Government Expenditure of **Frw 3,910.5 billion** for the year ended 30 June 2021. We issued **238** audit reports to support the audit opinion issued on state consolidated financial statements.

We also devoted resources on audits which were not included in our % coverage computation of expenditure audited vis-à-vis government expenditure for the year ended 30 June 2021. These audits covered GBEs, Direct Investments by Entities (Private Companies) and other budget agencies as summarized in table below.

Institutions	Number of institutions	Financial year
GBEs	7	2021
	5	2020
	2	2019
Direct Investments By Entities (Private Companies)	7	2021
Public Hospitals	26	2020
	30	2021
Former Districts pharmacies	30	2020

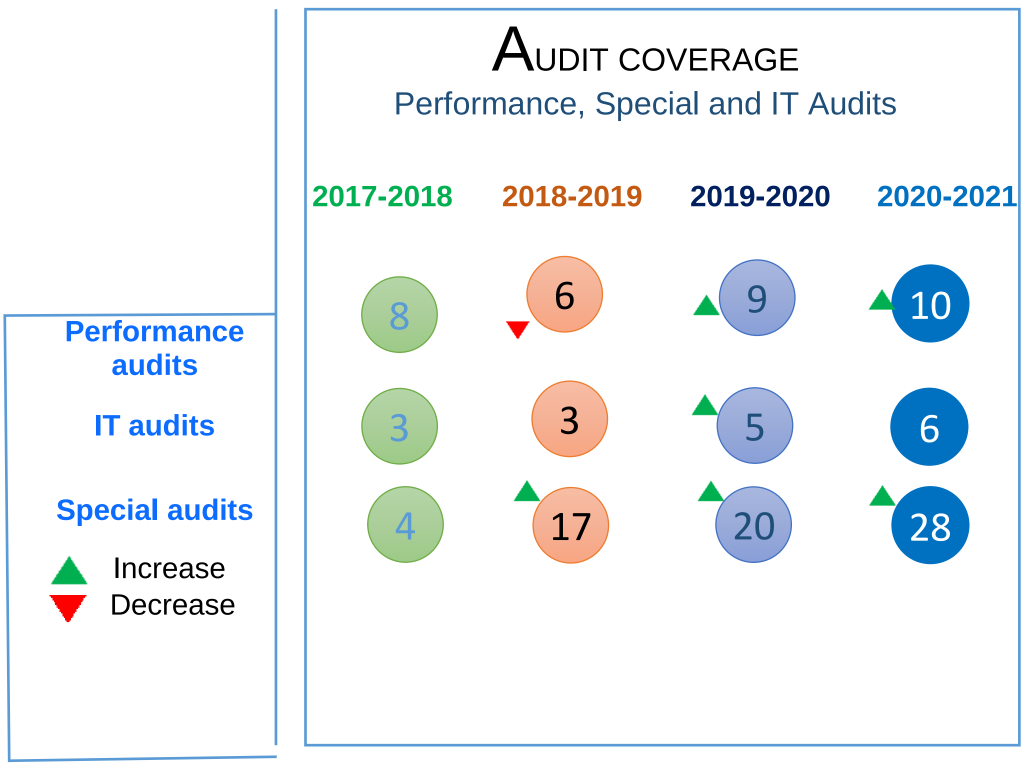
For each of the audited entity, I expressed an opinion on fair presentation of financial statements and confirmed whether the entity complied with laws and regulations governing public spending.

In addition, audits of four **(4)** Government Business Enterprises were ongoing at the time of tabling the current year's annual audit report. Their audit reports will be forwarded to

Parliament upon completion of audit exercise. Those are: Prime holdings Ltd, Business Development Fund, King Faisal Hospital and Muhabura MultiChoice Company Ltd.

1.4.2. Coverage of Performance, Special and IT Audits

Current year performance audits focused more on the areas of national interest especially health, agriculture, education and social sectors. These contribute to improved living conditions of citizens and enable realization of National Strategy for Transformation (NST**1**). OAG is continuously increasing the number of performance audits as shown in snapshot below.



This year, we carried out ten **(10)** performance audits, six **(6)** IT audits and twenty-eight **(28)** special audits.

SECTION 2
AUDIT RESULTS & FINDINGS

2.0. AUDIT RESULTS & FINDINGS

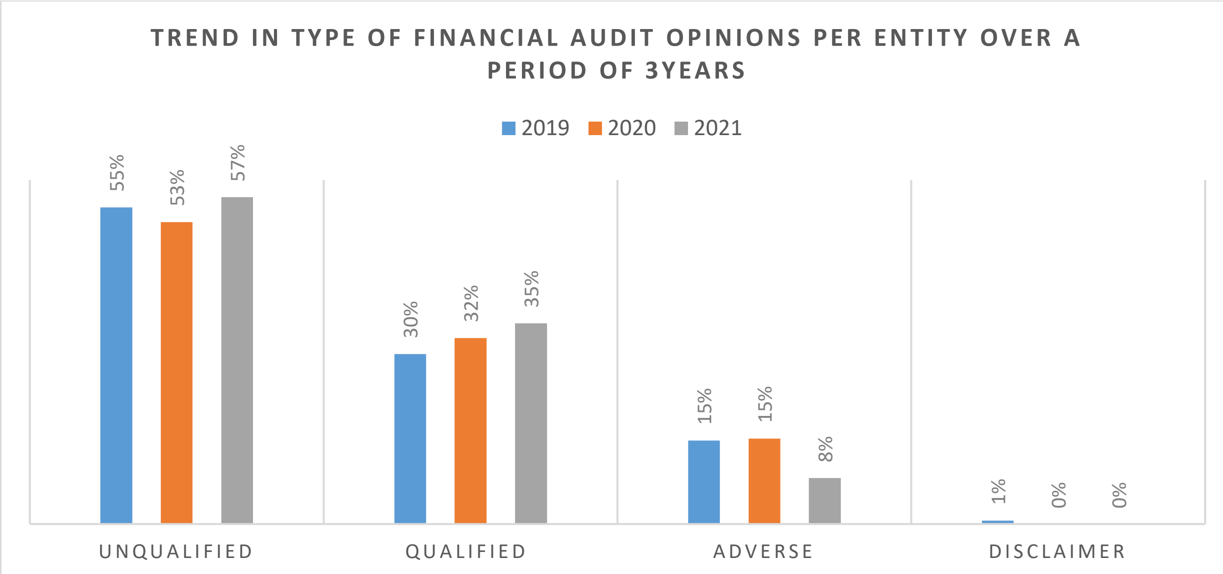
2.1. Audit opinions

Audit opinions are expressed after the evaluation of evidence gathered during the audit. We expressed an opinion on whether the financial statements present fairly, in all material respects the financial position and performance of the respective entity and confirmed whether the entity complied with applicable laws and regulations governing public spending. The opinions we issued to audited entities this year are classified per entity cluster in the tables below:

(a) Opinions on Financial Statements

Clusters	Type of Audit Opinion				
	Unqualified	**Qualified**	**Adverse**	**Disclaimer**	**Total**
Projects	61	2	3	-	**66**
Boards and GBEs	12	8	5	-	**25**
Other Private Companies (Direct Investments by entities)	-	-	2	5	**7**
Ministries and Other Central Government entities	24	2	-	-	**26**
Districts and City of Kigali	-	25	3	-	**28**
Public Hospitals	1	44	11	-	**56**
Former districts pharmacies	4	25	1	-	**30**
Total	**102**	**106**	**25**	**5**	**238**

For the picture of audit opinions issued on financial statements for the last three years, refer to graph on next page:

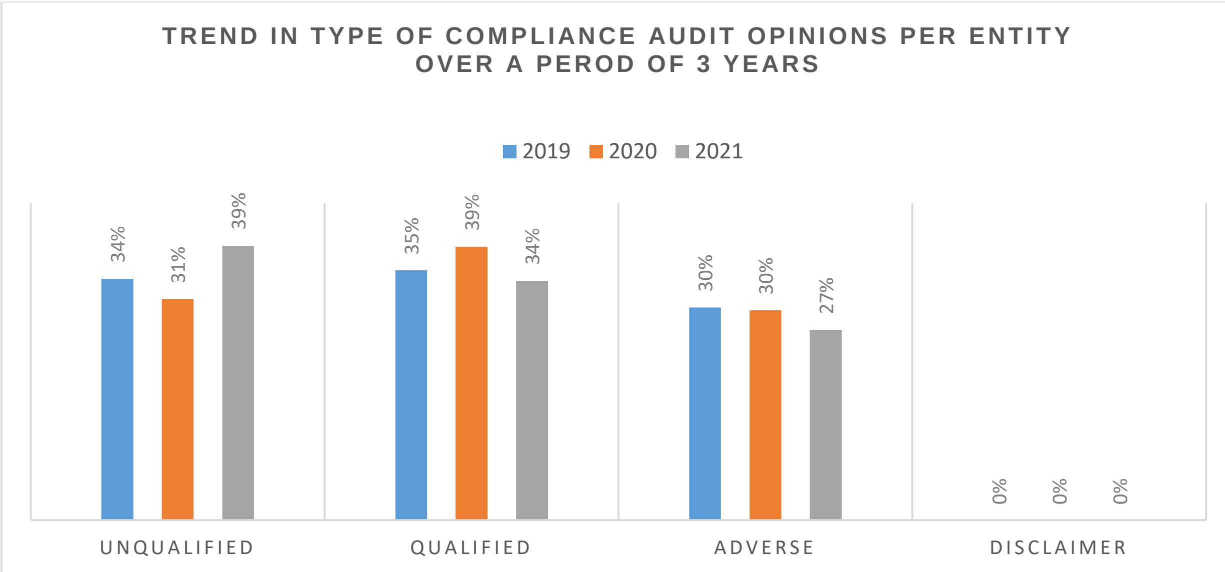


***The computation excluded directs investments by other entities, former districts pharmacies.**

The graph above analyses the trend in financial audit opinions issued over the last three years. The percentage of entities that got unqualified financial increased from **55%** in 2019 to **57%** in 2021. The percentage of entities that got qualified audit opinions increased from **30%** in 2019 to **35%** in 2021. The percentage of entities that got adverse opinions decreased from **15%** in 2019 to **8%** in 2021. This shows a positive trend in the overall level of accountability and transparency over the period.

(b) Opinions on compliance audits

Clusters	Type of Audit Opinion				
	Unqualified	**Qualified**	**Adverse**	**Disclaimer**	**Total**
Projects	30	26	10	0	**66**
Boards and GBEs	5	5	15	0	**25**
Other Private Companies (Direct Investments by entities)	0	0	7	0	**7**
Ministries and Other Central Government entities	10	12	4	0	**26**
Districts and City of Kigali	0	5	23	0	**28**
District hospitals	11	42	3	0	**56**
Former districts pharmacies	7	23	0	0	**30**
Total	**63**	**113**	**62**	**0**	**238**



****The computation excluded directs investments by other entities, former districts pharmacies.***

The graph above indicates an improvement in the percentage of unqualified audit opinions which increased from **34%** in 2019 to **39%** in 2021. The percentage of qualified audit opinion remained relatively the same. However, there was a decline in the percentage adverse opinions from **30%** in 2019 to **27%** in 2021. This is a notable improvement, although public entities are yet to reach the desired level in complying with applicable laws and regulations in incurring expenditure. Most of the results, I presented in this report, are the gaps that should be closed in order to reach the desired improvements in managing public resources.

(c) Meaning of different types of audit opinions

We express different types of audit opinions based on the following criteria:

Unqualified audit opinion	Qualified Audit Opinion	Adverse Audit Opinion	Disclaimer Audit Opinion
* In the context of financial audit, the auditor issues a conclusion that there are no material misstatements due to error or fraud 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.	* Under financial audit, 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.	* Under financial audit, 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.	* 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.

2.1.1. Audit opinion drivers

One fundamental driver of an audit opinion is the audit findings found because of our assessment as to whether entities have complied with the financial reporting framework prescribed by the Ministry of Finance and Economic Planning and laws and regulations applicable to the entity. Therefore, it is crucial to highlight the nature and implications of audit findings that drove the audit opinions presented above.

2.1.2. Cross-cutting and sector specific audit findings

In this report, we classify audit findings that should be brought to the reader's attention as either (a) cross-cutting or (b) sectoral findings.

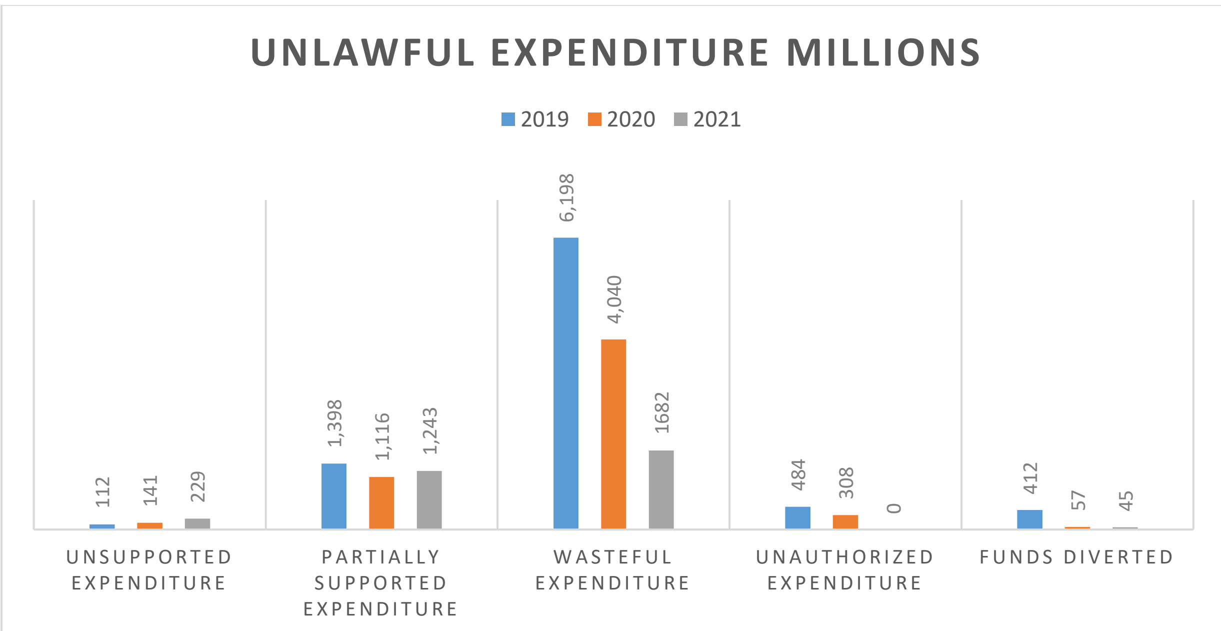
- **Cross-cutting audit findings:** These are audit findings identified across all clusters of public entities (*e.g., of such clusters include projects, Boards and GBEs, Ministries, and Central government)*
- **Sector-specific audit findings:** These are audit findings identified in key entities classified under specific sectors of the PFM. *(e.g., of such sectors include infrastructure, agriculture, education, health and social, etc…)*. They are deemed crucial in implementing key Government programs for the benefits of the citizens**.**

2.2. Reporting on the provision of article 166 of the constitution

Article 166 of the Constitution of the Republic of Rwanda of June 2003, revised in 2015, requires the Auditor General to report on cases of "*unnecessary or unlawful expenditures, and whether there was embezzlement or squandering of public funds*". To this end, the current year audits identified different cases of such expenditure totaling **Frw 3,200,723,068** and classified under the following technical categories on next page:

Description	2021	2020	2019
		Frw	Frw
Unsupported expenditure	229,315,415	141,471,269	112,128,865
Partially supported expenditure	1,243,807,554	1,116,552,332	1,398,942,549
Wasteful expenditure	1,682,268,950	4,040,484,359	6,198,513,732
Unauthorised expenditure		308,429,452	484,286,074
Funds diverted or fraudulently utilized	45,331,149	57,130,704	412,051,968
Total	**3,200,723,068**	**5,664,068,116**	**8,605,923,188**

The number of unnecessary or unlawful expenditure reported has been on the decline in the last three years as shown in graph below.

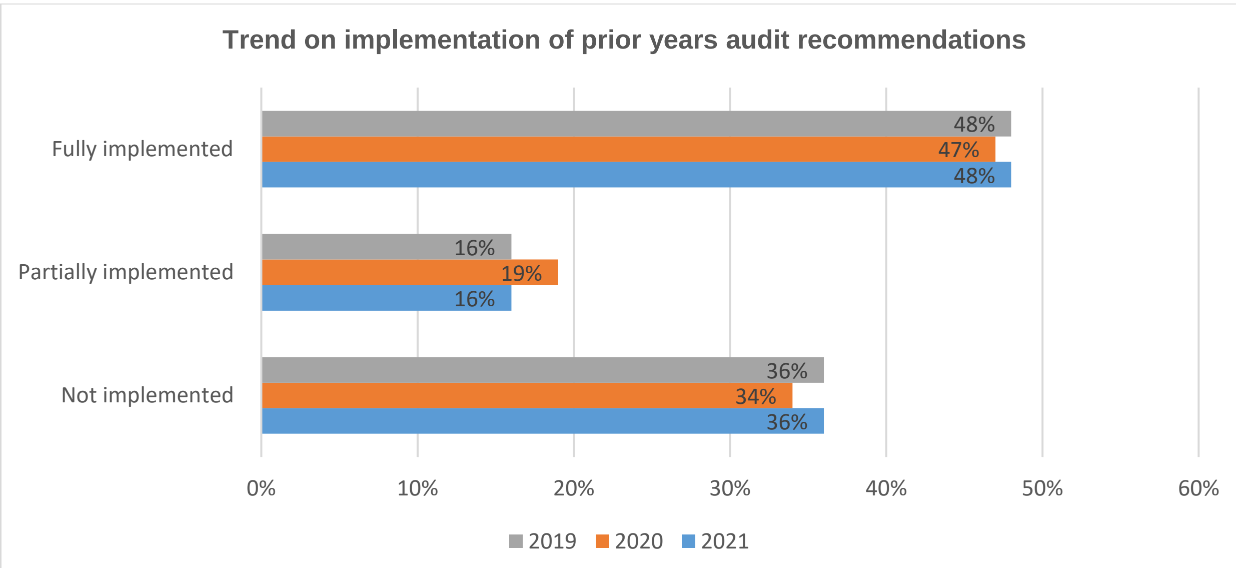


2.3. Status of implementation of Auditor General's recommendations

Value adding audit triggers positive change in operations, financial management practices, and service delivery processes of public institutions. This change only occurs when audit recommendations are implemented by management and those charged with governance of public institutions.

Adequate implementation of the Auditor General's recommendations is a significant milestone required by sections 6 and 8 of Article 69 of the Organic Law Nº 12/2013/OL of 12th September 2013 on State Finances and Property.

We advise public institutions to chart out plans for implementing audit recommendations. These plans should be monitored to ensure timely implementation of audit recommendations to achieve desired improvements. To enhance the monitoring mechanism, a performance measure should be introduced to measure progress in the implementation of audit recommendations by those entrusted with managing public funds. The chart below shows the trend of the implementation rate of audit recommendations.



The summary of the status of implementation of audit recommendations per category of audited entities is presented in the table below:

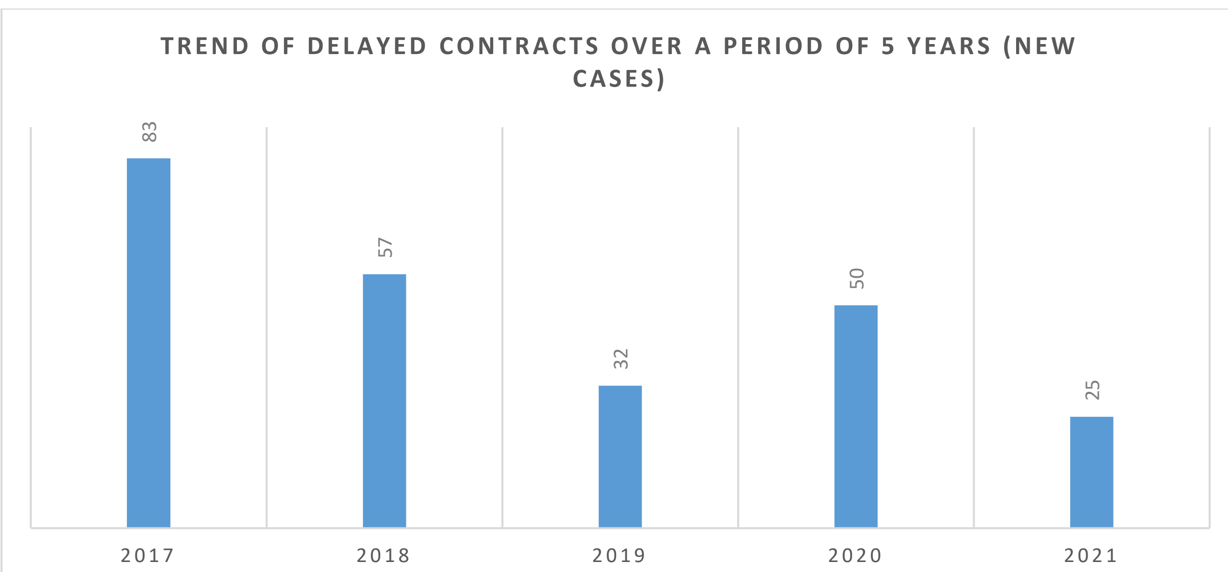
Entities	Fully implemented	Partially implemented	Not implemented
Projects	195	81	88
Boards and GBEs	398	198	286
Ministries and Other Central Government entities	206	84	77
Districts and City of Kigali	828	221	456
Public Hospitals	757	221	900
Total	**2,384**	**805**	**1,807**
%	**48%**	**16%**	**36%**

2.4. CROSS-CUTTING FINDINGS

2.4.1. Persistent cases of delayed contracts

Timely completion of government projects is crucial to saving costs, and to timely avail key services to citizens aimed at improving their living conditions as enshrined in the National Strategy for Transformation (NST1). Over the years, our audits reported delayed projects with national significance and recommended actions that can be taken to address root causes as a means of deterring the re-occurrence of similar incidences in the future.

However, this anomaly persists. In the current year audits we reported **37** cases of delayed contracts worth **Frw 201,017,126,883** in **28** public entities and projects. This comprise of **25** delayed contracts worth **Frw 89,940,329,515** identified during the year under audit, and **12** contracts worth **111,076,797,368** from previous audits. Delays were up to **6** years. The number of delayed contracts is on the decrease as shown in the graph *below:*



This resulted in increased cost of Government projects and lack of value for money which adversely affects service delivery to citizens.

Public entities should improve their contract management processes and ensure proper oversight during contract execution.

2.4.2. Stoppages of construction projects

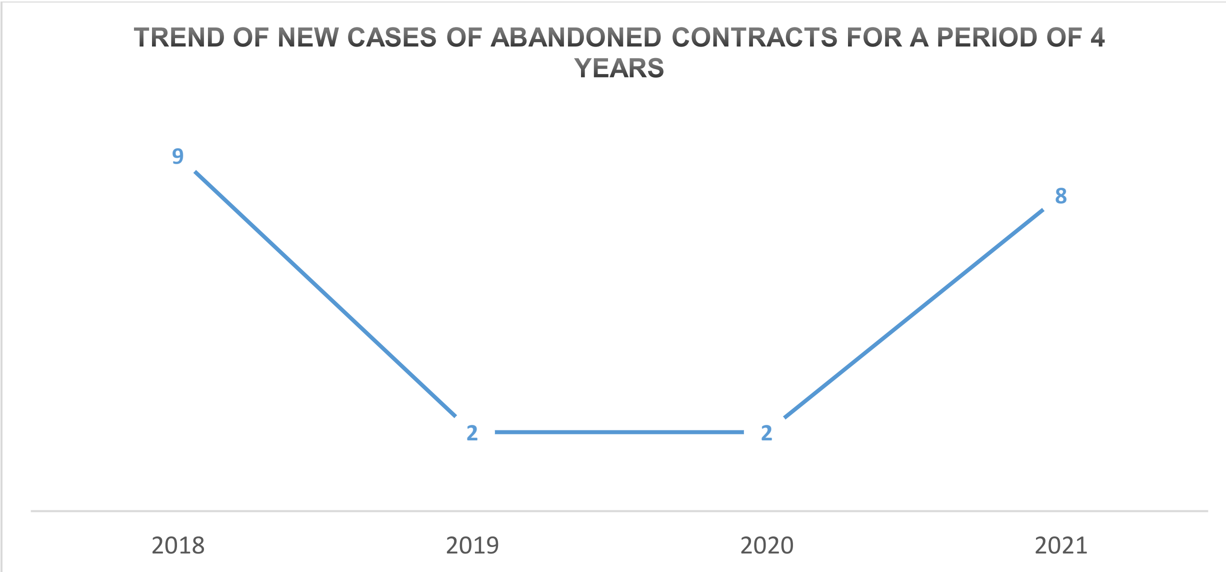
Our audits continue to note cases of construction projects whose works were stopped by public institutions. This year, we noted cases of abandoned and stalled projects as described below.

(i) Abandoned works not yet resumed

The number of contracts that have been abandoned is on the rise. During the current year audits, our audits noted eight **(8**) cases of abandoned contracts worth **Frw 965,096,392**. These cases were identified in seven **(7)** public entities as summarized in the table below.

Cluster of audited entities	Nº of abandoned contracts current year	Nº of abandoned contracts from previous year	Total	Value of abandoned contracts
	(A)	**(B)**	**C=(A+B)**	**(F=D+E)**
Boards and GBEs	2	0	2	651,545,138
Districts	4	0	4	220,911,274
Ministries and OCGAs	1	0	1	22,617,647
Projects	1	0	1	70,022,333
Total	**8**	**0**	**8**	**965,096,392**

This year, the number of abandoned contracts is on the rise compared to the last 3 years as shown in the graph on the next page:



This resulted in delays in completing government projects and denied government value for money through delivering expected services to citizens.

Public entities should strengthen contract management processes and engage the Ministry of Finance and Economic Planning and development partners to sort out issues of availability of cash flow for key government projects implemented to realize the targets of NST1.

(ii) Cases of stalled projects in public entities

Auditors also identified **11** projects worth **Frw 102,927,477,956** in nine **(9)** entities that had stalled. Contracts for these projects had been terminated due to non-performance, budget constraints, or delay in execution. However, the remaining portions of the projects had not yet resumed as initially planned by public entities. ***See the summary in the table on next page***.

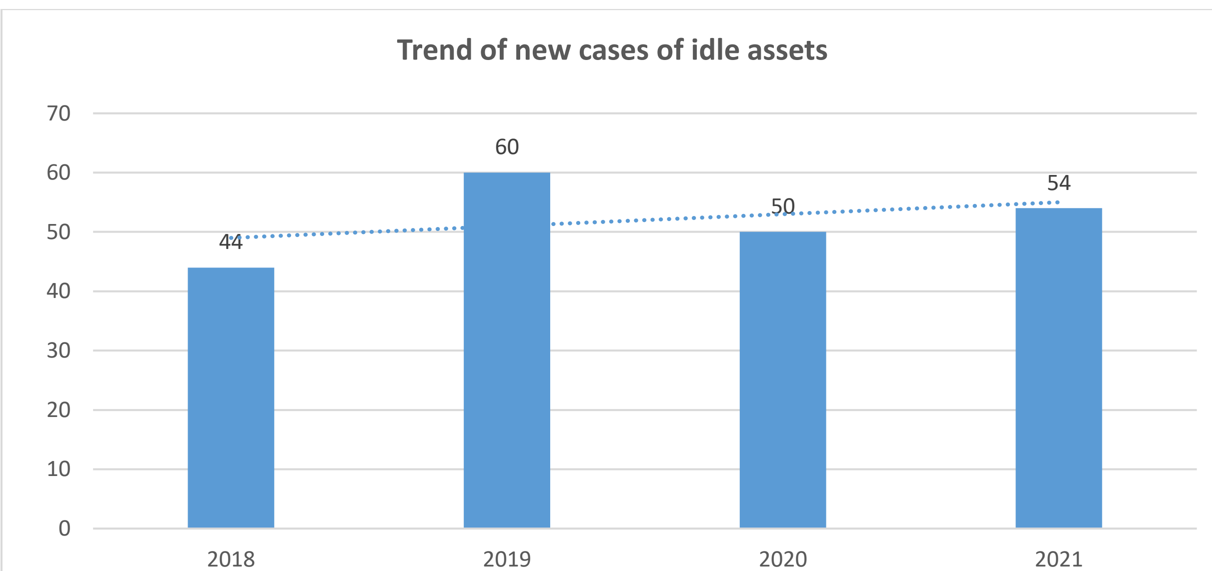
Cluster of audited entities	No of entities	Number of cases of stalled projects	Contract Amount (Frw)	Amount paid to contractors (Frw)
Boards and GBEs	1	1	2,623,009,142	2,080,245,390
Districts	4	6	9,663,271,395	6,670,320,544
Ministries and OCGAs	0	0	-	-
Projects	3	3	82,545,323,318	18,674,561,487
Public Hospitals	1	1	8,095,874,101	518,146,941
Total	**9**	**11**	**102,927,477,956**	**27,943,274,362**

As a result, entities did not fully realize the planned objectives, and the government did not obtain a return on investment in uncompleted works.

In collaboration with their line ministries, public entities should expeditiously devise means for resuming stalled projects to ensure they serve the intended purpose.

2.4.3. Cases of idle assets

From our audit work, we identified **88** cases of assets worth **Frw 37.2 Bn** which were lying idle in **49** public institutions. These comprise **54** new cases worth **Frw 28.8 Bn** and **34** cases worth **8.4 Bn** noted in our last year's audits. *The trend of new cases identified by our audits is shown on the graph below:*



Most of the assets reported above have been idle for a period ranging between **80** days and **13** years. These idle assets imply that the government is not getting value for money from procured assets.

Public entities should exercise caution when committing public funds to ensure that funds are spent on projects that will generate value. The management of public entities and those charged with governance should devise a strategy for unlocking the value locked in idle assets. This may include disposing of the assets or putting them into use to serve the intended purpose.

Further, to avoid the reoccurrence of unnecessary expenditure through idle assets, public entities should actively conduct a proper needs assessment before procuring assets.

2.4.4. Increase in supervision costs due to delayed works by primary contractors

The audit noted five **(5)** cases where contract periods for the supervising companies were extended at significant costs after the contract periods for the primary contractors were extended. The supervision cost increased by **Frw 5.3 Bn** as summarized in the table below.

Entity	Project	Supervising company	Additional supervision costs due to delays Frw
RSSB	e-social security system	PwC	150,203,206
City of Kigali	infrastructure upgrading project Nyarugenge Sector	LEA Associates	792,823,904.33
EDCL - Regional Rusumo Falls Hydropower Project-Transmission Lines Component	Design, supply and installation of Rusumo and Bugesera substations and related Rusumo – Bugesera transmission line	JV WSP CANADA and GOPA INTEC	4,069,607,824
MINICOM	Construction of 5.1 km murram roads in Rwamagana industrial park	GENUINE ENGINEERING CO Ltd	112,000,000
RURA	Construction of RURA headquarters (Twin Towers) in Nyarugenge District, City of Kigali	Voyants Solutions Private Ltd	266,980,697
Total			**5,391,615,631**

Continuous increase of consultancy costs results in incurring of avoidable costs which divert funds from other entities' activities.

2.4.5. Unresolved fraud cases

Follow-up audits during the year revealed that **61** cases of fraud highlighted in our previous audits were yet to be resolved. During the year under audit, we noted that out of **Frw 2,528,423,513** for all the cases, public entities had not recovered public resources fraudulently utilized totaling **Frw 2,420,483,614** as summarized in the table below.

#	Nature of fraudulent case	Amount not yet recovered by the time of last audit (Frw)	Amount recovered by the time of current audit (Frw)	Amount not yet recovered (Frw)
		A	B	C=A-B
1	Stolen assets	492,576,525	28,106,059	**464,470,466**
2	Funds used for personal gain and not accounted for	510,026,727	16,879,136	**493,147,591**
3	Funds and materials diverted and not reaching intended beneficiaries	942,894,450	8,000,000	**934,894,450**
4	Funds withdrawn using forged documents/ signatures	526,354,107	0	**526,354,107**
5	Others	56,571,704	54,954,704	**1,617,000**
	Total	**2,528,423,513**	**107,939,899**	**2,420,483,614**

Failure to recover fraudulently used public funds constitutes a loss to the Government. There is a need to strengthen follow-up mechanisms and enforcement of court decisions to ensure the timely recovery of stolen public resources.

2.4.6. Cases of non-compliance with tax laws and regulations

Our audits revealed instances where thirty-five **(35)** public institutions did not deduct taxes amounting to **Frw 431,648,879** and incidences where fifty-three **(53)** other institutions deducted but did not remit withheld taxes amounting to **Frw 26,001,091,558** to RRA as required by the tax law as summarized in the table below.

Description	Type of tax	Amount in Frw	No of entities
Taxes not deducted	VAT	207,664,604	10
	3% Withholding tax	4,479,337	8
	15 % Withholding tax	162,345,007	9
	PAYE	57,159,931	8
Total		**431,648,879**	**35**
Taxes deducted but not remitted to RRA	VAT	24,404,900,912	27
	3% Withholding tax	912,273,050	12
	15 % Withholding tax	566,392,982	5
	PAYE	117,524,614	9
Total		**26,001,091,558**	**53**

The uncollected taxes deny the Government revenue to finance its priority activities while non-compliance attracts penalties and interest.

Management of public entities should implement preventive controls to deter instances of non-compliance with tax laws. Further, for cases where Government counterpart funding to pay taxes was not availed, the Ministry of Finance and Economic Planning should liaise with RRA to come up with a solution at a policy level.

2.4.7. Cases of project budget absorption challenges and potential loss of funding

This year's audits noted that cases of low budget absorption in the implementation of Government projects in public entities continue to persist. There is a high likelihood of losing a major part of funding totaling **Frw 426.7 Bn,** because the projects implementation period for some of the projects is about to expire. ***See table the below:***

Project	Budget agency	Project Details	Funds at risk of being forfeited (Frw)
Interconnection of Electrical Grids of Nile Equatorial Lakes countries project	EDCL Ltd	The last date of disbursing funds of KFW is 31 December 2021. Yet, there is **Euro 30,217,327** (50% of total committed) unwithdrawn by December 2022. There is no evidence that KFW extended the disbursement period as at 30 June 2021.	35,497,678,977
Rwanda Sustainable Water Supply and Sanitation	WASAC Ltd	The project started in January 2018 and its closure date is 31 December 2023, yet the project only used 18% of the total project funds. 82% is not yet used in projects' activities as at 30 June 2021.	352,095,448,828

Project	Budget agency	Project Details	Funds at risk of being forfeited (Frw)
Program (RSWSSP)			
Regional Rusumo Falls Hydropower Project-Transmission Lines component	EDCL Ltd	The project closure date is 31 August 2022. However, undrawn funds is amounting to **UA 12,306,242.84** i.e., 48% of the total amount of the project.	17,484,217,577
Rwanda Innovation Fund (RIF)	RDB	The project closure date is 31 December 2022. However, undrawn funds is amounting to **USD 22,000,000** i.e., 73.3% of the total amount of the Project.	21,717,077,712
Total			**426,794,423,094**

According to agreements signed between the Government and the providers of funds, a commitment fee is charged on an unwithdrawn loan balance. Due to slow execution of projects' activities, the unwithdrawn loan balance grew, attracting an additional cost of commitment charge amounting to **Frw 1.2 Bn.** This is a significant cost that could have been avoided if the activities of the project were implemented on schedule, and the related portion of the loan was absorbed. See details of extra-commitment charges in table below.

Project	Budget agency	Additional commitment charges (Frw)
Rwanda Sustainable Water Supply and Sanitation Program (RSWSSP)	WASAC Ltd	845,149,693.36
Regional Rusumo Falls Hydropower Project-Transmission Lines component	EDCL Ltd	210,313,420
Rwanda Innovation Fund (RIF)	RDB	150,406,355
Total		**1,205,869,468**

Management and those charged with governance of public entities should expedite the completion of projects' activities to ensure projects' objectives are attained as envisaged. This will reduce the avoidable cost unnecessarily incurred by the Government.

2.4.8. Continuing delays in paying suppliers' invoices

Audits noted public entities paid suppliers' invoices amounting to **Frw 41.7 Bn** with significant delays up to **6 years** identified in **82** entities as summarized in table on next page.

S/N	Cluster of audited entities	Number of entities	Amount in Frw	Range of delay in days
1	Projects - Global Fund	3	773,063,441	45 to 600
2	Projects - AfDB	3	5,279,030,598	19 to 751
3	Projects - Others	3	4,074,295,932	25 to 288
4	OCGAS	5	1,833,676,800	13 to 2,190
5	Boards	6	8,341,690,276	13 to 1,769
6	GBES	3	5,627,812,947	11 to 319
7	Ministries	2	307,458,428	9 to 1,764
8	Districts & Cok	24	12,364,021,689	2 to 917
9	Public Hospitals	28	2,532,588,676	2 to 2,190
10	Pharmacies	5	610,313,212	7 to 1,997
	Total	**82**	**41,743,951,999**	

This is contrary to paragraph 10 of the article 35 of Ministerial Order no. 001/16/10/TC of 26/01/2016 on financial regulations that requires public entities to pay suppliers' invoices within forty-five (45) days from the date of receipt of the claim.

Management of public entities attribute these delays to cash flow problems resulting from delayed government budget contribution from Ministry of Finance and Economic Planning. These delays increase the risk of delaying and abandoning the contracts.

Public entities' management should work closely with the Ministry of Finance and Economic Planning (MINECOFIN) and other relevant stakeholders to find a lasting solution addressing the cash flow problems.

2.4.9. Material misstatements that led to modified audit opinion of financial statements

Our audit results showed that we issued **136** modified audit opinions (**106** qualified, **25** adverse and **5** Disclaimer) as described in section 2.2 of this report. We expressed modified audit opinions as a result of material misstatements identified in different clusters of public institutions. These material misstatements were attributed to inadequate controls over financial reporting, and they included:

- Omitted creditors totaling **Frw 550 million** and debtors totaling **Frw 395 million,** which were identified in **15** and **11** entities respectively.
- Unsupported creditors totaling **Frw 2.9 Bn** and debtors totaling **Frw 3.6 Bn**, which were identified in **27** and **14** entities respectively.
- Long outstanding creditors totaling **Frw 51.9 Bn** and debtors totaling **40.7 Bn**, which were identified in **44** and **58** entities respectively.
- Unreconciled differences noted on twelve (**12**) bank accounts and eighteen (**18**) bank accounts had irregular reconciling items.

Public entities should strengthen controls over the financial reporting process and develop a strong control environment to prevent the reoccurrence of similar cases.

2.5. SECTOR SPECIFIC FINDINGS

2.5.1. Education Sector

2.5.1.1. Rwanda Education Board (REB)

(A) Overcrowded classrooms

Articles 4 and 8 of the Ministerial Order Nº 001/MINEDUC/2021 of 20/10//2021 determining standards in education, state that a classroom shall not exceed **46** learners. To achieve this optimal level, the government embarked on constructing classrooms across the country through Rwanda Quality Basic Education Project.

However, on a sample basis, our audits identified cases where classes were overcrowded contrary to the established standard. The excess number of pupils ranged from **10** to **78** pupils. This issue was noted in **87** schools located in **eleven** (**11**) districts; namely, Gatsibo, Gicumbi, Gisagara, Kirehe, Musanze, Ngoma, Ngororero, Nyanza, Nyaruguru, Rusizi and Rutsiro.

The issue of overcrowded classrooms was attributed to insufficient available classrooms. It is worth noting that despite this problem, the government availed funds to construct classrooms through the implementation of "Rwanda Quality Basic Education Project". However, the construction works of **847** classrooms and **1041** latrines in various districts had stopped as highlighted in this report.

As a result, the quality of teaching-learning process may be adversely affected.

(B) Insufficient books for pupils and teachers in schools

Article 9 of the Ministerial Order Nº 001/MINEDUC/2021 of 20/10//2021 determining standards in education states that secondary schools must have appropriate and sufficient teaching and learning materials contributing to learning in accordance with curriculum and combinations available at the school.

Normally for better lesson learning, a student should have a book for each subject. The teacher should have a teacher's book for each lesson and a teaching guidebook.

However, on sampled schools, the audit noted that schools did not possess sufficient books to enable adequate learning and teaching. We identified cases where pupils and teachers did not have any book in primary level for some subjects (eg. Kinyarwanda of P1, P2, P3, P4, English of P1, P3, P4 and Mathematics of P4). This was noted in **46** schools located in **eight (8)** Districts namely; Gicumbi, Gisagara, Kirehe, Musanze, Ngoma, Ngororero, Nyanza and Rusizi.

Where there were books for some of the subjects, the numbers were insufficient, and were shared by pupils at the ratio of **1:7** to **1:223**. These unfavourable ratios are attributed to inadequate planning by REB to distribute sufficient textbooks in schools, and failure to properly manage those already distributed.

The unfavourable ratio leads to poor quality of education of pupils.

(C) Gaps in implementation of Rwanda Quality Basic Education Project

(i) Stoppages of construction works relating to classrooms and latrines

On 7th July 2020, MINEDUC/RQBEP signed with Districts Implementation Agreement for the construction of classrooms and latrines under phase II of the Rwanda Quality Basic Education Project. The total funds transferred to districts were **Frw 62,620,931,120**. The initial execution period of the project was **5** months for each district, after which various extensions were granted. However, the following irregularities were noted in the implementation of the project:

- **Stoppages of construction works in the City of Kigali:** The total funds transferred to the City of Kigali was **Frw 6,379,820,184** for the construction of classrooms and latrines with an execution period of (**5**) months from the date of signing the implementation agreement on the 7th July 2020. The works were to be completed by 7th December 2020. On 21st September 2021, the latest extension to add another 5 months of extension starting from 28th September 2021 up to 28th February 2022.

However, a field visit carried out on **26th November 2021** (*3 months before the expected completion date)* in different construction sites of Masaka and Kanombe in Kigali City revealed that works had stopped. There is a risk that the construction works will be delayed further yet they have already taken one (1) year from the initial completion date.

- **Incomplete construction works in sixteen (16) districts:** From 26th November to 10th December 2021, the audit team carried out a field visit to schools construction sites. It was noted that **847** classrooms and **1,041** latrines constructed in **75** schools had not yet been completed. The projects would have been completed in November 2021. These were noted in sixteen **(16)** districts, namely; Rulindo, Burera, Musanze, Gicumbi, Bugesera, Ngoma, Kirehe, Nyagatare, Rwamagana, Huye, Muhanga, Kamonyi, Nyamagabe, Ruhango, Karongi, and Rusizi.

Incomplete works include finishing works on ramps, electrification works, drainage systems, pavement, and painting works. It should also be noted that no works were ongoing on the visited sites. Inquiries to the management revealed that the works had stopped due to a shortage of materials, especially cement.

(ii) Defects noted on constructed classrooms and latrines in various districts

The audit noted that **310** classrooms and **407** latrines that had been constructed under phase II of the Rwanda Quality Education Project had defects. These included finishing works not properly done, some doors had defects, some cracks on buildings, and blackboards of poor quality. This was noted in ten **(10)** districts; Rubavu, Ruhango, Nyamagabe, Muhanga, Kamonyi, Huye, Musanze, Gicumbi, Nyamagabe, and Burera districts. The above defects compromise the quality of constructed buildings.

(iii) Slow implementation of Rwanda Quality Basic Education for Human Capacity Development project activities

On 1st August 2019, the Government of Rwanda and the International Development Association signed a “Financing Agreement” for the implementation of the “Rwanda Quality Basic Education for Human Capacity Development” Project as support to the Government of Rwanda through the Ministry of Education (MINEDUC) and Rwanda Basic Education Board (REB). The overall objective of the project is to improve the quality of basic education in Rwanda, by improving teacher competency and student retention in basic education.

A total of **USD 18,416,476** was transferred to the project bank account held in the National Bank of Rwanda.

As at 30th June 2021, REB had used **21%** of **USD 18,416,476** for implementation of the above project, and **Frw 13,968,370,102** (representing **79 %)** was still unspent and held at the project bank account. These funds are not being used to timely achieve the project’s objective of improving the quality of basic education.

(D) Issues noted in implementation of smart classrooms program

Government invested **Frw 6,749,343,736** in Smart classrooms program. It intended to put in place classrooms that are technology-enhanced and foster opportunities for teaching and learning by integrating learning technology using computers, networking equipment, digital content, and audio-visual equipment. The audit of the implementation of the smart classrooms program revealed the following issues which impede the achievement of its intended objective:

(i) Ineffective coordination in the implementation of the smart classrooms program

The audit team observed that REB has not effectively coordinated the implementation of the program by developing an operational manual detailing the process for implementing the program and guidelines that describe the roles and responsibilities of the concerned stakeholders (RISA, Districts and recipient schools), as well as a monitoring mechanism to measure results achieved. The lack of effective coordination has resulted in other problems including:

- **Inspections/ needs assessments are not regularly conducted to ensure that selected schools have the required infrastructure**

  REB and districts officials in charge of education do not regularly conduct Inspections or needs assessments to confirm whether recipient schools have the required infrastructure before delivering ICT equipment. Field visits conducted in **57** sampled secondary schools indicated that **55** schools (representing **96.5%)** were not inspected or assessed prior to delivering ICT equipment. Consequently, three schools were provided with 100 laptops and 2 projectors each, yet each had only one room that could accommodate 50 laptops and one projector. The lack of the necessary infrastructure hinders the effective implementation of the program.

- **Recipient schools without internet connection**

  Six **(6)** schools that received **330** laptops and six **(6)** projectors for smart classrooms did not have internet connectivity at the time of our field visits. There was a delay in providing internet connection of up to **601** days from the day of delivery of ICT equipment to the time of our field visits in September 2021.

(ii) ICT equipment with defects due to lack of maintenance by recipient schools

The audit identified **384** laptops from **28** sampled secondary schools which were not in use at the time of field visits in September 2021 due to lack of maintenance.

(iii) Limited training for teachers on the use of ICT

In September 2021, OAG audit team conducted field visits in a sample of **57** schools which employ **1,046** teachers. It was noted that **720** teachers (representing **69%)** had not been trained and equipped with skills to integrate ICT in teaching and learning. Only **326** teachers (representing **31%)** had received trainings.

(iv) The implementation target for smart classrooms program was not achieved

The ICT in education policy had set the target of equipping all (100 %) secondary schools with smart classrooms by the end of the 2018/2019 financial year. This target was revised in the Education Sector Strategic Plan (ESSP) 2018 – 2024, where **53%** of secondary schools should be equipped with smart classrooms by the end of the 2020/2021 financial year. However, the implementation of the smart classrooms program is at **48%.** By October 2021, **850** out of **1,764** secondary schools had been equipped with smart classrooms.

(v) Formative assessment packages kept in boxes and not in use

Formative assessment is a process used by teachers and students during instruction that provides feedback. The function of this feedback is to help instructors and students make adjustments that will improve students' achievement of intended learning outcomes. On 30 June 2021, REB purchased formative assessment packages worth **Frw 170,254,375** to be used in the smart classroom program. However, these formative assessment packages are not in use and were still stored in boxes. This was mainly due to failure to train teachers on the use of the packages. As a result, the Government is not realizing value for money.

(vi) Idle POSITIVO Laptops at GS Rwimpiri in Karongi district

On 19th February 2021, GS Rwimpiri received 150 Positivo computers worth **Frw 41,784,000** from REB. The computers were to be used by teachers and pupils in primary schools to facilitate learning and teaching.

However, during our field visit carried out on 28th September 2021, we noted that all the computers were not being used by the teachers and pupils as intended and the computers were stored in boxes. School management explained that this was mainly due to lack of training for the teachers on the use of Linex system used in these computers. As a result, the Government is not realizing value for money. **See picture below:**

Idle computers at GS RWIMPIRI: Photo taken by auditors on 28th September 2021.

(E) Low level of utilization of funds allocated to CADIE project

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 Basic Education Board (REB). The total project budget is **USD 7,000,000.**

However, out of **USD 2,810,241** transferred to REB for CADIE project, only **USD 1,374,748.48** (**48.9%)** had been utilized. The remaining balance of **USD 1,435,493 (**representing **51.1%)** was kept on the project bank account.

REB was supposed to establish and fully equip 60 Centers of excellence/smart classrooms (2 in each District) by 2020/2021. However, by the time of the audit in October 2021, the construction of only 27 Centers had been completed while construction of the remaining 33 Centres was still ongoing.

Delay in the execution of CADIE project's activities may result in failure to complete the project's works within the stipulated time. Hence, the project objectives may not be achieved in a timely manner.

2.5.1.2. Rwanda Technical and Vocational Education and Training Board (RTB)

(i) Delayed implementation of planned activities under Export–Import Bank of India financing agreement

On 24 May 2017, the Republic of Rwanda represented by Ministry of Finance and Economic Planning (MINECOFIN) and Export-Import Bank of India signed a dollar credit line agreement for the purpose of financing establishment of ten **(10)** vocational training centers and four **(4)** business incubation centers respectively in ten and four districts**.** The total project budget is **USD 81,000,000**.

However, by the time of audit in March 2022, **4 years and 10 months,** the planned activities had not yet been executed. The loan disbursed as at 30 June 2021 was USD **172,788** (**representing 0.21%)** while **USD 80,827,211** (**representing 99.79%)** remained unwithdrawn.

Management attributed this delay to lack of a successful bidder to construct the project's planned infrastructure.

Consequently, the delay in implementation of project planned activities deprives the country necessary infrastructure for Technical and Vocational Education and Training. Hence, the objectives set in signing the credit agreement will not be achieved timely.

2.5.1.3. Rwanda Polytechnic (RP)

(A) Persistent delays in completing Hospitality Management Institute – Kigali

The responsibility of establishing Hospitality Management Institute – Kigali was handed over by WDA to RP on 25 May 2021. Initially, Hospitality Management Institute was planned to start its operations in January 2016. However, by the time of audit in April 2022, 5 years after the expected start date of operation, this Hospitality Management Institute was still under construction. The government has already incurred **Frw 3,114,181,841** on the construction of the institute.

(B) Idle training tools and other equipment

The audit noted that training tools and other equipment worth **Frw 790,166,998** purchased by RP were idle for a period of up to **15** months as shown in table below.

S/N	Training tools and equipment	Value in Frw	Period of idleness	Number of schools	Comments
1	electrical sewing machines, embroidering machine, over lock seamer machine, steam iron	397,591,460	10 months	10	The equipment is not in use due to lack of electricity at schools.
2	Electrical sewing machine, Pattern cutting table, Foot operated sewing machine, Iron, Embroidery machine	103,322,420	15 months	1	The equipment is not in use at Nyabihu TVT school due to excessive purchase compared to enrolled student for the program.
3	plumbing and welding workshops	206,420,742	10 months	1	The equipment is not in use due to poor planning.
4	Electrical tools	82,832,376	10 months	1	This equipment is not in use due to poor planning.
	Total	**790,166,998**			

The government is not realizing value for money from funds invested in idle training tools and other equipment.

(C) Significant flaws in the RP's procurement process and execution

- **Buying sewing machines and equipment at abnormal cost**

The audit noted that RP purchased sewing machines and equipment for Nyabihu TVET school at a higher price compared to the purchase price of the same equipment paid for other TVT schools. This led RP to incur excess cost of **Frw 57,696,122** that would have been saved if due care was exercised as shown in table below.

Item name	Unit price for item delivered to NYABIHU TVET School (A)	Unit price for item delivered to other TVT schools (B)	Excess (C=A-B)	Quantity (D)	Total excessive costs (E=C*D)
	Frw	Frw	Frw		Frw
Foot operated sewing machine	755,200	253,700	501,500	60	30,090,000
Over lock seamer machine	2,478,000	420,021	2,057,979	4	8,231,916
Embroidery machine	6,051,749	1,982,400	4,069,349	4	16,277,396
Embroidery hoops	20,060	13,381	6,679	90	601,110
models (mannequin)	318,600	235,410	83,190	30	2,495,700
Total					**57,696,122**

- **The supply equipment with poor quality which is not commensurate to paid cost**

Workbenches and electrical installation walls with unit prices summarized in table below were supplied to TVT schools.

S/n	Item name	Quantity (A)	Unit price in Frw (B)	Total cost in Frw (C=A*B)
1	Electrical installation walls	53	885,000	46,905,000
2	Workbench (table)	70	1,234,638	86,424,660
	Total			**133,329,660**

However, the audit noted that supplied workbenches and electrical installation walls were of poor quality. After conducting the physical verification of the supplied materials, the audit is of view that their quality is not commensurate to the cost paid by RP. ***See examples in the photos on next page:***

Electrical installation walls delivered at TVET Nyagisozi TVET

Workbench (table) delivered at Cyanika

(D) Unexplained difference between utilized and expected quantities of raw materials used in manufacturing of cooking stoves

Rwanda Polytechnic provided raw materials supplied by Nine traders to its IPRCs companies for manufacturing cooking stoves.

It was planned that all materials supplied were not to be utilized at once and there was expected percentage to be utilized based on technical specification of cooking stoves (Muvelo). The remaining materials should be used to manufacture cooking stoves for second phase.

However**,** the audit noted that some materials were used more than expected. This resulted in overutilization of **538** items worth **Frw 182,321,062**. There is no evidence of the increase of number of cooking stoves manufactured***.***

2.5.2. Social Sector

2.5.2.1. Local Administrative Entity Development Agency (LODA)

(A) Gaps noted in implementation of Vision 2020 Umurenge Program (VUP) financial services

Vision 2020 Umurenge Program (VUP) financial services component is a government initiative for supporting vulnerable people with small loans to help them start or sustain income-generating activities, with the overall objective to eradicating poverty.

Efforts have been made to expand VUP financial services to 406 out of 416 sectors in the country. Since the restructuring of the program in September 2019, interest rate was reduced to 2% and the number of beneficiaries increased countrywide.

However, the audit noted gaps in processes of fund allocation, loan disbursement, service delivery to potential beneficiaries and reporting on program achievements that need to be addressed to secure the sustainability of the program.

(B) Long duration from application to disbursement of loans to beneficiaries

The audit noted that it took between **43** and **294 days** to disburse funds to beneficiaries after they have applied for loans regardless of monthly closing balances in existing VUP financial services accounts during the period. The delay in disbursement of funds was as a result of:

- **Slow projects appraisal process:** Sector loan committees do not meet monthly as required. This led to projects pending for appraisal by the sector loan committees.
- **Delay in fund disbursement:** Delays ranging from **15** to **178 working days** (in both third and second schemes) from the date of the contract signature to the date of fund disbursement to applicant’s accounts.

As a result of delaying to disburse funds, it was noted that districts' sectors kept **Frw 682,045,364** for long on the accounts without being disbursed to the beneficiaries. Districts' Sectors had not disbursed loans for a period ranging between **11** and **494** days. This was noted in six **(6)** districts namely; Burera, Gakenke, Ngoma, Ngororero, Ruhango and Rulindo.

Such delays negatively affect the implementation schedule of beneficiaries' projects, especially those with seasonal projects. This may lead to failure of the projects and difficulty in repayment of loans.

(C) Short loan repayment period not aligned with nature of the project

Loans provided under VUP financial services are to be paid within a period of **2** years. The two-year period allows beneficiaries' projects to generate income to repay the loan.

However, there were **191** beneficiaries' projects which were financed by loans totalling **Frw 78,660,000** that had a repayment period of one year or less. Beneficiaries interviewed in the sampled sectors mentioned that the short repayment period was a challenge for their projects in farming and livestock that usually take a long period to generate income and profit. The short repayment period may discourage beneficiaries from borrowing or increase the loan default rate.

(D) Persistent delays in recovering loans under VUP financial services

- **Low rate of loan recovery under VUP-Financial services (1st loan scheme)**: By the time of previous audit as at 30 June 2020, **Frw 5,794,922,324** was outstanding.

  However, only **Frw 601,068,376** representing **10%** of outstanding loan was subsequently recovered by 30 June 2021, leaving an outstanding balance of **Frw 5,193,853,948.** The probability of recovery is remote, since they are outstanding for a period up to twelve **(12)** years.

- **Matured loans not recovered from beneficiaries under VUP financial services 3rd scheme**

The audit noted that out of loans totaling **Frw 4,889,018,320** that had reached their maturity dates, only **Frw 3,091,588,894** representing **63%** had been recovered from beneficiaries. This left outstanding loans of **Frw 1,797,429,426** which represents **37%** of disbursed loans.

Low rate of recovery of loans increases risk for doubtful debtors. Consequently, the intended objectives of reducing extreme poverty through offering financial services in a revolving fund may not be achieved.

2.5.2.2. Rwanda Social Security Board (RSSB)

(A) No return obtained by RSSB on investments made in twelve (12) companies

Review of investments worth **Frw 115,938,561,196** made by RSSB in twelve **(12)** companies indicated that they were not generating the expected returns and dividends to RSSB, and some were undergoing liquidation.

Failure to take remedial action on non-performing investments where the likelihood of performance improvement is very remote will continue to further diminish the residual value of these investments. In addition, continuing to hold investments where no return is earned in terms of dividend or capital appreciation, has a negative bearing on the long-term financial sustainability of the pension scheme.

(B) Irregularities noted in declaration and payment of pension contributions

Pension declarations are done online by employers through RRA e-tax system. Declarations are followed by corresponding payments that are directly deposited in RSSB bank accounts.

The audit noted cases where amounts declared by **51** employers were less than amounts paid by **Frw 4.8 Bn** and **11** employers where amounts declared were more than amounts paid by **Frw 1.3 Bn**.

The audit also noted pension contribution declarations made amounting to **Frw 351 Mn** for which no corresponding payments were received and pension contributions payments amounting to **Frw 212 Mn** received by RSSB with no corresponding declarations.

(C) Significant unrecovered contributions from contributing employers

There were unrecovered contributions amounts due from contributing employers amounting **Frw 24.2 Bn** identified during RSSB‘s audits. This deprived the pension scheme of necessary funds and adversely affects the long-term financial sustainability of the scheme.

(D) Delays in verification and payments of invoices from health facilities

Contracts signed between RSSB and health facilities state that RSSB shall verify invoices within a maximum period of 30 days. After verification of the invoices, payment shall be completed by RSSB within 30 days from the day the invoices are considered by both parties as being definitively accepted. However, the audit noted delays as follows:

- Verification of **44** invoices of **Frw 10 Bn** from eight **(8)** health facilities was delayed for a period of up to **82** days.
- Payments of **36** invoices amounting to **Frw 6.4 Bn** from nine **(9)** health facilities were delayed for a period of up to **56** days.

This was attributed to manual billing verified by a small number of CBHI staff at the section level compared to the volume of transactions involved. For example, for **40** invoices amounting to **Frw 6.6 Bn** received from health facilities, it was noted that CBHI medical benefit verification officers identified abnormal overbilling totaling **Frw 734.7 Mn** that was to be adjusted before payment.

Delays in verifying invoices and payments negatively affect the availability of cash for health facilities to timely buy drugs and other medical tools to deliver services to citizens.

RSSB management should automate invoice verification process to eliminate delays in invoices verification and payment processes.

(E) Delayed Projects

- **Batsinda phase II middle cost apartments**

The initial contract was signed on 22/04/2016 for **Frw 15,506,868,612.** However, due to a change to precast concrete technology, a new contract was entered on 25/1/2018 at **Frw 37,287,965,353, 140%** more than the initial cost, and the completion date was revised to 14th November 2019. However, by the time of audit in January 2022, **2** years after revised completion date, the project is not yet complete.

Despite the contractor was given further extensions to 15/11/2022, in January 2022**,** the completion percentage was at **31.44%** instead of **52.33**% with nine (9) months left to complete the project. This raises doubt as to whether the remaining work of **68%** will be completed in a period of nine months. The project is likely to face further delays. As a result, RSSB is not realizing value for money.

- **Edge Hostels**

RSSB has invested Frw **9 Bn** in Edge Hostels Ltd in partnership with former KIST to construct student hostels. The project started on 04 November 2014 and was to be completed in December 2018. However, an audit field visit carried out on 16 November 2021 (***almost 3 years after the expected completion date*****),** noted that construction works are still ongoing. The delay in the completion of the project may lead to cost overrun and delayed returns on investment.

2.5.3. Agriculture Sector

2.5.3.1. Rwanda Agriculture Board (RAB)

(A) Awarding contract at an abnormal price higher than the prevailing market price resulted into a wastage of public funds estimated at Frw 1.4 billion

On 31 January 2020, Rwanda Agriculture and Animal Resources Board signed a framework contract with a contractor for supply and installation of irrigation infrastructure in different locations in Rwanda. This contract provided for hiring of excavation machine at a cost of **Frw 3,800,000** per day.

According to prevailing market prices, this price is unreasonably high. A market survey carried out by the audit team revealed the following:

Description of items	Unity price VAT inclusive Frw	Unit price per day VAT inclusive Frw	Transport for excavator machine to and from the site (one off cost) Frw
Excavator machine hiring	87, 000 per hour	696,000 (87,000*8hours)	1,600,000

The market survey revealed that the above cost of hiring the excavator machine per hour includes fuel and the conductor of the excavator machine. In addition, the hiring company incurs extra cost for transporting excavator machine to and from the site. The transport cost of excavator ranges between **Frw 300,000- 500,000** in Kigali and **Frw 600,000-1,600,000** outside Kigali.

Hiring the excavator machine at exorbitant price is contrary to the article 42 of the Law N°62/2018 of 25/08/2018 governing public procurement which prohibits public institutions to award a contract, in case, the successful bidder provided a price which is extremely higher or lesser than the prevailing market prices.

A comparison between the cost incurred on four **(4)** projects (Gashora and Mukunguli Mashlands, Rwabiharamba dam and Bwera dyke) at the contract price and market price revealed that RAB paid extra unnecessary cost of **Frw 1.4 billion.** Thus, wasting public resources that could have been used to meet other government objectives.

(B) Gaps noted in the distribution of subsidized agricultural inputs

The Government through the Crop Intensification Program (CIP) provides agriculture inputs (seeds and mineral fertilizers) to farmers through a subsidy scheme to help them transition from subsistence agriculture to intensified agriculture for farmers to sustain the country' s food security.

During the year ended 30 June 2021, the government incurred **Frw 14 billion** under the agricultural input subsidy scheme. This brought the total investment in the scheme since July 2017 to **Frw 53,935,236,289.**

However, the scheme is facing challenges in its implementation, which impinge on its intended objective of increasing agricultural production. These include:

(C) Weaknesses noted in the use of smart Nkunganire system

The Smart Nkuganire System is a digitized supply chain management system used in management of the national farmer's subsidy program. A review of the system revealed the following weaknesses:

- **Information on arable land not shown for each farmer in the system:** Mineral fertilizers are requested by farmers based on the size of arable land owned. However, the system relies on information provided by the farmers by putting their UPI number at the time of registration, yet the total acreage may not be under cultivation. This increases the possibility of requesting mineral fertilizers which will not be used by the farmers.
- **Fertilizers sold without using Smart Nkunganire System:** All agro-dealers are required to use Mobile Ordering Processing Application (MOPA) to order and sale seeds and fertilizers to the farmers. However, the audit noted cases where agro-dealers sold fertilizers without using Smart Nkunganire System. There was also no

alternative documentation to identify the farmers who bought fertilizers. Keeping records in the system remains a challenge at the level of agro-dealers, as evidenced by discrepancies noted between physical stocks and quantities recorded in the system.

Management should implement controls including reconciliation between farmers and agro-vets to prevent errors and fraud which can lead to wastage of public resources.

(D) Delay to pay suppliers' invoices for agricultural inputs (fertilizers and seeds)

Article 35 of the Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations requires Chief Budget Managers to ensure that all invoices received by the entity are acknowledged and recorded as soon as they are received. In case where a due date is not indicated in a contract document, the payment shall be made within forty-five **(45)** days from the date of receipt of the claim.

However, the audit noted that fifteen **(15)** districts delayed to pay suppliers' invoices of seeds and fertilizers amounting to **Frw 5.1 Bn**. The delays were up to **736** days. As a result, this may delay the supply of seeds and fertilizers to farmers.

(E) Inconsistent correlation between arable land cultivated and fertilizers distributed to farmers

The quantities of seeds and fertilizers needed countrywide during the agriculture season should be determined by RAB in partnership with Districts which should estimate and submit to RAB requests for required quantities based on the number of hectares (Ha) to be cultivated by farmers per season and the crop varieties to be planted in each district.

However, correlation between land cultivated and fertilizers distributed to farmers revealed inconsistencies in data. The land planned to be cultivated was **1,327,043** hectares compared to the actual land **1,311,610** hectares (**99%).** On the other hand, fertilizers to be distributed as per plan was **53,838,820 Kgs** while the actual quantities distributed was **73,987,688 Kgs** representing a **37%** (**20,148,868 Kgs)** increase compared to the planned quantities. This implies that cultivated land should also have increased.

Although, the inconsistency can be attributed to inadequate planning by RAB, this can also be an indication of possible misuse of fertilizers across the country. For example, a monitoring report of Agro Processing Trust Corporation (APTC) dated 6th September 2021 on subsidized seeds and fertilizers distributed under crops intensification program revealed cases of misuse of fertilizers in Nyabihu and Burera districts. Cases of fertilizers being transported to neighboring countries for sale were noted. This unexplained variance is a serious concern in utilization of subsidized fertilizers and should be investigated further.

(F) Failure to reconcile seeds distributed to agro-dealers with seeds received by farmers

The guideline for the implementation of agricultural inputs subsidies (seeds and Fertilizers) issued on 1 July 2020 requires APTC to carry out a reconciliation between the seeds and fertilizers distributed to Agro-dealers and the ones received by the farmers.

A review of the database of seeds and fertilizers distributed by suppliers revealed that for season A& B 2021, seeds and fertilizers distributed to agro-dealers amounted to **73,987,688 Kgs** and **6,642,069 Kgs** respectively. However, no reconciliation was done showing the quantities of seeds and fertilizers distributed to agro-dealers and the quantities received by the farmers. This exposes the subsidized inputs to the misuse.

RAB should enforce a proper use of Smart Nkunganire to all Agro-dealers.

(G) Weaknesses noted in implementation of the irrigation program

The following weaknesses were noted in implementation of the irrigation program:

- **Uncorrected defects on constructed irrigation scheme projects which threaten their sustainability**

One of key strategic interventions of NST1 is to increase the acreage of consolidated and irrigated land from **48,508 ha (2017)** to **102,284 ha** in 2024 and to promote agricultural mechanization.

In responding to this national aspiration, RAB has invested heavily in mechanization and construction of irrigation projects in various marshlands across the country. During this year's audit we noted that the following defects in constructed irrigation projects reported in our previous audit had not been addressed to enable efficient functioning of the irrigation schemes as summarized in table below.

Name of irrigation project	Contract amount Frw	Uncorrected defects
Maintenance of Irrigation schemes of Urwonja Marshlands	201,517,440	Maintenance of excavated primary canals have not been carried out
Installation of irrigation system channeling water from Umuvumba river to farmers' irrigated areas	141,881,532	Destruction of irrigation system Drip irrigation system infrastructures destroyed, and drip lines removed from the Farmers' irrigation area
Construction of valley dam tanks in Nyagatare and Kayonza Districts	1,986,583,078	System which pushes water from dam to troughs and water point through water tanks is not working at Gatebe, Kamiramigezi, Gakoma 1 and 2, Mucucu and Kageyo sites.
Total	**2,329,982,050**	

Due to uncorrected defects on constructed irrigation infrastructures, their sustainability may not be achieved to support sustainable agriculture. The government is not realizing value for money from funds invested in their construction as the beneficiaries are not using them for the intended purpose.

RAB should put in place a proper plan and system for maintaining key irrigation schemes.

(H) Problems in implementation of Milk Collection Centres (MCCs) project

The government invested **Frw 12.9 billion** in MCCs project with an aim of building milk collection centres to collect raw milk, where processors can get a greater volume and quality milk. The audit of this project revealed the following problems:

(i) Milk collection centres operating below their installed production capacity

We observed that **90** out of the **132** MCCs constructed (**68%**) are operating below 50% of the installed capacity, **17** MCCs (**13%)** were operating between 50-75%.

The milk collection centres were operating below their installed production capacity mainly due to low supply of milk from farmers which was caused by:

- **MCCs established in some districts without adequate basis:** The location of some of the MCCs was not guided by comprehensive studies of milk production and the availability of required support infrastructure. These cases were noted in Kamonyi, Nyabihu, Rulindo, Rwamagana, Gicumbi and Nyagatare Districts.
- **Low price of milk at farmer level:** MCCs paid farmers between **Frw 130-200** per litre which is relatively low compared to the informal market price which ranges between **Frw 250-350.** These cases were noted in MCCs visited in Kamonyi, Nyabihu, Rubavu, Musanze, Burera, Nyanza and Nyagatare Districts.
- **Lack of reliable market for the MCCs**: One-third of the MCCs visited could not find reliable buyers for their milk.
- **Inaccessible roads between MCCs and milk buyers:** Inaccessible roads linking MCCs, livestock farmers and milk buyers was also noted to be major cause of underutilization of the capacity of MCCs from Gishwati area. The MCCs were unable to transport milk collected to Mukamira Dairy.
- **MCCs did not provide facilitation like trainings and pharmacy services to farmers:** From sampled MCCs; 80% did not have reports of capacity building provided to farmers. In addition, more than a half (1/2) of sampled MCCs did not have veterinary pharmacies.

(ii) Idle infrastructure and equipment

Three MCCs namely Busoro in Nyanza district, Bumbogo in Gasabo district and Nyamiyaga in Kayonza district that were constructed at a cost of Frw **216,504,403** were not operating at the time of the audit. Further, twenty-nine **(29)** milk coolers and Thirteen **(13)** generators worth **Frw 201,539,323** and **Frw 133,195,010** respectively were idle.

(iii) Some of the required milk tests were not conducted by MCCs

Out of the **41** visited MCCs, **30** (representing **73%)** did not test for antibiotics in milk, while **12** (representing **29%)** did not test the temperature of milk due to lack of capacity to purchase the required equipment, inadequate quality control, and insufficiently trained staff.

As a result, **827,503** litres of milk worth **Frw 182,050,660** supplied by MCCs between January 2018 to August 2021, were rejected by different milk buyers, due to poor quality standards.

(I) Flaws in implementation of Post-Harvest and Agri-Business Support Project (PASP)

The Government invested funds amounting to **Frw 37,238,834,673** in implementation of PASP with the objective of addressing challenges of post-harvest losses in priority crops to increase rural incomes and create new investment and employment opportunities for vulnerable groups. The audit of PASP revealed the following flaws:

(i) Commencement of project without needs assessment and baseline data

PASP started in March 2014 without needs assessment and baseline data on the level of post-harvest losses and capacity of existing post-harvest handling infrastructure per commodity value chain in each district. PASP was implemented without information about the capacity gaps in terms of facilities to be closed by the implementation of the project.

In planning the project RAB should conduct needs assessment and establish baseline data to assist in measuring performance and to inform allocation of funds.

(ii) Projects abandoned or suspended before starting operations

The investment committee approved beneficiary's business plans without assessing whether the plans were viable and ready to be implemented. In aggregate, forty-four **(44)** approved projects involving investments of **Frw 3,365,149,212** including grant amounting to **Frw 899,709,733** have failed and were abandoned by business promoters before starting operations.
RAB should assess the viability of the projects and consider additional funding for those that are viable.

(iii)Idle buildings and machines procured with PASP grant funds

The audit identified one **(1)** fruits and vegetables collection centre, five **(5)** processing plants and maize milling machines worth **Frw 907,073,852**, that were idle for a period of up to four **(4)** years. The fruits and vegetables collection centre lacked cold rooms, a key equipment in storage of fresh vegetables and fruits. On the other hand, the processing plants and maize milling machines lacked three-phased electricity connections which contributed to the assets being idle as these were not included in the project design as indicated by business plans approved by Business Development Fund.

(iv) Facilities and equipment not in use

Thirteen **(13)** projects that cost **Frw 3,323,078,903** which received PASP grants amounting to **Frw 1,302,929,347** were completed and not put to use due to incompatibility of machines and solar systems, and equipment not being in conformity with technical specifications. As a result, government is not realizing value for money.

We recommend all outstanding issues be escalated to RAB and MINAGRI for decision making.

(v) No plan on the use of the remaining funds after project's closure

It was noted that BDF held undisbursed funds amounting to **Frw 765,918,178** and it was also expected to recover funds amounting to **Frw 790,249,471** from beneficiaries whose grant contracts were cancelled as a result of unsuccessfully implementation of funded projects. However, there is no provision on how the remaining funds will be used after the project's closure.

RAB should liaise with BDF to recover funds disbursed to unsuccessful businesses. RAB should also liaise with MINAGRI on how the remainder of funds should be utilized.

(J) Gaps noted in implementation of Girinka Program

Girinka program was initiated to reduce poverty through dairy cattle farming, improve livelihoods through increased milk consumption and income generation, improve agricultural productivity through the use of manure as fertilizer, improve soil quality and reduce erosion through the planting of grasses and tree. From January 2016 to June 2021, Government invested **Frw 18 Bn** in this program. The audit of this program revealed the following gaps:

(i) Contradicting criteria between Ubudehe categorization and Girinka Program which resulted in providing cows to beneficiaries incapable of managing them

According to the program design, the eligible beneficiaries to benefit from Girinka Program should be in category 1 or 2 of Ubudehe, have well-constructed cowshed and at least 0.25 to 0.75 hectares of land for plantation and grazing. Category 1 are described as extremely poor family and category 2 as poor family. In addition, category 1 beneficiaries are those that neither own a house nor land.

This led districts to provide cows to beneficiaries who are incapable of keeping them to yield the intended quantities of milk. As a result, **23** beneficiaries returned cows to Districts' authorities (Burera and Bugesera). Further, we noted instances where cowsheds were not adequate to keep cows in good condition. Consequently, the Districts registered death of **1,570** cows in three **(3)** years due to poor maintenance.

(ii) Failure to establish key performance indicators to measure the success of Girinka program

At the start of the program in 2016, MINAGRI identified 1,037,111 poor families to be considered for the program with equivalent number of cows needed to accomplish the program objectives. A baseline survey was not conducted to establish the number and localities of eligible beneficiaries who need cows as required in the concept note.

RAB however continues to inject funds into the program without updated information on the needs in each district. Up to the time of audit in October 2021, RAB had not established key performance indicators to measure the extent to which the program has met the target objectives, key achievements and areas that need improvement.

Without clear performance indicators and need assessment it is difficult to coordinate all the stakeholders and to monitor the achievement of the program objectives including its social economic impact.

(K) Assets of LWH and RSSP3 projects not handed over to beneficiaries

According to funding agreements, LWH and RSSP 3 projects officially closed their activities on **29 June 2018** and **30 October 2018** respectively. Ordinarily, after the official closure dates of the projects, there should be a handover of LWH and RSSP 3 assets between RAB and Single Project Implementation Unit (SPIU) at the time of official closure of these Projects.

However, no handover of these assets had been conducted between RAB and SPIU at by the time of our audit in January 2022; more than **3** years after the date of official closure of the projects' activities. This handover would have facilitated RAB to handover the assets to intended beneficiaries.

As a result, LWH and RSSP3 projects' assets purchased at a cost of **Frw 71.5 Bn** do not have known institution which follow up their management to ensure their sustainability.

(L) Problems noted in implementation of Gako Beef Project

Gako Beef Project started in October 2014 with the aim to establish a sustainable cattle production system for development of quality meat, and marketing value chain in Rwanda. The Government invested **Frw 14.6 Bn** in constructing infrastructure including roads, water and electricity. The audit of this project revealed the following problems:

(i) Lack of project design and clear strategic direction

RAB did not have a project profile documents detailing specific objectives of Gako Beef Project, key performance indicators**,** roles and responsibilities of involved stakeholders, project technical design, required resources and market strategies. RAB also did not have a clear multi –year action plan detailing what and how activities and the targets were to be implemented from 2014 up to 2020 when Gako Meat Company was registered to replace Gako beef project.

This hindered the implementation, coordination and monitoring of the project. As a result, the project objectives may not have been achieved.

(ii) Lack of business plans from investors

Agreement between Government and investors stated that investors should have a business plan indicating the established breeds of cattle, the allocated land to grow pastures, the minimum number of cattle to deliver to the abattoir, the minimum beef production and the type of feedlot that will be constructed.
However, the audit did not get the business plans from investors for analysis. As a result, investors were rearing types of breeds that were not included as agreed, and they did not establish the minimum number of cattle to deliver to the abattoir. Consequently, the type breeds unfit for meat production are being sold by Gako Meat Company.

2.5.4. Infrastructure Sector

2.5.4.1. Water and Sanitation Corporation (WASAC)

(A) Water Infrastructure

(i) Water Treatment Plants operating significantly below installed capacity

A comparison between the actual water production of eighteen **(18)** water treatment plants with their installed capacity revealed that they operated significantly below the installed capacities. For the year ended 30 June 2021, only eight (8) WTPs operated above 75% while ten **(10)** representing (55.6 %) operated at ranges between **38%** and **72%**.

Accordingly, this denies WASAC Ltd of the most urgently needed cash inflows, which could additionally be generated if they operated at full capacity.

(ii) Water Treatment Plants not operating

During field visits conducted in March 2022, the audit team observed that the following water treatment plants were not operating.

Water treatment plant	Installed capacity	Issue
Cyunyu	1200 M3 per day	Closed since 2017 due to high operating cost
Gihengeli	3,500 M3 per day	The plant does not operate during the rainy season and the infrastructure was old

(iii) Water plants that require significant rehabilitation

During the field visit conducted in March 2022, the audit noted that the following Water Treatment Plants needed to be rehabilitated to increase their water production.

- **Rwasaburo treatment plant in Ngoma District**
    - The Chlorination chamber and lime store were too old and in disrepair.
    - The lime preparation system had been idle for 2 years due to lack of accessories and a plastic bucket was being used instead.
    - A damaged water pump had not been repaired.

- A laboratory equipment that had been supplied had not been installed for six (6) months as it was insufficient to build and install the proposed microbiology laboratory.
- There was also no sludge facility to treat solid lime waste.

- **Nyamabuye Water Treatment Plant in Gicumbi District:** The treatment plant was constructed in 1988. The water pump had not been repaired for over two years, two (2) anti-water hummers were not operating and the treatment plant was too old.

(B) Water Network Infrastructure

(i) Weaknesses noted in the execution of construction works

The audit team conducted a field visit in March 2022 and noted the following anomalies:

Water supply system and location	Cost Frw	Issues
Higiro-Kigembe-Mukindo (104.3 KM) Water Supply System in Gisagara and Nyaruguru Districts	3,595,849,644	• There was no water in Higiro-Kigembe-Mukindo water supply system in Gisagara District five months after the provisional handover. • Broken distribution water pipeline at Nyakizu- Kigembe water network in Nyaruguru District:
Nyabizi-Rusarabuye Water Supply System in Burera District	622,029,076	There was no water for more than eight (8) months as the highlighted defects noted in July 2021 had not been corrected by the contractor.

(ii) Significant number of non-operating boreholes in Nyagatare District. WASAC Ltd constructed 188 boreholes in Nyagatare District in partnership with Rwanda Agriculture and animal resources Board (RAB) through Rwanda Dairy Development project and other stakeholders to supply water in critical areas and milk collection centres without water for livestock farming.

The audit noted that out of the **188** boreholes constructed in Nyagatare District, **84** boreholes **(45%)** were not operating.

(iii) Irregularities noted in the rehabilitation of non-functional rural water supply systems

The audit team conducted field visits in March 2022 and noted the following water supply systems that had been rehabilitated but were non-functional. As a result, the public could not access water. Consequently, WASAC Ltd is not realizing value for money from the investment made.

Water supply system	Rehabilitation Cost Frw	Issues
Kamfonyogo in Ngoma District	314,906,651	All the 18 public water taps were not operating although provision handover took place on 24th September 2021.
Kabonobono in Murama sector, Kayonza District	10,692,224	Five (5) public water taps were not operating nine (9) months after the provisional handover.
Nyamata, Ngororero District	30,833,000	Two of the three public taps were idle for a period of two (2) months.
Karongi District	17,119,246	Two (2) of the three (3) water public taps were not operating for seven months.
Cyivugiza IDP Model village, in Nyaruguru District	11,550,811	The water supply system had only one water point which was not operating despite the final handover on 22 October 2021.
Gihembe refugee Camp in Gicumbi District	483,844,309	The final handover took place on 06 May 2017. However, the water supply system had not been connected to Nyamabuye water treatment plant.

(C) Continued water rationing in most areas of the three (3) districts of the City of Kigali

From July 2018 up to the time of audit in March 2022, WASAC Ltd prepares a program of water rationing in four (4) branches of Kigali City (**Remera, Kanombe, Gikondo,** and **Nyarugenge**) due to water shortage. Although in some areas there is improvement in how often they get water, in some areas, water rationing is still high.

On a sample basis, the audit noted that some areas were supplied with water between 1 and 4 days a week. ***See examples for the week of 11th to 17th February 2022.***

Branch	Areas	Number of times water is availed in a week
KANOMBE	Rugarama Haut, Demob, Akubugingo	2
	Gituza, Rubona, Gitaraga	1
	Marembo, Rugarama bas, Kampigika	2
	Busanza-Karama	2
	Gasogi (Cyaruzinge Rudashya)	2
NYARUGENGE	Rubingo	1
	Nyaburiba	1
	Muko	2
	Nyabitare	2
	Bimba	3
REMERA	Ngara	2
	Rindiro	1

It is important to note that some citizens do not get water as planned (Per water rationing plan) due to insufficient time of water supply, damaged water distribution pipes caused by road constructions & too much water pressure that leads to bursting of water pipes, and lack of enough water in water supply network.

(D) Concerns over Public-Private Partnership (PPP) Agreement between WASAC Ltd and Kigali Water Ltd

The Government of Rwanda, through WASAC Ltd, on 31 March 2015 signed a PPP agreement for financing, construction, and operation of a water treatment plant of **40,000 M^3**/day at Kanzenze with Kigali Water Ltd.

The Partner was to recover the invested capital over a period of twenty-seven (27) years and six (6) months. The plant was ready on 19 January 2021 and started operation on 10 February 2021.

As highlighted in the previous audit report, the actual cost per cubic metre (M^3) of water is on average **0.85 USD/m^3**. This translates into **Frw 873**, at the exchange rate of **Frw 1,027** per 1USD. This price is three times the current average cost of production for water, according to WASAC reports, which is at **293.5 Frw/m^3**.

Given that the agreement is in **USD** and **Rwanda Franc** keeps fluctuating, the price of water under this PPP agreement will keep increasing. It is important to note that, the agreement caters for price adjustment on variable costs due to inflation.

The audit noted the following significant shortcomings in the implementation of the PPP agreement:

- **WASAC Ltd's inability to fulfill other obligations after payment of Kigali Water Ltd:** A comparison of WASAC Ltd water sales revenues with the invoices received from Kigali Water Ltd revealed that monthly the invoice of Kigali Water Ltd represents **44%** of the average monthly water sales revenues of WASAC Ltd.

  Since WASAC inception in July 2014, WASAC Ltd has been making losses that cumulatively stood at **Frw 19.1 Billion** as of 30 June 2021.

  It is worth noting that WASAC Ltd has other financial commitments, including a ten (10) year loan of **Frw 17,558,654,977** from BK and a loan of **USD 394,763,000** (**Frw 400 Billion)** from African Development Bank (AfDB) repayable in sixteen (16) years after a grace period of eight years at an interest rate of 2.5% per annum.

  This was exacerbated by the continued increase in non-revenue water from **44.1 %** for the year ended 30 June 2020 to **45.6 %** for the year ended 30 June 2021.

  Consequently, with the current financial performance, WASAC Ltd cannot fully settle Kigali Water Ltd's monthly water bills.

- **Loss or fixed costs paid for unsupplied water:** The audit noted that water consumption was below the installed capacity while WASAC Ltd pays a fixed cost at the full capacity of the plant.

  From 19th January 2021 (**being the service commencement date**) to 31 March 2022 WASAC Ltd had incurred fixed costs amounting to **USD 3,825,232.66** for unsupplied water of **6,074,469.06 M^3.** Thus, the paid fixed costs for unsupplied water constitute an outright wasteful expenditure.

  This is largely caused by the forwarding infrastructure whose completion was delayed.

- **Effect of Kanzenze Water Treatment Plant on some of the existing Water Treatment Plants:** Due to the use of water from Kanzenze Water Treatment Plant, some areas supplied by Nzove water treatment plants and Ngenda water treatment plant are being supplied by Kanzenze Water Treatment plant. A reduction in water production of 10% (**on average, 6,392 M^3 per day)** has been registered by WASAC Ltd.

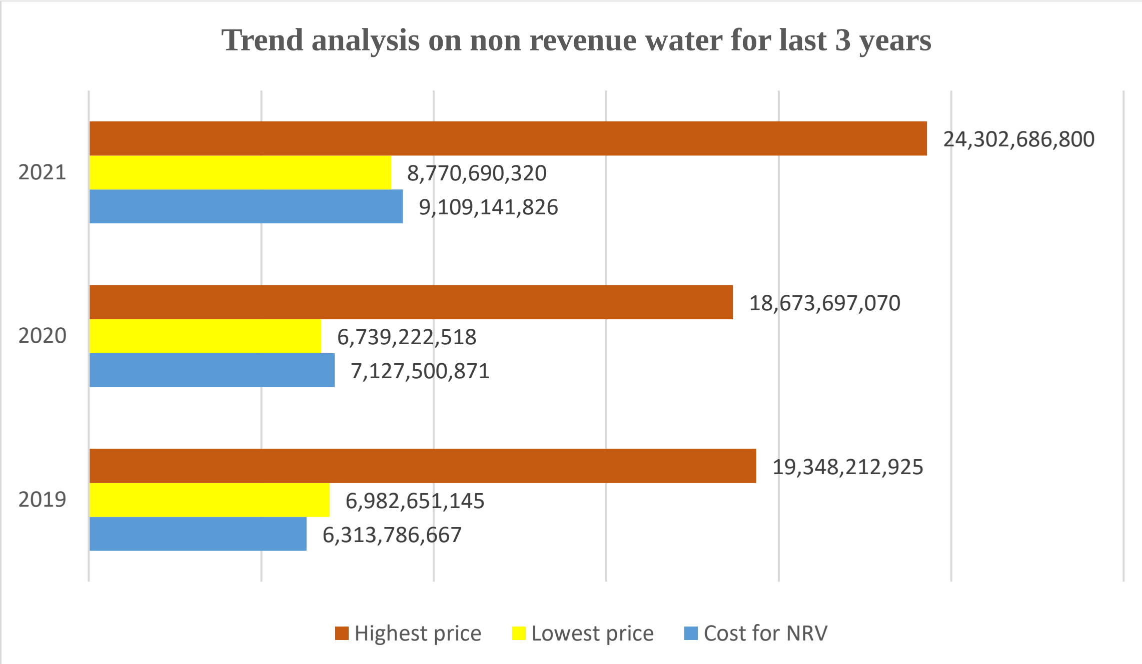
  This is attributed to lack of alternative water network infrastructure.

(E) Continued Significant Revenue Loss

(i) Increasing loss of revenue from sales of water due to high volume of non-revenue water

Out of **59,524,237 M^3** produced in the year ended 30 June 2021, only 32,370,397 **M^3** (or **55.94%)** was billed to customers resulting in unbilled water of **27,153,840 M^3 (**or **45.6 %)**.

The trend for non-revenue water has been increasing from **44.1%** in the financial year ended 30 June 2020 to **45.6%** in the year ended 30 June 2021. **See the details in the graph on next page:**



Legend:

- *Highest price indicates non-revenue water using a tariff of **Frw 895 per m^3***
- *The lowest price indicates non-revenue water using a tariff of **Frw 323 per m^3***
- *The total cost of non-revenue water.*

Management attributes the increase in non-revenue water loss to old water supply network infrastructure and aged meters.

(F) Sanitation Infrastructure

(i) Access to sanitation, hygiene, and waste management is still lagging behind NST1 targets

According to Priority Area 5 of the National Strategy for Transformation One (NST1), the country is aiming to move towards a modern Rwandan household by increasing access to sanitation and hygiene from 87.6% in 2017 to 100% in 2024 and waste management systems were to be developed in cities, towns, and rural areas.

To support the realization of the above-mentioned objective, the Government of Rwanda acquired financing of **USD 440,442,000** for key investments from African Development Bank through Rwanda Sustainable Water Supply and Sanitation Projection (RSWSSP).

However, a review of the implementation of sanitation and waste management projects revealed the following:

- **Significant delay in construction of Kigali Centralized Sewerage System:** The City of Kigali, with 1.3 million inhabitants, does neither have a centralized treatment facility for sewage nor a system of central sewer networks. Kigali Centralized Sewerage System which is estimated to cost **€ 96 Million** as per the plan, was chosen among key investments to achieve the NST1 objective.

  The implementation of this project started in February 2018 and was expected to be completed in December 2021. The completion period was extended to June 2023. However, at the time of the audit in March 2022, WASAC Ltd was still conducting the procurement process.

- **Persistent delay in implementation of key investments in sanitation, hygiene and waste management:** The portion of the loan acquired to achieve NST1 objectives from African Development Bank is supposed to finance the implementation of six (6) sanitation infrastructure and services improvement projects. These include the construction of Faecal Sludge Treatment Plants and landfill in four satellite cities

  However, the construction projects, which should have been completed by June 2020 and December 2021, had not yet started despite the Government availing funds. **See detail in the table below**

S/N	Detailed activities as per component	Planned completion date	Status as at December 2021
1	Musanze city (Faecal Sludge Treatment Plants and landfill)	30/06/2020	Not yet started
2	Karongi city (Faecal Sludge Treatment Plants and landfill)	30/06/2020	Not yet started
3	Rubavu city (Faecal Sludge Treatment Plants and landfill)	30/06/2020	Not yet started
4	Rusizi city (Faecal Sludge Treatment Plants and landfill)	30/06/2020	Not yet started
5	Rehabilitation and upgrading of semi-centralized systems	31/12/2021	33.27%
6	Central Water & Wastewater Laboratory	30/06/2020	Not yet started

As a result, targets set in National Strategy for Transformation One (NST1), may not be achieved.

2.5.4.2. Rwanda Energy Group (REG)

(A) Failure to achieve the National electrification target by June 2021

National Strategy for Transformation (NST1) indicates that the percentage of households with access to electricity by 2020/2021 will be **71.5%**.

Review of Rwanda Energy Group Ltd annual performance report for the financial year ended 30 June 2021 indicated that the overall households' access rate to electricity is **64.53%** which is below the target by **6.97**%.

Failure to achieve the national electrification target by June 2021 may lead to failure to achieve the National electrification target by 2024.

(B) Long delays in compensating people for properties expropriated by EUCL

Review of implementation of Rwanda Electricity Sector Strengthening Project revealed that the plant design, supply and installation of low voltage and medium voltage lines for productive users affected **1,910** properties of citizens valued at **Frw 307,268,230** that were expropriated by the project.

However, by the time of our audit in December 2021, **1,804** properties valued at **Frw 295,793,179** were yet to be paid for more than **2 years** after the commencement of works on expropriated properties. This implies that only **106** properties valued at **Frw 11,475,051** were paid for by the project to properties' owners.

(C) Delay in completion of power connection in different projects

According to chapter two of customer service charter of REG Ltd, if the customer has fulfilled all the conditions, the power connection should be completed in 20 working days.

However, the audit noted fourteen (14) projects worth **Frw 226,759,311** where EUCL excessively delayed to complete power connection services. Delays ranged between **183** and **467 days**.

(D) Non-operational power plants

(a) Nyamyotsi I and II power plants: The installed annual production capacity for these two power plants is **Kwh 1,752,000**. However, since August 2015, they were not operating.

(b) Nshili power plant: The audit noted that the plant ceased to operate in May 2020 due to damaged critical part of plant where there was land sliding as result of heavy rains.

(E) High rate of meter failure resulting in additional replacement cost in EUCL

The audit noted a high rate of meter failure whereby a total number of **32,933** meters failed and this led to EUCL incurring expenditure of **Frw 1,844,248,000** to purchase additional meters for replacement. Discussion held with EUCL management revealed that such meter failure was caused by thunder, meter burn, damages by the holder and other factors.

The previous audit for the year ended 30 June 2020 reported cases of **35,219** meters' failure valued at **Frw 1,972,264,000**. No action was taken by management to address this problem.

(F) Delayed completion of the contract for supply of smart meters for EUCL big customers

Review of execution of the contract for supply of 1,000 smart meters for EUCL big customers worth **USD 338,891.18 (**equivalent to **Frw 315,087,979)** revealed that smart meters were supplied on 19 October 2020. However, up to the time of the audit in

December 2021 **(**14 months later), the tests were yet to be carried out to put them into use.

(G) Irregularities noted in the use of direct procurement method in EUCL

According to the Procurement procedures manual of EUCL, the threshold for the direct purchasing method of works, goods, and services shall be ten Million Rwanda Francs (**Frw 10,000,000**) for only technical operations and two Million Rwandan francs (**Frw 2,000,000**) for daily administrative and routine operations. The Internal Tender Committee shall approve the method of procurement before proceeding with the procurement process. However, we noted the following irregularities:

- EUCL awarded tenders totalling **Frw 170,472,279** through direct procurement without approval and recommendation of the Internal Tender Committee.
- Payments totalling **Frw 170,472,279** for these tenders were made to EUCL staff instead of being made directly to suppliers.
- Payments were made to EUCL staff before getting invoices from suppliers.
- Staff took **12** days to **307** days to account for advances amounting to Frw **88,932,095**.

(H) Disqualifying the bidder with the lowest price basing on the criteria not stated in bidding document

Bids are evaluated according to the criteria stipulated in the bidding documents. However, the audit noted that for the tender of installation services for substations of Rubavu, Bwishyura and extension at Kibuye, the bidder with the lowest price “NCC” was eliminated on the ground that he has 61 ongoing contracts. This criterion was not stated in the bidding document.

The bidder with the lowest price was NCC which charged the cost of **Frw 12,462,842,345** while STEG-IS charged **Frw 14,348,149,155**. Management awarded the tender was awarded to STEG-IS who was the bidder with the highest price.

As a result, government lost funds amounting to **Frw 1,885,306,810** which would have been saved if the tender were awarded to the lowest bidder.

2.5.4.3. Ministry of Infrastructure (MININFRA)

(A) Gaps noted implementation of infrastructure projects in secondary cities

Development of secondary cities is aimed at reducing migration from rural areas to Kigali City through deconcentrating socio-economic development to other parts of the country. The government invested over **Frw 65 billion** in infrastructure projects of secondary cities. The audit of implementation of infrastructure projects in secondary cities revealed the following gaps:

(i) Delay to construct planned infrastructure

In the planning framework for Vision 2050 and NST-1, District Development Strategies integrate national and sectoral priorities with district specificities. However, in March 2022, the audit noted that secondary cities had not established different infrastructure that support urbanization according to District Development Strategy 2018-2024.

For example, in the category of modern markets, expo ground and commercial centres, only **1** out of the planned **13** infrastructure was constructed by 2021-2022. In terms of tourism and recreational projects, only **4** out of the planned **52** infrastructure was constructed. This leads to delayed achievement of urbanization in secondary cities and the country as a whole.

(ii) Weaknesses noted in secondary cities' industrial park

Industrial parks ease manufacturing agglomeration, attract investment, generate jobs and diversify the export sector. In a bid to stimulate local economic development and job creation opportunities, secondary cities need to service the area reserved for industrial park and provide basic infrastructure. However, the audit noted the following weaknesses:

- One **(1**) secondary city (Rubavu) did not acquire land for industrial parks.

- Four **(4)** secondary cities, namely, Nyagatare, Huye, Musanze and Rusizi acquired land, but they did partial servicing in terms of providing basic infrastructure (roads, streetlights and fibre optic connectivity).

(iii) Absence of an effective waste management system

National Roadmap for Green Secondary City Development requires secondary cities to have an efficient waste management system. The audit noted that except for Nyagatare and Huye, the other 3 sampled secondary cities (Musanze, Rubavu and Rusizi) had dumping sites instead of modern landfill. Waste was not being sorted and separated from the collection source, transportation and dumping site.

Therefore, secondary cities did not have an effective and efficient waste management system, which contributes to sustainable urban development and environmental protection.

(iv) Lack of a mechanism to track secondary cities urbanization rate

The population living in urban areas was targeted to be 28.19% in 2020/21 and 35% in 2023/24. A specific District Development Index should be used for the overall monitoring and evaluation of the urbanization process and quality of life, referencing social, environmental, economic, and administrative advancement.

However, the audit noted that there is no performance index and breakdown of the urbanization annual targets by secondary city.

2.5.4.4. Rwanda Transport Development Agency (RTDA)

(A) Damages and defects on roads not fixed by RTDA for long

In our previous year's audit report, we reported cases of damages and defects on various roads constructed by different contactors. However, during the current year's audit, we noted that many of the damages and defects had not been fixed to facilitate the movement of goods and people. As a result, the government is not fully realizing value for money from funds amounting to **Frw 28 billion** invested in the construction and repair of these roads. ***See details in table below:***

Road	Cost Frw Billions	Unfixed defects
Pindura-Bweyeye and Nyungwe belt roads in Nyamagabe, Nyaruguru and Rusizi Districts & Kukiraro-Mpuzamahanga road in Rubavu District.	17	Landslides, damaged retaining structures, storm water drainage, and potholes
Kigali–Muhanga-Akanyaru paved road (157km)	2.8	Cracks on rehabilitated section including storm water drainage, walkways, broken pipe culvert, poor drainage
Muhanga - Karongi paved road (74 Km)	2.8	Poor maintenance works
Mbuga-Mpimbi-Burerabana-Nyabinoni unpaved road in Muhanga district	2.4	Landslides
Rusizi-Bugarama paved road	3.2	Poor maintenance
Kinigi and Kabuhanga (48.6 km)	-	Landslides, damaged storm water drainage

(B) Persistent gaps and concerns noted in the execution of works for periodic maintenance of Muhanga – Ngororero – Mukamira asphalt road (98.593km)

On 24th December 2016, the contract worth **Frw 2,794,180,164** was signed between RTDA and Horizon Construction for maintenance of Muhanga – Ngororero – Mukamira road. The contracted works were executed, and the provisional handover took place on 16th November 2020.

In addition to the above contract, on 7th January 2021, a framework contract of **Frw 650,000,000** was signed between RTDA, RMF and Horizon Construction for three **(3)** years' maintenance of Muhanga – Ngororero – Mukamira and Meru – Nyabarongo Bridge paved road of 121Km. The contract period was one **(1)** year starting from the date of issuance of the first service order issued on **13th** January 2021.

OAG conducted a field visit on 06th October 2021. It was noted that the following damages on the roads, which were reported in the previous audit, were yet to be addressed.

Defect(s) and location	Photo
Big cracks on the shoulder due to a downslide Photo taken on 06/10/2021 by OAG showing cracks at PK47+700 in Ngororero district.	
Failure of gabions and retaining wall downside Photo taken on 06/10/2021 by OAG showing cracks of the road on PK51+200 Ngororero district.	
Severe landslides close to the road Photo taken on 06/10/2021 by OAG at PK61+100 Ngororero district.	
Washing away of Jomba bridge and bitumen by Giciye River Photo taken on 06/10/2021 by OAG at PK 83+700 in Nyabihu district.	

Deteriorations alongside the paved road. At PK89+000 (Gasiza I in Nyabihu District) and at PK61+500 (Gitega in Ngororero District): Photo taken on 6th October 2021 by OAG at PK89+000 located at Gasiza I of Nyabihu District.	

(C) Concerns noted over management emergency maintenance works contract for Cyakabiri – Nyabikenke - Ndusu road sections of National Road NR17

As highlighted in the previous audit report, on 24/12/2019, RTDA, RMF and engineering brigade entered a **Frw 714,610,068** contract for emergency maintenance works for Cyakabiri – Nyabikenke - Ndusu road sections of National Road NR17. The contract execution period was ten (10) months from 07th January to 06th November 2020.

On 13 October 2021, the audit team carried out field visit and noted the following defects on the following locations:

Defect(s) and location	Photo
Poor conditions of some sections of the road that may lead to disconnection of the road NR17 Photo taken on 13/10/2021 by OAG team at PK18+200 showing part of the road is washed away by Nyabarongo river in May 2020	
Substandard wooden logs that cannot support heavy trucks Photo taken on 13 October 2021 by OAG team at Pk17+300 (Vunga)	

Water not properly channeled and stagnating alongside the road during rainy seasons from PK10+300 to PK11+ 00 (at Vunga point) Photo taken on 13/10/2021 by OAG team.	
Poor road pavement, lack of drainage system and landslide on Nyabarongo Cyakabiri road The road is impassable. Same issue was reported in the previous year. Photo taken on 13 October 2021 by OAG team.	

(D) Delivered feeder boat for 30 passengers yet to be put in use

The audit team carried out the field visit on 06th October 2021 and noted that since 08th March 2021 RTDA had not put into use the feeder boat it had acquired at **USD 390,000**. The boat had been idle for a period of seven **(7)** months from its official reception date. As a result, the Government is not realizing value for money. ***See photos of the idle boat on next page***:

Photos taken on 06/10/2021 by OAG showing the acquired idle feeder boat.

(E) Persistent delay in execution of contract for the supply of Nkombo boat II

As highlighted in the previous audit report, on 10th May 2018 RTDA in collaboration with Ministry of Defence (MINADEF) signed a contract worth **USD 2,656,600** taxes excluded, with Avalon Steel Project for the supply of Nkombo boat II. The initial contract period was 336 days from 10th May 2018 to 11th April 2019. The contractor was granted three (3) non-cost extensions totaling 903 days to 30th September 2021, a longer period than the initial contract execution period.

The audit team carried out a field visit on 06th October 2021 ***(6 days after the expected boat completion date)*** and noted that the assembling activities were yet to start. The assembling materials were kept in the shipyard park while others were kept in three **(3)** containers at the site.

It is worth noting that by the time of the audit in October 2021, only **USD 891,098 (i.e., 33.5%** of the total contract value of **USD 2,656,600**) had been paid to the contractor.

Persistent delay to supply Nkombo boat does not facilitate the targeted beneficiaries to get transport facilitation as envisaged. Hence, no value for money is being realized from the expenditure already incurred.

2.5.4.5. Rwanda Housing Authority (RHA)

(A) Construction works executed without supervision which resulted into delays of construction projects

RHA management had signed seventeen **(17)** contracts amounting to **Frw 25,985,789,654** to implement different construction projects. However, it was noted that these projects were implemented without having independent supervising firms meant for providing assurance on the quality of works carried out by the contractor. This contravenes section 34 of the circular Nº 010/2012-117/RPPA of 10 April 2012 of RPPA, which requires hiring independent supervising firm for all works that are above **Frw 50,000,000**.

Despite the failure of hiring independent supervising firm, there is no evidence of adequate follow up and monitoring of contracts execution carried out by RHA on regular basis. This should be evidenced by minutes of sites meetings between RHA staff and contractors.

(B) Unjustified delays in payment of contractors' invoices

Audit noted contractors' invoices amounting to **Frw 1,265,554,325** which were paid with delays ranging between **29** and **256** days. This contravened **45** days allowed limit required by Articles 174 of Law N°62/2018 of 25/08/2018 governing public procurement. Even though the management explained that the delay was due to lack of funds, there is no evidence that Rwanda Housing Authority (RHA) faced financial cash flow during the year under audit.

2.5.4.6. Regional Rusumo Falls Hydroelectric Project (RRFHP)

The Project which started in 2014, is a joint project of Rwanda, Burundi and Tanzania. The Project was funded by the World Bank to implement Regional Rusumo Falls Hydroelectric Project (RRFHP) to the tune of **USD 340,000,000.** The aim of the project is to generate 80MW. The three countries will have equal share of power generated.

The project is implemented by Nile Equatorial Lakes Subsidiary Action Programme (NELSAP) in accordance with the Project Implementation Support Agreement (PISA) dated 24 January 2014. After construction, the power plant is expected to be managed by Rusumo Power Company Limited (RPCL) jointly created by the countries.

The audit of this project was conducted jointly by the SAIs of the three shareholding countries under chairmanship of SAI Rwanda.

(A) Delayed completion of Regional Rusumo Falls Hydroelectric Project (RRFHP) for 1 year and 6 months

The Regional Rusumo Falls Hydroelectric Project is an intergovernmental venture intended for producing and supplying 80 MW of electricity in three (3) countries; Rwanda, Tanzania and Burundi. The initial project duration was 36 months, from 13th February 2017 to 12th February 2020. However, up to the time of audit in September 2021, one **(1)** year and **(6)** months after the projection completion date, the project was still work in progress.

According to the PIU report of August 2021, the overall progress of the project stood at **81.4%** of completion. Subsequently, towards the end of January 2022 a site visit was conducted, we noted that overall physical progress of the project stands at **86%** of completion as per December 2021 report. Delays in the completion of project led to a significant increase in the project cost due to factors such as changes in prices used in the project budget. As a result, the value for money could not be fully realised due to delayed delivery of the project to beneficiaries.

(B) Irregularities noted during the evaluation of the tender related to CP-1- Civil Works and Design, Supply and Installation of Hydro- mechanical Equipment

Review of the procurement process of the tender relating to Civil Works and Design, Supply and Installation of Hydro-Mechanical Equipment (CP-1), revealed the following irregularities which indicated that the tender was awarded in non-transparent manner:

- **Awarding tender to bidder who did not fulfil some of the bid requirements:** The audit noted that tender was awarded to the bidder who did not fulfil the preliminary requirements. As a result, the bidder was disqualified at the preliminary evaluation stage by the evaluation committee comprised of members of the three countries. . Further, the bidder did not comply with Environmental, Social, Health and Safety (ESHS) methodology. Non- fulfilment of these required meant that the bidder did not qualify to the next stage of procurement process “financial evaluation”. However the tender was awarded to this bidder despite of the non-compliance with the bid requirements.

  The audit team failed to understand circumstances which led to decision of awarding the tender to unqualified bidder.

- **Project's cost overrun:** The initial contract for CP-1 was **USD 75,134,641.** However, the cost increased significantly up to **USD 119,608,803** as at July 2021**.** Therefore, the project cost increased by **USD 44,474,162** representing **59%** of the initial contract. If the project is not completed in the granted extension time, the cost will unjustifiably continue to increase, which will in turn cause a loss of funds to shareholding countries.

(C) Weaknesses noted in execution of CP-1- Civil Works and Design, Supply and Installation of Hydro- mechanical Equipment

- **Abnormal price adjustment and variation orders:** The total amount of price adjustments and variations accumulated up to June 2021 were **USD 20,453,631** for price adjustments and **USD 25,672,124** for variation orders not supported. The above price adjustment amount includes a refund of **USD 6,373,694** that was overestimated by the contractor as per arbitral award by International Chamber of Commerce (ICC).
- **Wasteful expenditure related to delay damages paid to contractors***:* The Employer paid avoidable costs amounting **USD 3,733,507** for cases lost after ruling by the Disputes Board (DB) on the ground that employer failed to provide the access road to the construction site.

Shareholding countries, through Council of Ministers in charge of Energy should strive to speed up the process of transferring the management of the project from NELSAP to RPCL to ensure proper ownership and accountability.

2.5.5. Health sector

2.5.5.1. Ministry of Health

(A) Significant problems noted in management of Emergency Obstetric and Neonatal Care (Emonc) in Public Health Facilities

Rwanda committed to improve the health of women and newborns. The government focuses on the universal access to sustainable quality health care delivered at different levels of health facilities. The focus was expected to reduce further the maternal and neonatal mortality ratio by 2024. Over the last five years, the Government invested **Frw 104,576,429,973** in maternal and child health, health human resources and infrastructure and equipment. The audit of Emergency Obstetric and Neonatal Care (Emonc) in Public Health Facilities noted the following problems:

(i) Capacity gap of gyneco-obstetricians at district hospitals

The audit noted that there were only **33** obstetricians in districts out of the required **96**, leaving, a **67%** capacity gap. Some hospitals did not have specialists in gynecology and obstetrics to manage complications, especially from women with three or above previous scars on the uterus.

(ii) Ultrasound (echography) services not offered in the visited health centres to enhance antenatal care services

The audit noted that **7** out **11** visited health centres were not offering ultrasound services which is required at least once during pregnancy.

Women in need of ultrasound are referred to District hospitals for that service. This increases the workload for the District hospitals. The long distance and travel cost for referred women are considered to be a hindrance in easy accessibility of ultrasound scan which would have been provided at near of health centres. As a result, this increases morbidity and mortality risks for the mother and child during pregnancy, at delivery, and during the postnatal period.

(iii) Pregnant women were not tested for syphilis and anemia at health centres

Women visiting health centers for 1st standard contact at 8-12 weeks of pregnancy should be screened for anemia and syphilis among other conditions.

However, due to lack of reagents, the audit noted that up to **40%** of all health centres did not test anemia and syphilis among pregnant women who visited the health centres for the ANC 1st standard contact from December 2021 to February 2022. Out of **509** health centres, **59 %** did not test for anemia while **68%** did not test for syphilis between one and three months.

(iv) B-EmOC services not performed at health centres

7 B-EmONC services comprise of parenteral administration of antibiotics, oxytocic drugs and anticonvulsants, manual removal of placenta, removal of retained products, assisted vaginal delivery and performing neonatal resuscitation. These services should be provided at the level of health centers.

However, audit noted that **2** out **7** B-EmONC services are not provided by health centers. These are: removal of retained products especially on post abortion and performing assisted vaginal delivery using vacuum extractor.

This is due to lack of staff with skills and equipment at health centres to perform Manual Vacuum Aspiration (MVA). Performing assisted vaginal delivery by vacuum extraction, not encouraged at health centres due to the fact that current capacity of health centres cannot effectively manage complications that may arise thereof. All cases received at health centres requiring the mentioned services are referred to district hospitals for further management.

(v) Insufficient medical equipment in EmOC services

The audit noted that ambulances, infant incubators, radiant warmers and Continuous Positive Airway Pressure (CPAP) machines were not adequately available and functional in the visited health facilities.

- **Insufficient number of ambulances:** Fifteen percent **(15%)** of pregnant women need EmONC due to direct obstetric complications. Access to rapid and quality maternal health services provided by health facilities is essential in the prevention and reduction of maternal and neonatal deaths.

  However, the audit noted that six **(6)** visited district hospitals and affiliated **84** health centers were sharing **43** ambulances that were in good condition. Analysis indicated that one ambulance serves 2-3 health centres in referring clients including pregnant women and newborns. This was observed in the health centres under Byumba, Gisenyi, Nyamata District Hospitals and Ruhengeri referral Hospital.

  The sharing of ambulances among health centres delays the referring process for pregnant women and newborns to the upper level health facilities. This may result in avoidable deaths in case the ambulance may not be available for immediate transport.

- **Infant incubators:** Rwanda neonatal standards of care recommended at least **6** incubators for a district hospital and **20** for referral and teaching hospitals.

  The audit noted that three **(3)** hospitals only had **9** incubators in working condition against **46** recommended incubators, representing a shortage of **37** or **80%,** while **11** were damaged. Inadequate incubators in public health facilities affect adversely the health condition and may cause deaths of the newborns hospitalized at the severe prematurity stage.

Despite the shortage of incubators in neonatology, the audit also noted that 30 incubators in the visited health facilities were damaged and could not properly regulate temperature. This was observed in six hospitals visited by OAG audit team.

To cope with the shortage of incubators, newborns who are somehow stable may alternatively be removed from incubators to accommodate new entrants in critical condition. The removed ones are placed in radiant warmer or damaged incubator serving as baby cradle.

- **Radiant warmers:** Rwanda neonatal standards of care recommended at least **6** radiant warmers in neonatology and **10** for referral and teaching hospitals. The audit noted that only **36** radiant warmers were working out of the recommended **56**, representing a shortage of **20** radiant warmers or **36%,** while **20** were damaged and not in use in eight **(8)** public hospitals visited.

  The audit noted that **20** radiant warmers in the visited health facilities were not working due to the failure of skin probes for temperature control. Accordingly, the radiant warmers available in health facilities were not sufficient to accommodate newborns admitted and hospitalized in neonatology.

- **Continuous Positive Airway Pressure (CPAP) machines:** Neonatal standards of care recommended that the neonatology of a district hospital and referral hospital should have at least **4** and **10** CPAP respectively. The audit noted that seven **(7)** hospitals and one medicalized health center were found with a shortage of CPAP.

  The audit also noted that eight hospitals visited only had **8** CPAP compared to recommended **44** CPAPs, representing a shortage of **36** or **82%,** while **10** were damaged and not in use. These are referral hospitals expected to possess adequate equipment to be used for referred patients from lower level hospitals such as District and Provincial hospitals.

(vi) Inadequate infrastructure in health facilities hindering quality of EmONC services

- **Hospitals with neonatal units not connected to the maternity and lacking transport incubators:** The buildings accommodating the neonatal units of four (4 hospitals were not connected to the maternity ward. The audit also noted that all seven visited health facilities were lacking transport incubators.

  The long distance and time needed to transfer a newborn from maternity to the neonatal unit poses challenges to timely care and increases the risks of accidents and loss of body temperature of newborns (below 36.5°C) during the transfer and could lead to preventable death.

- **Inadequate infrastructure for maternity ward of visited health facilities:** The audit noted that the maternity ward of Ruhengeri referral hospital was old and defected. The roof of two maternity rooms present leakages whenever it rains. As a result, two rooms of maternity were evacuated. The evacuation of rooms congested the remaining rooms of maternity ward including the recovery room meant to care for postpartum care of women after cesarean section.

  The audit also noted the infrastructure of one **(1)** visited district hospital was small to accommodate the number of patients or additional beds. At the time of the audit, one bed was shared by two mothers and their babies, especially for mothers delivering by spontaneous vaginal delivery. There was risk that patients may catch infections from bedmates or be discharged in time when they still need close medical attention.

(B) Shortfalls in implementation of malaria program

Following the high increase in malaria incidence rate from 2013 to 2016, the Government of Rwanda established various strategies to control malaria.

From July 2017 to June 2021, government invested funds amounting to USD **261,127,334** (**Frw 241,981,110,366)** in supporting the implementation of malaria control strategies.

Results of effective implementation of malaria control strategies are optimistic as evidenced by positive trends in malaria prevalence, morbidity, mortality and achievement of related targets from July 2017 to June 2021.

However, managers of health sector need to close the following shortfalls:

(i) Stock out of antimalarial medicines at community level

In **43%** of visited villages, Community Health Workers (CHWs) experienced shortage of antimalarial medicines for period ranging from **30** to **155** days. Shortage of medicines in community implies that the patients are not facilitated to get treatment in the village as intended.

(ii) Gaps in data quality

Health facilities and community health workers record malaria data in patient registers and report them on monthly basis. Data are consolidated and reported in national systems of HMIS for health facilities and SISCOM for community health workers.

It is expected that malaria data reported in the two national systems (HMIS and SISCOM) equate to cases reported by health facilities, Community Health Workers and underlying patient registers. The audit noted the following data discrepancies:

- **Differences in malaria cases:** Seven **(7**) out of **22** visited health facilities reported **457** less malaria cases in HMIS representing **8%** of cases recorded in patient registers. Further, eleven health facilities reported **367** more malaria cases in HMIS, representing **22%** of cases in patient registers.

- **Differences between malaria cases and commodities dispensed:** From July 2017 to June 2021, the number of Artemisinin-based combination Therapy (ACT) dispensed by all public health centers were 10.7% higher than the number of confirmed simple malaria cases (i.e **4,938,037** ACTs versus **4,459,538** malaria cases). Additionally, seven visited health centers recorded **196** malaria cases above anti-malaria medicines dispensed and six health centers had dispensed **204** medicines above the number of confirmed malaria cases.

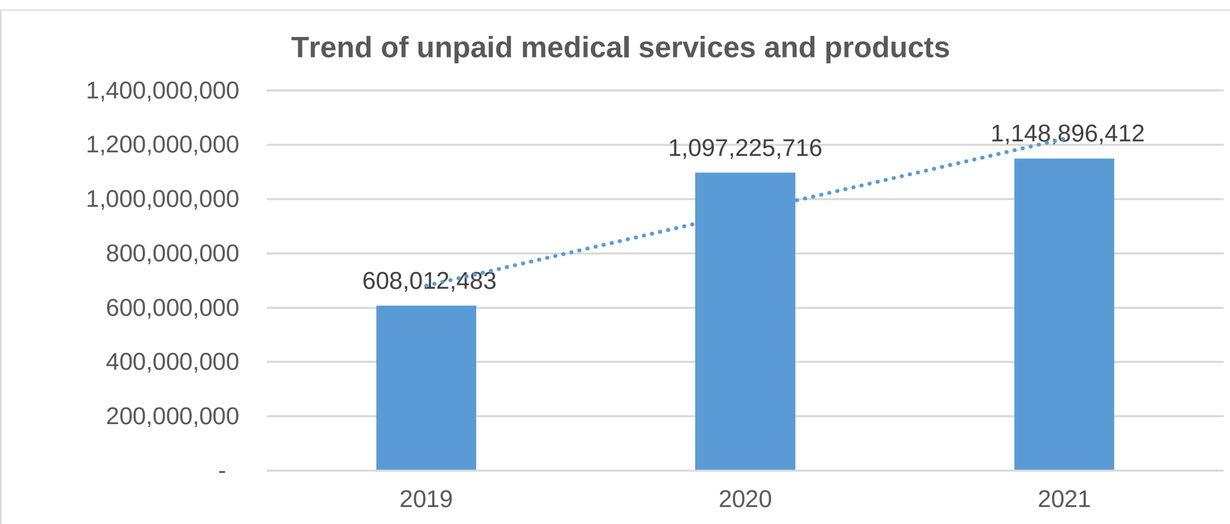
- **Differences in malaria related deaths:** Six of the nine visited hospitals reported in HMIS 20 less malaria deaths compared to deaths recorded in their monthly reports, while five hospitals reported **18** more deaths.

2.5.5.2. District Hospitals

(A) Persistent unpaid medical services and products which may threaten hospitals' service delivery

Hospitals are persistently encountering cases of patients who are unable pay the cost of medical services provided, referred to as "social cases". In previous year, we recommended hospitals' management to collaborate with MINISANTE to develop a long-term solution to this problem.

However, the current year audits noted a steady increase of unpaid medical services compared to the last two years as shown in the chart below.



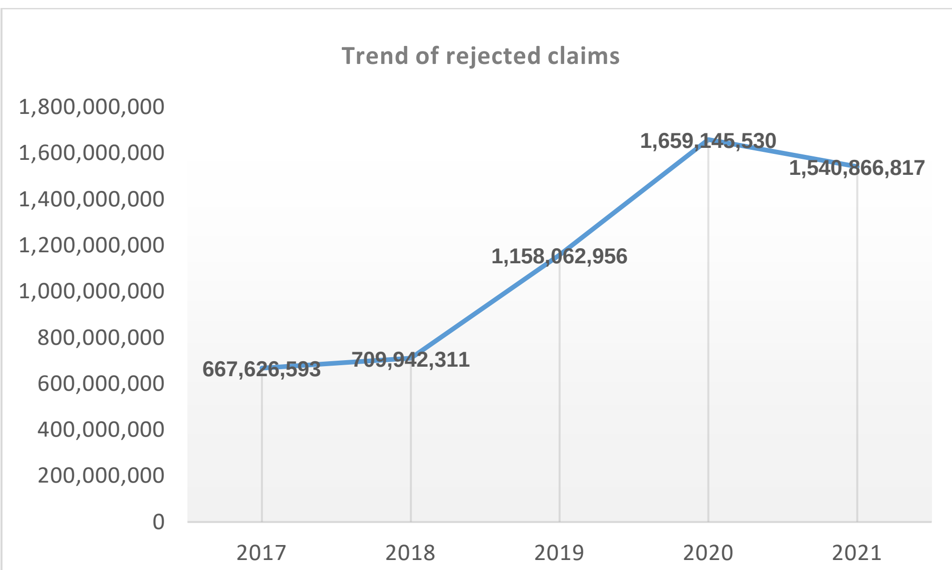
Between 2019 and 2021, the unpaid medical services for social cases increased almost by **100%** from **Frw 608 million** in 2019 to **Frw 1.148 billion** in 2021, in nine **(9)** and twenty-three hospitals respectively.

This is attributed to lack of funding mechanism of social cases which negatively impacts service delivery of hospitals due to liquidity shortfalls.

District hospital management should collaborate with MINISANTE to find a funding mechanism for patients who are unable to settle their medical bills.

(B) Increasing rejected claims from Hospitals that may negatively affect their operations

The audit noted Public Hospitals continue to have excessive amounts of rejected claims to the tune of **Frw 1.5 Bn** as a result of insurers adjusting medical invoices after verification. This was noted in all thirty (30) Public Hospitals. This amount has increased over the last 4 years as shown in chart below. No action has been taken to resolve the problem.



This was mainly attributed to weaknesses in billing process and failure to check supporting documents, such as use of expired insurance cards, expired transfers, use of wrong tariffs, inconsistency in interpretation of medical invoices by insurance staff and computation errors.

There is urgent need to strengthen controls over the process of billing within Public Hospitals.

(C) Continuing delay to bill insurers

Article 2 of the Ministerial Instructions Nº 20/74 of 24/04/2017 determining sanctions on late submission of health facility bill to the health insurers stipulates that the health facility shall submit bills to the insurer not later than 15th of the following month. The bills must be accurate, and corresponding to services provided to its patients during the invoiced month.

Contrary to the above provision, the hospitals are persistently delaying billing insurers. The current year audit noted delays of up to **1,825** days to bill insurers for invoices amounting to **Frw 5.8 Bn** in **23** district hospitals. The delays for the last three **(3)** years were as follows:

Year	**Delayed invoices in Frw**	**Delays (range in days)**	**Number of hospitals**	**Trend of delays**
2021	5,828,583,677	up to 1,825 days	23	⇧
2020	5,769,933,968	up to 210 days	16	⇩
2019	4,762,801,071	up to 361 days	13	⇨

There was a significant increase in the number of days delayed in 2021 compared to previous years. The table above shows that from 2019 to 2020, the period of delays slightly reduced by **51** days. As a result, the hospitals' cash inflow and relevant operations will be negatively affected.

District hospitals should therefore ensure that they invoice medical insurers on time in order to avoid disruption in their cash flows and operations.

(D) Stoppage of construction works for Ultramodern Hospital

On the 10th of January 2016, Kacyiru Hospital signed a contract worth **Frw 8,095,874,101** with Fair Construction Ltd for constructing Ultramodern Hospital. The execution period was eighteen **(18)** months staring from 08th February 2016, being the date of service order. Therefore, the works were to be completed in August 2017.

The objective of the Ultramodern Hospital was to deliver highly skilled services to the population within the country and in the region, to function as emergency operations centre for disasters or wartime care coordination; and to become a teaching and research centre in different fields.

However, the audit noted that the construction works of this hospital stopped on 27th April 2016 **(2 months after commencing works by the contractor).** The hospital terminated the contract with the contractor due to shortage of funds to finance the project. By the time of audit in October 2021, (**5 years after works stopped**), the construction works have not yet resumed.

In addition, Management of the hospital incurred fruitless expenditure amounting **Frw 248,253,739** as a cost of terminating the contract paid to the contractor (compensation and liability claims of the contractor), due to early contract cancellation.
Kacyiru district hospital did not achieve the envisaged objective.

The hospital management should engage the City of Kigali and other concerned stakeholders like Ministry of Finance and Economic Planning, to expeditiously devise means for resuming the stalled project to ensure it serves the intended purpose.

2.5.6. Trade, Economic and Investment Sector

2.5.6.1. Ministry of Trade and Industry (MINICOM)

(A) Gaps noted in slaughter facilities

The audit of slaughter facilities for the period June 2018 to March 2022, noted the following gaps.

(i) Lack of appropriate design, layout, structure and equipment for slaughter facilities

None of the **25** visited slaughter facilities fulfils all requirements of design, layout and equipment. For example, animals were slaughtered on floors in unhygienic conditions in **22** facilities. This increases the risk of cross-contamination between animals with diseases and healthy animals and from slaughter premises to produced meat as detailed in the table below.

S/N	Required slaughter facility sections and equipment	Observation
01	Slaughtering area and equipment: Hoisting & skinning area and equipment (skinning machines, carcass hangers), offal room, head and feet room, hides and skin area room, and condemnation room/area	Slaughtering areas and equipment such as skinning and hoisting areas and equipment (such as skinning machines and carcass hangers) were not available in twenty two (22) slaughter facilities. In addition, the audit noted Unhygienic conditions in these facilities which increases the risk of cross-contamination throughout the meat production process.
02	Animals resting area (Lairage area)	Seven (7) slaughter facilities did not have resting areas. Animals are slaughtered without resting to reduce stress.
03	Isolation rooms	Seventeen (17) slaughter facilities did not have isolation rooms to allow isolation of diseased animals for further follow-up and inspection to mitigate cross contaminations
04	Emergency area	Twenty-five (25) slaughter facilities did not have emergency areas, which can be used for animals that need special attention.
05	Stunning room and equipment (stunning machine)	Twenty-one (21) slaughter facilities lacked stunning room and equipment which leads to the slaughtering of conscious and sensible animals, causing them considerable pain and suffering at the time of neck cut.

(ii) Lack of meat inspections at slaughter facilities

The audit noted that in 24 out of 25 slaughter facilities, inspections of animals before being slaughtered (ante mortem inspections) were not conducted.

In addition, 20 out of 25 slaughter facilities did not perform meat inspections (post mortem inspections). Furthermore, the audit noted that RICA did not perform tests to confirm preliminary results found during veterinarians' inspections. The tests could potentially reveal the presence of chemical residues and contaminants.

RICA has established technical guidelines governing meat businesses. However, this regulation lacks provisions on how the inspections are conducted, required tests, and protocols. As a result of the absence of guidelines, veterinary inspectors may not execute their mandate efficiently, compromising the safety and quality of meat produced.

(iii) Unsafe meat transportation from slaughter facilities to retail shops

Meat should be transported in conditions that prevent product contamination due to temperature or unhygienic conditions. In addition, meat transporters should be registered and licensed and keep all veterinary inspection certificates during meat transportation to verify that the meat being transported is sourced from registered and licensed slaughter facilities.

However, the audit noted that meat was carried in unhygienic conditions including bare floorboards in dirty vehicles without crates, ventilation, and rust-resistant metal box. Other carriers use motorcycles, bicycles, wheelbarrows, and plastic sacks. Moreover, 15 out of 28 meat carriers were not registered and licensed. The audit also noted that 36 out of 47 slaughter facilities recorded by RICA were not given meat inspection certificates and stamps. As a result, the audit could not confirm whether the meat they transported had been tested, inspected and approved for human consumption.

Due to the above the quality of meat transported by these carriers could not be guaranteed.

(B) Idle funds

(i) **Export growth facility (EGF) fund:** On 28 May 2021, MINICOM transferred **Frw 856,199,727** to BRD for implementation of Export Growth Facility (EGF) program. BRD had not disbursed funds to the intended beneficiaries and held them unused for a period of 10 months.

(ii) **National Employment Program (NEP):** On 30 November 2017, MINICOM signed a memorandum of understanding with BDF to provide an enabling financial environment and increase access to finance to Micro, Small and Medium Enterprise. As at the time of audit in March 2022, we noted that there was a balance of **Frw 3,763,413,541** held on the bank account.

2.5.6.2. Ministry of Finance and Economic Planning (MINECOFIN)

(A) RRA filed taxes not yet paid

Included in State consolidated financial statements are filed taxes that are not yet paid to RRA amounting to **Frw 449,047,180,994**. These unpaid taxes represent 18% of total government revenue collected by RRA for the financial year ended 30 June 2021.

This amount is material and recoverability is subject to further delays.

(B) Doubtful recovery of debts granted to public entities to finance development projects

The on-lending debt is the debt contracted by the Government from different external creditors and lent to different companies to finance different projects especially which are related to the energy sector. As at 30th June 2021, **Frw 417,895,468,554** was outstanding

However, the audit noted that **Frw 252,053,434,451** which financed four **(4)** projects in REG, NCD, UCL and RPC Ltd surpassed the expected period of first repayment. These companies did not payback any installment to MINECOFIN.

2.5.7. Local Government

(A) Delayed construction works of Mpazi, Channel Bridge 2 and bridge 3 to mitigate flood in Nyabugogo commercial area in the City of Kigali

The audit noted that the City of Kigali awarded the contract for the construction of Mpazi, Channel Bridge 2, and bridge 3 to the successful bidder at a cost of **Frw 2,024,536,965**. The contract was awarded on 22 November 2019, and expected initial completion date was 23 November 2020.

However, field visit carried out on 29 March 2022, one year after the initial completion date, revealed that works are still ongoing. There are significant delays in the completion of this contract despite the contractor having been given four extensions of 19 months to 31st March 2022 and the contract amended to **Frw 7,774,274,830** *(after amendment of the study).* The supervision report, dated February 2022 indicated that works were at **58.32%**. The contractor will therefore require another extension to complete the works. See details in photo below.

(B) Failure to maintain damaged and partial operating water supply systems

311 water supply systems were constructed in ten **(10)** districts with the total cost of **Frw 43,203,701,254**. However, **57** water supply systems representing **18%** were damaged (non-functional), and **112** water supply systems representing **36%** were partially operating. This implies that there was no water in the public taps connected from the damaged and partial functioning water supply systems.

The target of giving access to clean water to all Rwandans by 2024 may not be met due to unmaintained water supply systems.

(C) Delay to transfer capitation grant and school feeding funds to schools

According to 2020-2021 earmarked transfers guidelines issued to decentralized entities by MINECOFIN in July 2020, capitation grant and school feeding funds are transferred to schools every quarter. Funds should be transferred within seven **(7)** days from the date of submission of funds request to MINECOFIN at the start of the school term to enable the schools to procure foodstuff for students and other commodities needed to run the school activities. However, the audit noted delays in transferring funds to schools as described below:

- Capitation grant funds amounting to **Frw 2,583,042,875** were transferred to schools with delays of up to **244 days** in twelve **(12)** districts.
- School feeding funds amounting to **Frw 1,455,280,779** were transferred to schools with delays of up to **212** days in thirteen **(13)** districts.

Delay in transfers of capitation and school feeding grants may negatively impact school operations, the wellbeing of students and ultimately the quality of education.

(D) Persistent problem of non-operating biogas plants

The audit noted that out of **9,610** constructed biogas plants, **5,157** (**representing 54% of total constructed biogas plants**) were not operating **(compared to 4,309 representing 53% in 2020)** mainly due to lack of capacity to maintain biogas plants**.** This was noted in **24 (2020:24)** districts. Accordingly, the program lacks sustainability and the intended objectives may not be achieved.

The high rate of non- operating biogas plants cast doubt on the sustainability of the program. The program objectives including environmental conservation may not be achieved.

(E) Idle funds of user fees (Ticket Modérateur)

User fees are collected by Community Health Workers (CHWs) after providing treatment to people. The people who receive medical treatment from CHWs pay a flat fee of **Frw 200** for those who have Community Based Health Insurance (CBHI, i.e mutuelle de santé) and **Frw 500** for those without CBHI. Funds collected are ultimately deposited in districts bank accounts through health centers. MINALOC and MoH will decide on the activities to be implemented using available user fees.

However, the audit noted that user fees amounting **Frw 718,967,043 (2020: 244,953,485)** deposited on districts' bank accounts as at 30th June 2021 have never been used in any activity. This was noted in twenty-three **(23)** districts.

This was due to lack of guidelines from Ministry of Health and MINALOC on how these funds would be used by the Districts. MINALOC in collaboration with Ministry of Health did not chart out a plan of utilizing these funds. Consequently, the Districts are not getting value for money from idle funds.

(F) Delays to transfer Nutrition Sensitive Direct Support (NSDS) funds to beneficiaries

Nutrition Sensitive Direct Support program is implemented to fight malnutrition among children and pregnant women of poor families. According to NSDS Scheme guidelines of December 2018, NSDS beneficiaries are entitled to Frw 7,500 per month, and the payment must be made within the first 10 calendar days at the beginning of each quarter. However, the audit identified the following delays to transfer funds to beneficiaries:

(G) Delays in payments of NSDS funds from SACCOs to beneficiaries

Funds amounting to **Frw 5,344,353,050** were transferred by SACCOs to beneficiaries with delays of up to **432** days in **ten** (**10**) districts.

- **Delayed disbursement of NSDS funds to SACCOs by the Districts**

Funds totaling **Frw 4,885,232,650** were transferred by the Districts to SACCOs with delays of up to **143** days in seven **(7)** districts.

Delayed transfer of funds negatively affects the social welfare of the designated beneficiaries (pregnant women and children of poor families).

- **Unused funds relating to MINAGRI earmarked transfers for lime purchase**

The districts received funds amounting **Frw 1,679,760,000** during the year ended 30 June 2021 for the purchase of lime for distribution to farmers to improve agricultural productivity of unused terraces and other selected consolidated sites using quality Lime and other soil fertility management inputs and appropriate agronomy practices.

However, it was noted that nine **(9)** districts did not use funds amounting to **Frw 247,611,275**. Funds This was due to lack of proper guideline to operationalize the design of the program.

2.5.8. IT Audits

2.5.8.1. IT audit of the National Identification and Smartcard System

(A) NIDA does not produce smartcard-based identity cards

The Government of Rwanda invested (**USD 2,513,896.26** equivalent to **Frw 2,560,743,285** in smartcard-based identity card production, which is part of the National Identification (NID) Project was approved by the cabinet meeting of 13 December 2006. Although the contractor delivered the required hardware and made software upgrade as per the deliverables stated in the contract in 2015, the audit noted that as of April 2022, NIDA does not produce smartcard-based national identity cards and the hardware procured to facilitate the production are idle. The Government has not realized the envisaged value for money.

2.5.8.2. IT audit of Building Permit Management Information System (BPMIS)

Since 2014, Building Permit Management Information System (BPMIS) was developed to integrate the existing Construction Permit Management Information System (CPMIS) implemented by the City of Kigali. The system deployment started in secondary cities namely Rubavu, Musanze, Muhanga, Rusizi, Huye, and Nyagatare. The system is currently being used by the City of Kigali and all District One-Stop-Centers.

Available information indicates that the Government has spent **Frw 226,598,228** on the enhancement of BPMIS. Initial investment amount is unknown. The audit noted the following weaknesses:

(i) Delays in issuance of building permits

The duration to assess and approve a complete application file for a building permit, and to grant a building permit must not exceed thirty (30) days from the date of confirmation of completeness of the application file.

The audit noted delays ranging from **61 to 1,581 days** in issuance of **908 building permits**. This is because of the following:

- Developers (project owners) do not receive notifications on application status: application for building permits is done through agents (private engineers and architects) who monitor the application status. Therefore, project owners get information sorely through the agent and this delays invoice payments.
- Delays in assessment of applications by One Stop Centers.

Therefore, this hinders the achievement of doing business objective and quality of service delivery. In addition, this may promote malpractice which may costs the applicants both in terms of money and time.

(ii) Overbilling of permit fees

The audit noted that 134 invoices which were overbilled by **Frw 6,180,000**; for example, an applicant paid application fees of **Frw 920,000** instead of **Frw 60,000**.

This was due to weak system control that allows invoicing any amount above prescribed thresholds.

Therefore, there is a risk that if this control is not reinforced, applicants may continue to be unfairly billed contrary to the Presidential Order.

(iii) The system allows to set building permit validity beyond the required period

The audit noted that the system lacks input control for validating building permit validity period. The validity period can be set above five years provided by Ministerial Order. As a result, on a sample basis, **60 building permits** were issued with validity period ranging between **6** and **3,336 years**.

Therefore, lack of input control over building permit validity period may promote unfairness and malpractices.

(iv) Weak interface with Land Administration Information and Irembo systems

BPMIS interface with Land Administration Information System (LAIS) helps to capture landowner and plot details using Unique Parcel Identifier (UPI). The interface with Irembo system allows online payment of fees and automatic payment confirmation. The audit noted interface weaknesses as follows:

- **The system does not use UPI to validate zoning plan:** Zoning plan indicates category of land usage as per the master plan. System walkthrough indicated that the system does not use UPI to validate zoning plan from LAIS. The zoning plan is inserted manually.

  Therefore, building permits may be issued contrary to the approved zoning plan as per master plan. This may negatively affect the implementation of the master plan.

- **Registered land use is editable:** during building permit application, the applicant inputs UPI which fetches from LAIS plot information namely plot owner, owner ID, location, plot size and registered use (residential, commercial, industrial, etc.).

  However, the audit noted instances where registered land use can be edited during application process.

  This may result in manipulation of land use which may eventually affect the implementation of the master plan.

3.0. CONCLUSION

There has been a positive trend in the number of unqualified audit opinions issued which underpins an improvement in public financial management systems.

However, the audit noted cases of unlawful and wasteful expenditure, noncompliance with public financial management laws and regulations as indicated in unsupported expenditure, partially unsupported expenditure, and funds fraudulently utilized.

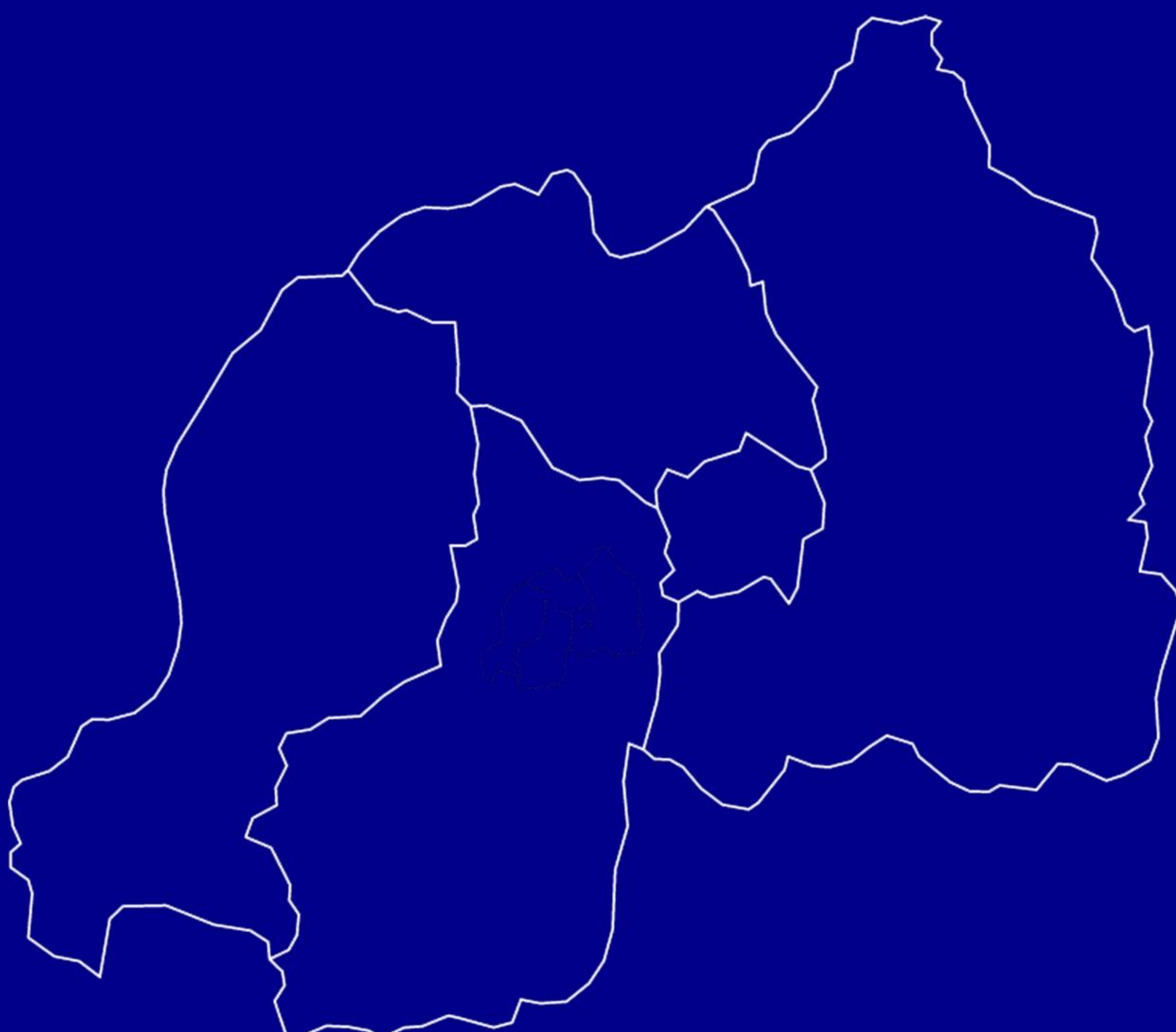
Further, the audit noted delays in the implementation of public works resulting in increased costs and some projects being abandoned, delayed, and idle assets which negatively impacts service delivery and value for money.

There were also projects with low absorption of funds, idle funds, low loan repayment rates, and investments with poor returns that undermine the sustainability of social programs.

In addition, the audit noted that some of the Government programs including textbooks for pupils, Girinka, Smart Classrooms, Rwanda Sustainable Water Supply and Sanitation, Crop Intensification, irrigation, Emergency Obstetric and Neonatal Care (Emonc) in Public Health Facilities, Nutrition, Sensitive Direct Support and VUP financial services continued to face implementation challenges. We call upon the management of implementing entities and those charged with governance to address the root causes of these challenges to enhance service delivery to citizens.

The Office of the Auditor General will continue to undertake performance audits of Government programs in order to provide credible, relevant, and value adding information to decision makers and positively impact the lives and livelihoods of citizens and other stakeholders.

We encourage Chief Budget Managers to continue implementing audit recommendations as this will improve efficiency and value for money in the use of public funds.



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