

**REPUBLIC OF RWANDA**  
**OFFICE OF THE AUDITOR GENERAL OF STATE FINANCES**



**ANNUAL AUDIT REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**



**"Every Rwandan Franc Should Count"**

## 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 confidentiality, 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.

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# Auditor General's Message



I am pleased to present this year's Annual Auditor General's report which summarises the outcomes of audits conducted between May 2022 and April 2023. The report has been prepared in accordance with Articles 165 and 166 of the Constitution of the Republic of Rwanda of June 2003, revised in 2015.

As the Supreme Audit Institution of the Republic of Rwanda, the Office of the Auditor General of State Finances (OAG) is committed to cultivating a culture of accountability, transparency, integrity, and performance in public entities to ensure that every Rwandan franc counts in delivering services to citizens and foster the country development as envisioned in NST1.

The report aims to promote public accountability by informing citizens how

public institutions used the budget appropriations for the financial year ended 30 June 2022.

This year, there was a gradual improvement in audit outcomes compared to the previous year and a modest improvement in the implementation of our previous year's recommendations.

We continue to conduct impactful audits to ensure our recommendations are relevant, add value to decision making, and have a positive impact on the lives and livelihoods of citizens. This year we introduced a preventive audit approach which has started to have a positive impact by deterring mismanagement of public resources.

I encourage the management of various public entities to take corrective measures to improve the public financial management system, service delivery, and compliance with laws and regulations.

I take this opportunity to thank OAG staff. Without their commitment and teamwork, this report would not have been completed on time.

KAMUHIRE Alexis  
AUDITOR GENERAL

KIGALI, 27<sup>th</sup> April, 2023



## **ACKNOWLEDGEMENT**

I want to acknowledge the Government of the Republic of Rwanda for the significant PFM reforms aimed at ensuring efficient and effective use of public resources for the benefit of the citizens.

I want to acknowledge the Parliament of the Republic of Rwanda for its oversight role and in particular the Public Accounts Committee (PAC) that scrutinizes the Auditor General's report in relation to the use of state finance and property, and holding accountable those in charge of managing public funds through public hearing sessions.

I want also to acknowledge the continued support from Development Partners to OAG that has facilitated the accelerated institutional growth.

I wish to thank the management of the audited institutions for their cooperation during the audit process.

Last but not least I would like to express my special appreciation to OAG staff for their enthusiasm, resilience, professionalism and commitment that has enabled the Office to continuously deliver on its constitutional mandate satisfactorily.



## **ABOUT THIS REPORT**

This annual audit report summarises key audit results from audit reports of public entities and projects for audits conducted between May 2022 and April 2023. The Office conducted Financial, Compliance, Performance, Special, and Information System audits. The Office also conducted the audit of State Consolidated Financial Statements.

Section 1 of the report provides an overview of the Office's mandate.

Section 2 of the report gives an overview of the audit coverage, a summary of opinions for audits done in the year, the status of implementation of audit recommendations, and a brief impact of audits.

Sections 3 to 6 of the report outlines key audit findings.

## **1. MANDATE AND MISSION OF THE OFFICE OF THE AUDITOR GENERAL**

### **1.1. Mandate**

Article 165 of the Constitution of the Republic of Rwanda of 4th June 2003 revised in 2015, as amended to date, requires 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.
- 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 each year, submit 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. The report must indicate the way the budget was utilised, unnecessary expenditures which were incurred or expenses that were contrary to the law, and whether there was wasteful expenditure or misappropriation.

In addition, Articles 6 of Law N° 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, requires the Office to carry out:

- Audit of Government revenue and expenditure in state organs;
- Forensic and special audits; and
- Audit of State consolidated financial statements.

## 2. AUDIT COVERAGE, OPINIONS ISSUED, STATUS OF AUDIT RECOMMENDATIONS, AND BRIEF IMPACT OF AUDITS

### 2.1. Audit Coverage

The Office of Auditor General (OAG) conducted five types of audit namely:



#### 2.1.1. Financial audits and compliance audits

This year ended 30 June 2022, we issued two hundred forty six (**246**) financial audit and compliance audit reports compared to two hundred forty three (**243**) in the previous year. These public entities and projects' audit reports supported the audit opinions issued on the State Consolidated Financial Statements. Below is a summary of entities and expenditure audited:

**Table 1: Audit coverage versus consolidated public expenditure for the year ended 30 June 2022**

Clusters of audited entities	N° of entities audited	Number of audit reports from audited entities	Expenditure audited for the year ended 30 June 2022 covered by the audits
			<b>Frw</b>
Projects	74	80	319,629,225,465
Central Government agencies	40	50	545,026,001,234
Boards	13	15	623,550,731,416
Government Business Enterprises (GBEs)**	17	17	127,801,833,406
Ministries	18	25	1,400,719,280,855
Districts and City of Kigali	28	28	797,627,292,799
Direct investment	1	1	-
District Hospitals*	30	30	-
Public debt (Consolidated FS)			756,692,378,724
Inter-entity transfers			(203,422,096,053)
	<b>221</b>	<b>246</b>	
<b>Net audited expenditure (A)</b>			4,367,624,647,846
<b>Total National Expenditure (B)</b>			4,604,032,960,281
<b>OAG Annual expenditure (C)</b>			6,079,623,932
<b>Total National Expenditure Auditable by OAG (D=B-C)</b>			4,597,953,336,349



Clusters of audited entities	N° of entities audited	Number of audit reports from audited entities	Expenditure audited for the year ended 30 June 2022 covered by the audits
			Frw
Audit coverage-2021-2022 (E=A/D)*100			95%

\* District hospitals expenditure amounting to **Frw 39,452,518,880** were consolidated by the supervising districts and City of Kigali.

\*\* The audit covered 17 GBEs, but only three sourced funds from treasury (EDCL, WASAC and RBA).

## 2.1.2. Financial and compliance audits per cluster

Table 2: Trend in number of financial and compliance audits conducted and audit coverage

Cluster	2019	2020	2021	2022
Projects	69	63	64	74
Central Government	23	29	18	40
Boards	11	10	11	13
Government Business Enterprises	2	6	14	17
Direct invest. by entities	-	-	7	1
Ministries	12	10	8	18
Districts and City of Kigali	31	31	28	28
Public Hospitals	26	26	30	30
Former District Pharmacies		-	30	-
	↑	↑	↑	↑
<b>Total</b>	<b>174</b>	<b>175</b>	<b>210</b>	<b>221</b>
Expenditure:	2,363Bn	2,793Bn	3,562Bn	4,367Bn
% Coverage:	87.1%	87.8%	91%	95%
Audit reports	181	188	243	246
Key:	↑ Increase			
	↓ Decrease			

At the time of reporting, we had not yet completed the audits of 7 entities. These are Akagera Game Lodge, Rwanda Social Security Board 2022, Rwanda Ultimate Golf Course Ltd, Ultimate Development Ltd, Rwanda Medical Supply Ltd, Rwanda Engineering Manufacturing

Corporation, and SONARWA Life. Their audit reports will be forwarded to Parliament upon completion of the audit exercise.

### **2.1.3. Performance, IT and Special audits**

This year, we conducted **14** performance audits, **6** Information System (IS) audits, and **12** special audits. **See details below:**

#### **(A) Performance audit**

1. Performance Audit of Mental Health System in Rwanda
2. Performance Audit of Public TVET Schools
3. Performance Audit of Irrigation Program
4. Performance audit on the management of public transport bus services
5. Performance Audit of Irembo platform
6. Performance Audit of the Protection of National parks
7. Performance Audit of the production and distribution of electricity
8. Follow up of the Performance audit of financing and managing claims of accidental damages by SGF
9. Performance Audit on the effectiveness of RCA in empowering cooperatives
10. Performance Audit on the maintenance of Bakokwe-Kiyumba-Nyabarongo unpaved road
11. Performance Audit on the production and distribution of clean water: Case study of Bugesera and Ruhango districts
12. Performance Audit on the Development of Industrial Parks
13. Environmental Audit on the management of E-waste
14. Performance Audit of safety and quality control of processed food products

#### **(B) IS Audits**

1. IS Audit of Integrated Personnel and Payroll Information System (IPPIS)
2. IS Audit of Irembo Platform
3. IS Audit of Criminal Record System (CRS)
4. IS Audit of Witness & Victim Protection System (WVPS)
5. IS Audit of Rwanda Food and Drugs Authority Systems
6. IS audit of Integrated Electronic Case Management System (IECMS) - Follow up

**Table 3: Performance, Special and IT Audits Trend**

	2018-2019		2019-2020		2020-2021		2021-2022
Performance audits	6	▲	9	▲	10	▲	14
IT audits	3	▲	5	▲	6		6
Special audits	17	▲	20	▲	28	▼	12

**Key:** ▲ Increase  
▼ Decrease

## 2.2. Audit opinions issued

The opinions issued are detailed below:

### 2.2.1. Audits of financial statements

Out of **221** public entities and projects audited, **151** (*representing 68%*) had unqualified opinions, **57** (*representing 26%*) had qualified opinions, and the remaining **13** (*representing 6%*) had adverse opinions on their financial statements. The following table gives a snapshot of the trend for audit opinions issued per public entities and projects audited.

**Table 4: Trend of audit opinions per audited public entities and projects**  
(The table shows number of entities and percentage of opinions that they obtained per each year)

	Opinions per entities				Total entities
	Unqualified	Qualified	Adverse	Disclaimer	
<b>2022</b>	151 68% ▲	57 26%	13 6%	0 0%	221
<b>2021</b>	98 57% ▲	63 36%	12 7%	0 0%	173
<b>2020</b>	95 54% ▲	55 32%	25 14%	0 0%	175
<b>2019</b>	92 53%	55 31%	26 15%	1 1%	174

Though the number of unqualified opinions has increased, twenty five (**25**) public entities obtained unqualified opinions but with an emphasis of matter paragraph. This is a paragraph that indicates a matter in the financial statements that the auditor considers fundamental to the users' understanding of financial statements.

For example, thirteen (**13**) public entities and projects were not able to pay taxes amounting to **Frw 58.86 Bn.** As such, this liquidity problem threatens their reputation. These entities include EDCL and RTDA.

Other emphasis of matter included:

- EUCL purchased energy from expensive independent power producers and made excessive losses;
- Bella Flowers made excessive losses and expanding beyond its operational capacity;
- Muhabura Multichoice Company (MMC) was struggling to pay off its bank loan;
- EDCL/ Interconnection of Electric Grids of Nile Equatorial Lakes Countries Project had a contingent liability of **Frw 24 Bn.**













In addition, 32 public entities and projects submitted financial statements to OAG with material errors. They were subjected to adjustments to get unqualified opinions. This process delayed the completion of the audit. These included; EDCL, RDB, RTB, RSB, and RWB. There is need for Chief Budget Managers to properly review financial statements before submission.

### **2.2.2. Audit Opinions on compliance with laws and regulations regulating public spending**

Out of the **221** public institutions audited, only **135** (representing **61%**) entities had unqualified opinions, **77** (representing **35%**) had qualified opinion while the remaining **9** (representing **4%**) entities had adverse opinions on compliance with laws and regulations regulating public spending. The table in the next page provides a summary of the Opinions:

**Table 5: Trend of audit opinions per audited public entities and projects**

(The table shows number of entities and percentage of opinions that they obtained per each year)

	Opinions per entities			Total entities
	Unqualified	Qualified	Adverse	
<b>2022</b>	135 	77 	9 	221
<b>2021</b>	76 	83 	14 	173
<b>2020</b>	73 	82 	20 	175
<b>2019</b>	79 	70 	25 	174













### 2.2.3. Audit Opinions on compliance with laws and regulations to realize value for money

Out of **221** compliance audits concluded, only **117 (representing 53%)** public entities and projects had unqualified opinions, **74 (representing 33%)** had qualified opinions and the remaining **30 (representing 14%)** had adverse opinions. The table in the next page provides a summary of the Opinions:



**Table 6: Trend of audit opinions per audited public entities and projects**

*(The table shows number of entities and percentage of opinions that they obtained per each year)*

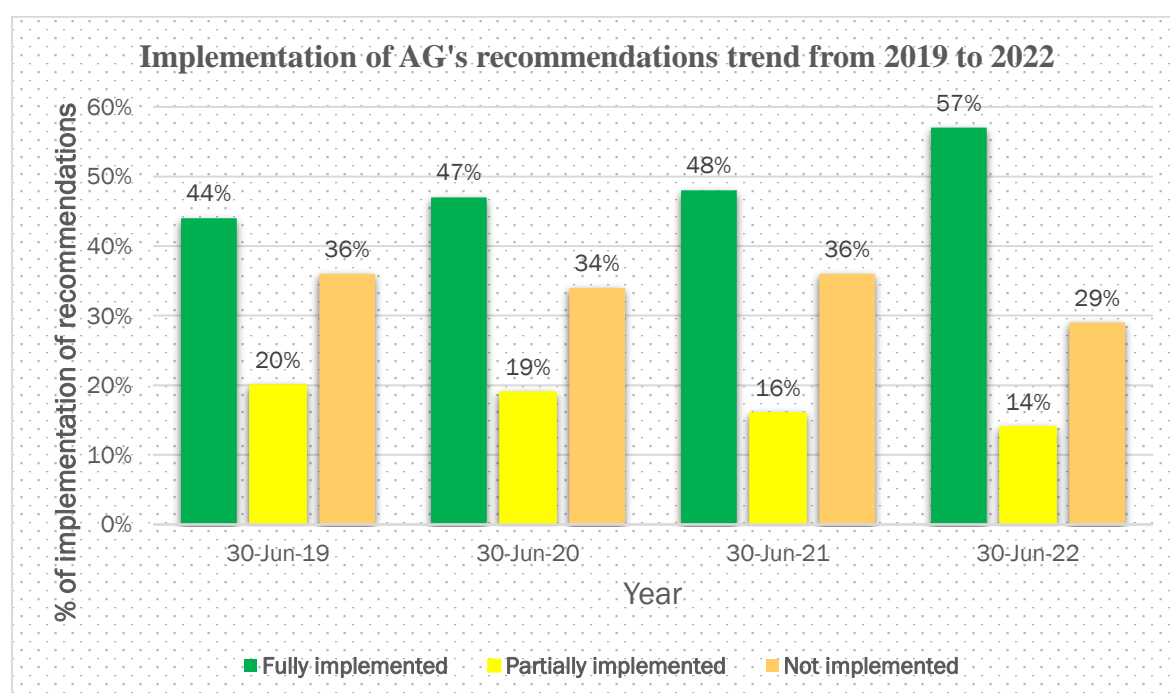
	Opinions per entities audited			Total entities
	Unqualified	Qualified	Adverse	
<b>2022</b>	117 	74 	30 	221
<b>2021</b>	76 	53 	44 	173
<b>2020</b>	84 	49 	42 	175
<b>2019</b>	78 	51 	45 	174

### 2.3. Status of Implementation of Audit Recommendations

The Office of the Auditor General is committed to conducting impactful audits of government institutions to ensure that public resources are being utilized for national priorities and the wellbeing of Rwandan citizens. Improvement in public financial management systems will only be realized when audit recommendations are implemented by management and those charged with the governance of public institutions. Adequate implementation of the Auditor General's recommendations is a key requirement as stipulated by Article 80 of the Organic Law N° 002/2022 OL of 12/12/2022 on Public Finance Management.

Out of 4,216 recommendations given in the previous audit, only 57% were fully implemented, 14% were partially implemented while 29% were not implemented. **Refer to the graph below for more details:**

**Figure 1: Trend in implementation of AG's recommendations by public institutions**  
(The figure shows the trend in implementation of total number of recommendations (in %) given to entities)



#### **2.4. Impact of the audit – financial losses likely to be recovered**

Deficiencies in public financial management may prevent the government from achieving the objectives set out in the National Strategy for Transformation 1, such as quality education for all, moving towards a Poverty Free Rwanda, and increasing agriculture and livestock quality.

The current year's audits placed a strong emphasis on reviewing contracts before their implementation or while they were in progress. This audit approach helped to identify financial losses while there is still a chance for remedies.

The audit identified public financial losses amounting to **Frw 10.05 Bn** that were likely to be recovered. The losses were as a result of contracts that were not properly designed. Management of the entities committed to discuss with the contractors to recover the losses:

### 3. REPORTING ON THE PROVISION OF ARTICLE 166 OF THE CONSTITUTION

#### 3.1. Unlawful expenditure

Article 166 of the Constitution of the Republic of Rwanda of 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”. During the current year ended 30<sup>th</sup> June 2022, different cases of unlawful expenditure totaling **Frw 6.45 Bn** were noted. The table below highlights the trend in unlawful expenditure observed over the years in the following technical categories:

**Table 7: Mismanaged public funds**

*(The table shows the trend in total unlawful expenditure noted in all entities audited)*

Description	2022	2021	2020	2019
	Frw	Frw	Frw	Frw
Unsupported expenditure	0	229,315,415	141,471,269	112,128,865
Partially supported expenditure	644,492,724	1,243,807,554	1,116,552,332	1,398,942,549
Wasteful expenditure	2,453,267,292	1,682,268,950	4,040,484,359	6,198,513,732
Overpayment	3,187,376,871			
Unauthorised expenditure			308,429,452	484,286,074
Funds diverted (fraud)	169,074,343*	45,331,149	57,130,704	412,051,968
<b>Total</b>	<b>6,454,211,230</b>	<b>3,200,723,068</b>	<b>5,664,068,116</b>	<b>8,605,923,188</b>

*\*This case is for RCS*

As highlighted in the above table, unlawful expenditure were increasing (**87%**). there is a need for Chief Budget Manager to put in place strong internal controls to avoid them.

#### 3.2. Unresolved Fraud cases

Follow-up audits during the year revealed that cases of fraud amounting to **Frw 2.47 Bn** highlighted in our previous audits were yet to be resolved. During the year under audit, we noted that public entities had only recovered **Frw 177,964,232** and **Frw 2.29 Bn** were yet recovered, *as summarized in the table on next page:*

S/N	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	464,114,807	14,560,000	449,554,807
2	Funds used for personal gain and not accounted for	541,204,254	135,221,271	405,982,983
3	Funds and materials diverted and not reaching intended beneficiaries	895,999,500	26,565,961	869,433,539
4	Funds withdrawn using forged documents/ signatures	568,725,457	0	568,725,457
5	Others	1,617,000	1,617,000	0
	<b>Total</b>	<b>2,471,661,018</b>	<b>177,964,232</b>	<b>2,293,696,786</b>

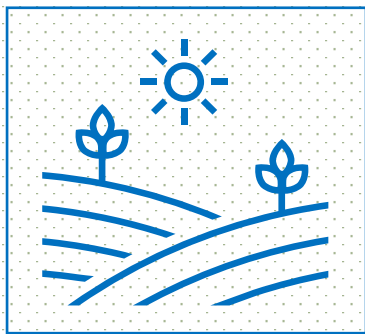
Failure to recover public funds used fraudulently constitutes a loss to the Government. There is a need for MINIJUST to strengthen follow-up mechanisms and to take appropriate actions on each case.

## **SECTORS SPECIFIC FINDINGS**



#### 4. SECTORS SPECIFIC FINDINGS





# Agriculture



## 4.1. AGRICULTURE SECTOR

### 4.1.1. Rwanda Agriculture and Animal Resources Development Board (RAB)

#### 4.1.1.1. Audit of operations and management of irrigation schemes

Rwanda Agriculture and Animal Resources Development Board (RAB) is in charge of agricultural development including the irrigation program. The Government had spent **Frw 181.21 Bn** on irrigation program over a period of four years (2018-2022).

As per NST 1, the Government of Rwanda through RAB had targeted to increase the irrigation area from **48,508 ha** (2017) to **102,284 ha** by 2024.

The annual report of agriculture sector of 2022 indicated that the total area of irrigated land in Rwanda is **68,126 ha** from hillside (8,780ha), Marshland (**37,273 ha**) and SSIT (**22,073 ha**).

OAG reviewed the irrigation program between July 2018 and December 2022 to assess whether RAB had established adequate irrigation schemes to reduce dependence on unreliable rain-fed agriculture. The following were the key findings:

#### (i) Significant gaps in the contract management for rehabilitation works of five (5) irrigation schemes

As highlighted in the previous audit report, on 31 January 2020, RAB had signed a framework contract for the supply and installation of irrigation infrastructure in different irrigation sites. The audit noted a number of key irregularities which included overpricing the cost of hiring excavators, and wages for casual workers. The cost of transporting the excavator was also exorbitant as it assumed that the excavator will be transported every day to and from the site.

During the year, the audit assessed whether RAB exercised due care in the rehabilitation of Mukunguli and Gashora marshlands, Cyabayaga, Bwera and Rwabiharamba dams. The following were the key findings:

- **Works not executed and other limitations**
  - Works worth **Frw 359,970,341** were not executed on three sites, namely Mukunguli, Gashora, and Cyabayaga;

- In addition, works of excavation and backfill executed at Gashora, Bwera and Rwabiharamba worth **Frw 987,242,054** could not be verified due to a lack of demarcations of the areas covered by works, and the contractor and local farmers providing different information about the sites.

- **Works were executed without supervision:**

Works were executed without a permanent site supervisor. In addition, RAB did not obtain progressive measurements of executed works to determine the exact amount of works executed by the contractor on all the five sites.

The above gaps are indicators of misuse of public funds. RAB should liaise with the contractor to be refunded for funds unduly paid.

**(ii) Misuse of public funds in RAB:**

- **Duplicated items in the bills of quantities**

The current year's audit noted that the two (2) contracts in the table below, had duplicated activities/ items in their bills of quantities amounting to **Frw 1.11 Bn.** The contractor was paid based on stage of completion of works, making it difficult to ascertain the amount that had been paid as the works were still ongoing.

**Table 8: Duplicated items in the bills of quantities**

<b>Contract description</b>	<b>Duplicated items</b>
	<b>Frw</b>
Irrigation (1220/1752Ha) & Watershed in Mahama Sector (Lot1)	621,759,151
Irrigation and watershed in Mahama Sector (Lot2)	491,241,064
<b>Total</b>	<b>1,113,000,215</b>

The inclusion of duplicated items in the bills of quantities may lead to unnecessary payments. There is a need for RAB Management to take urgent action to amend the contract and recover any funds that may have been unduly paid.

- **Access roads constructed at inflated costs**

The review of contract of **USD 12,286,576** signed on 17 May 2017 for Establishment of Centre of Excellence in farm mechanization revealed the following inflated costs:

- The unit price per square meter quoted for internal roads (within the Centre) was higher than that of external roads (outside the Centre) by **USD 170.11**, yet the two roads had similar technical specifications. This will lead to RAB paying an additional **USD 782,460** equivalent to **Frw 853,914,247** due to overpricing of the internal roads.
- The double surface chip seal road (bi-couche) was also abnormally overpriced compared to similar roads constructed in the same period by up to **Frw 1.71 Bn.** Value for money will not be realized.

- **Building design with unnecessary high costs**

The audit of the same contract for establishment of Centre of Excellence noted that unnecessary and expensive civil works and materials worth **Frw 201,715,262** were used

to construct a generator room ( measuring 12x15m), a panel room (measuring 8x5m), and a scrap yard (measuring 12x10m) using reinforced structures such as footings, sub-columns, columns, and beams *as depicted in the photos below*:



*Photo taken by OAG Auditors on 13 February 2023 showing panel room under construction at Centre of Excellence that will cost Frw 23,731,207*



*Photo taken by OAG Auditors on 13 February 2023 showing scrap yard under construction at Centre of Excellence that will cost Frw 71,193,622*



*Photo taken by OAG Auditors on 13 February 2023 showing generator room under construction at Centre of Excellence that will cost Frw 106,790,433.*

Going forward, RAB management should exercise due care in contract management.



**(iii) Inflated prices of two contracts for development of irrigation in Mahama (Lot 1 and Lot 2)**

In July and August 2021, RAB awarded 2 contracts for development of irrigation in Mahama lot 1 and lot 2 worth **USD 26,772,143** and **USD 27,848,278** respectively. The BOQ items included in the bid documents showed that similar items were needed on both lots.

However, the audit noted that there were differences in unit prices of similar items included in the two contracts. The difference in unit prices resulted in extra cost being incurred on Mahama Lot 1 totaling **USD 1,763,048.2 (equivalent Frw 1.74 Bn)** due to overpricing on same items compared to Mahama Lot 2 prices. Further, extra cost totaling **USD 1,128,614.90 (equivalent Frw 1.12 Bn)** will be incurred on Mahama Lot 2 due to overpricing on similar items compared to Mahama Lot 1 prices.

The audit is of the view that, since the items were the same and the award of tenders was done in the same period, RAB could have negotiated the same unit prices for similar items.

Going forward, due care should be exercised in all processes of procurement and RAB should ensure that realistic market research is undertaken before awarding tenders.

**4.1.1.2. Postharvest Handling and Storage Task Force (PHHSTF)**

**(i) Targeted national food reserve quantity not achieved**

As at 30 June 2022, PHHSTF had only met **19%** of the targeted annual national grain strategic reserve (maize and beans) set in the National strategic plan for agriculture transformation 2018-2024. In addition, the available warehouses had capacity to store only **24%** of targeted annual grain strategic reserve (maize and beans). **See details in the table below:**

Description	Target in Metric tons	Actual in Metric tons	% of actual performance
National grain strategic reserve (maize and beans)	65,000	12,238	19%
Size of warehouses storage capacity	65,000	15,800*	24%

\* Actual size of the storage capacity

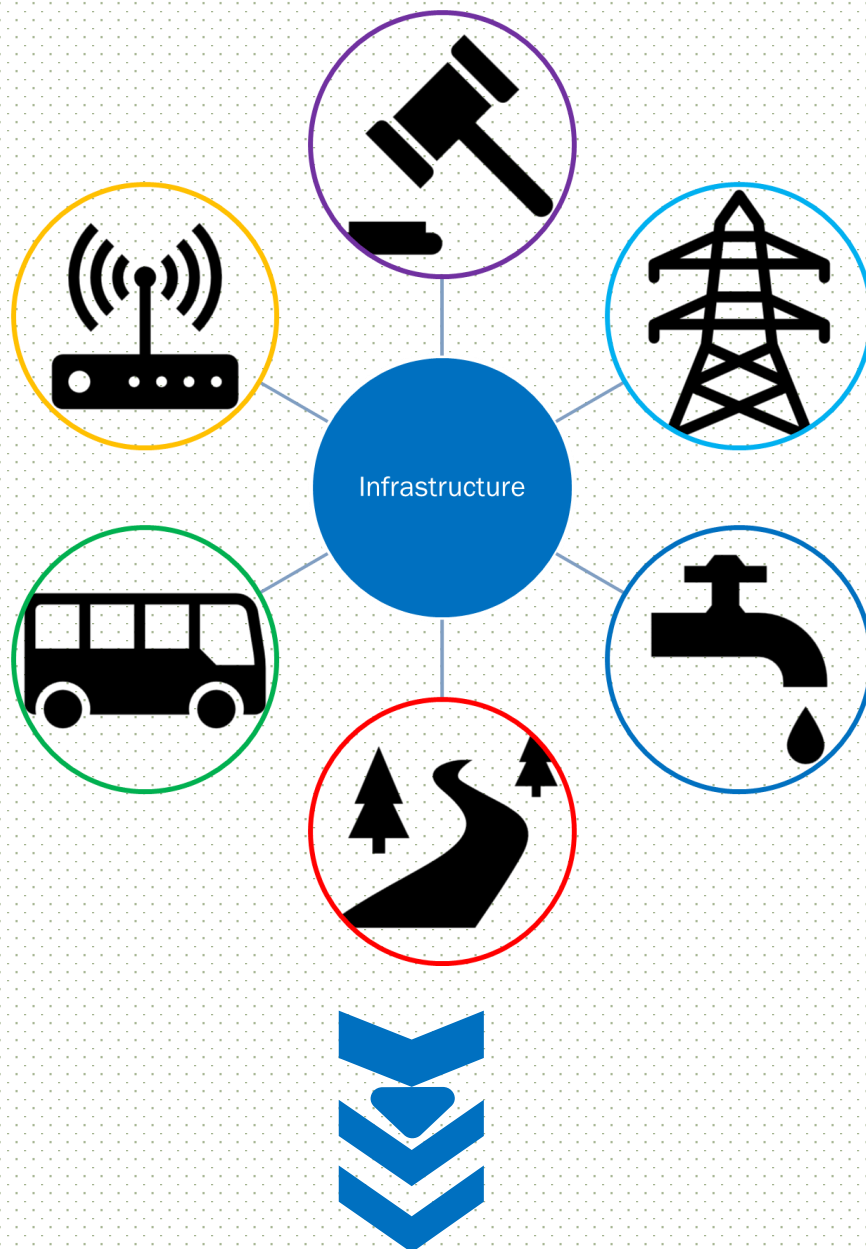
PHHSTF should ensure that the required food for strategic reserve are available by mobilizing funds to expand warehouse storage capacity and buying food reserve in line with the existing plan.

**4.1.1.3. Shortage of fertilizers requested by coffee farmers countrywide in NAEB**

Coffee farmers were supplied with 8,168,847 Kgs less of fertilizers than the quantities they had requested. The shortage of the required quantities of fertilizers may lead to decrease in fruit size, flowering and fruits set and coffee resistance to drought. NAEB attributed the shortage in fertilizers to recent increase in prices as a result of Covid 19 and the war in Ukraine.

We recommended NAEB to work closely with farmers and MINECOFIN to address the shortage.

## 4.2. INFRASTRUCTURE



#### **4.2.1. Rwanda Utility Regulatory Authority (RURA)**

##### **4.2.1.1. Public Transport Bus and Moto-Taxi Services**

The audit of Public Transport Bus and Moto-Taxi Services identified the following material gaps:

##### **i) Lack of regular and comprehensive public transport needs assessment**

RURA did not conduct regular and comprehensive transport needs assessments to establish existing market demand and supply of public bus services. As a result, it was not able to make informed decisions that respond to passengers' needs.

The assessment should analyse both existing and new routes, the number of passengers, bus capacity requirements, and the performance of current operators' to establish the number of buses needed on different routes.

This is exemplified by the reduction in the number of bus seats available between the year 2015 and 2022 by **2,277** seats (*2015: 22,238 seats and 2022: 19,961 seats*) in the City of Kigali as a result of a reduction in the number of buses. This resulted in long queues at bus parks and stops.

RURA should regularly assess and monitor market changes to ensure that the demand for public transport across the country is met in a timely manner.

**Table 9: Double penalties and/or fines for the same offence**

*(The table shows the fines charged by RURA and the same offence is charged by Police)*

N°	Fault or offence	RURA fines		Police fines
		Multi-stop, inter-city, cross-border operator	One person company	
		Frw	Frw	Frw
1.	Exceeding the number authorized passengers (Overloading)	200,000	60,000	10,000
2.	Mixing luggage with passengers	100,000	50,000	10,000
3.	Use of a bus without appropriate insurance	200,000	50,000	10,000
4.	Using a bus without authorization	300,000	50,000	10,000
5.	Violation of any other directive or instruction (relating to traffic)	100,000	100,000	10,000
6.	Using a bus without a speed governor or with tampered one	300,000	100,000	50,000

RURA should consider collaborating with Rwanda National Police to harmonise the fines and penalties applicable to public transport to eliminate duplication.

#### **4.2.1.2. Operational problems in RURA**

##### **(i) Public Financial Management regulations not observed**

RURA did not prepare three-year medium-term expenditure plans and discuss its budget with MINECOFIN as required by Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property.

Further, there was no policy to guide how the budget surplus to be transferred to the National Treasury will be determined. As a result, RURA had accumulated **Frw 41,147,099,865** in its bank accounts as at 30th June 2022.

RURA should liaise with MINECOFIN to prepare criteria for determining the surplus to be sent to the National Treasury. The Organic Law on state finances and property applicable to public institutions and relevant regulations should also be observed.

##### **(ii) Telecommunication companies not contributing to CBHI**

Two (2) telecommunication companies that provide voice calls to customers did not contribute **Frw 738,322,475** to CBHI contrary to the requirement in Article 2 of Prime Minister's Order N° 105/03 of 30/09/2020 that all telecommunication companies should

contribute **2.5%** of their annual turnover to CBHI (from November 2022, the rate increased to **3%**).

RURA should consider increasing CBHI revenue by including all telecommunication companies.

**(iii) Exorbitant payment to the contractor of RURA Headquarters' Building**

The current year's audit noted exorbitant payments to the contractor of RURA Headquarters Building amounting to **Frw 2.62 Bn**, *as indicated in the table below*:

**Table 10: Exorbitant payment to the contractor of RURA Headquarters' Building**

Description of the loss	Amount (USD)	Equivalent in Frw**
Excess payment to acquire a performance bond	965,692	711,567,473
Duplicate payment for lump sum items with the description "construction equipment, water, electricity, security of site, etc.", yet the same items were included in the detailed bills of quantities	2,491,666.67	1,835,976,156
Payment for works not executed (kerbs)	101,182.36	74,555,880
<b>Total</b>		<b>2,622,099,509</b>

**\*\* Exchange rate of USD 1= Frw 736.847 at the contract date.**



#### 4.2.2. Rwanda Transport Development Agency (RTDA)



##### (i) Persistent delay in execution of the contract for the supply of Nkombo Boat

As highlighted in the previous audit reports, the construction of Nkombo Boat which initially should have been completed in April 2019 was at **56.48%** of completion at the time of the audit in October 2022. Hence a delay of more than **3 years and 6 months**. The contractor had been paid **USD 1,568,529.21** (i.e. **59%** of the total contract value of **USD 2,656,600**). At the time of audit, the contractor was still assembling the bottom deck, which is the first of the five stages in the construction of the boat.

Management indicated that the delay was mainly due to budget constraints. This will delay the envisaged benefits of the project if no urgent action is taken.

##### (ii) Poor quality of periodic maintenance of tarmac roads

During the field visits conducted in October and November 2022, the audit noted that periodic maintenance of two (2) tarmac roads were not done effectively, *as detailed in the table on next page.*

Road description	Date of completion of maintenance	Contract amount (Frw)	A sample of photo at the time of field visit
Kigali–Muhanga-Akanyaru paved road (157km), Phase III	29 October 2020	2,821,266,188	 <p><b>PK 82+350</b></p>
Muhanga-Ngororero-Mukamira asphalt road (98.593km)	16 November 2020	2,794,180,164	 <p><b>PK51+200</b></p>

Therefore, there was no value for money derived from road maintenance. RTDA should make a follow-up and ensure that all defects are adequately corrected by the contractor before the expiry of the defects liability period.

#### **4.2.2.1. Lake Kivu Inland Water Transport Project (LKIWTP)**

##### **(i) Construction of planned ports at Lake Kivu that were put on hold**

LKIWTP is a project established with a funding of **USD 32,648,318** from Trade Mark East Africa (TMEA), The Netherlands enterprise (RVO) and the Government of Rwanda to develop four (4) ports facilities across Lake Kivu in Rubavu, Rusizi, Karongi and Rutsiro districts as envisioned under NST1. The original duration of the project was 5 years from 2018 to 2023. The audit noted the following gaps:

- Construction activities of two (2) ports at Rubavu and Rusizi districts put on hold**

The construction of two (2) ports in Rubavu and Rusizi districts at a cost of **USD 12,457,098** was expected to be completed on 17<sup>th</sup> June 2021. However, the construction was suspended when the construction works were at **26%**. This was done in order to revise the study following unforeseen ground and soil conditions. The revised detailed study was due in August 2021 but at the time of the audit in November 2022 they were not yet approved. RTDA Management should liaise with the contractor to expedite the feasibility study.

##### **(ii) Construction of two remaining ports yet to start**

The procurement process for the construction of the remaining two ports (Nkora at Rutsiro and Karongi) was put on hold because of lack of funds. RTDA management indicated that they were still mobilizing funds for the projects.

There is a need for RTDA to speed up funds mobilization in order to improve inland water transport.

#### **4.2.2.2. RTDA/ Ngoma-Ramiro Road Upgrading Project**

##### **(i) Slow pace in construction works to upgrade Ngoma-Ramiro road: Lot 1&2:**

- RTDA procured works for upgrading Ngoma-Ramiro road (**lot 1**) -**29.12 Km** worth **Frw 31.75 Bn**. The road was scheduled to be complete into (2) years effective from September 2021. At the time of audit in October 2022, the works were at **17%** of completion after one year of execution. It is unlikely that the road will be ready by the intended period.
- In addition, RTDA contracted the upgrading Ngoma-Ramiro road (**lot 2**) -**23.06Km** worth **Frw 33.21 Bn** for 2 years effective from September 2021. At the time of audit in October 2022, the construction was only at **23%** of completion after one year of execution. Therefore, it is unlikely to avail the road to the Citizens at the intended period.

Management indicated that they faced budget constraint for expropriation. There is a need for RTDA to work closely with the MINECOFIN for budget allocation.

#### **4.2.2.3. RTDA/ Lake Victoria Transport Program (LVTP) Ngoma - Nyanza Road**

- **Delay in completion of construction of Kibugabuga - Gasoro (66.55 Km) Road Upgrading Project (Lot 2)**

The upgrade of Kibugabuga-Shinga-Gasoro road (**66.55Km**) worth **Frw 40,727,960,565** was expected to be completed in November 2021. However, the progress of works was at **76.42%** at the time of the audit in October 2022. Hence, a delay of almost one year.

The contractor did not mobilize sufficient manpower and equipment. There is a need for RTDA to get a catch plan from the Contractor and speed up the completion of the remaining works without further delay.

#### **4.2.2.4. RTDA/ Huye-Kibeho-Munini road (66km) project and upgrading works for Nyagatare-Rukomo road project (73.3 km)**

The audit noted that RTDA made excessive payments amounting to **Frw 1.35 Bn** to contractors for duplicated items in the contracts, *as indicated in the table on next page:*

**Table 11: Duplicated items in the contracts**

Description of the loss	Entity	Amount (USD)	Equivalent in Frw**
Duplicated items included in the bills of quantities (BoQ) of the contract for upgrading works of Huye-Kibeho-Munini road (66 km)	RTDA/ Huye-Kibeho-Munini road (66km) project	1,280,203.68	1,311,546,146
Duplicate payment to the supervising firm for an item relating to provision of drivers (This was paid to the supervising firm as per the contract, yet the main contractor is paid for the same services to the supervising firm).	RTDA/ Upgrading works for Nyagatare-Rukomo road project (73.3 km)	-	35,775,000
<b>Total</b>			<b>1,347,321,146</b>

\*\* Exchange rate was at the contract date.

Management committed to recover funds wrongly paid.

### 4.2.3. Rwanda Housing Authority (RHA)

#### (i) Construction works executed without regular supervision

As highlighted in the previous report, the audit still noted that RHA management had signed five (5) contracts amounting to **Frw 11.68 Bn** to implement different construction projects without hiring independent supervising firms. This contravenes section 34 of circular N° 010/2012-117/RPPA of 10 April 2012 of RPPA, which requires hiring an independent supervising firm for all works that are above **Frw 50,000,000**.

Although RHA was put in place to oversee public construction, there was no evidence of adequate follow-up and monitoring of contract execution carried out by RHA on regular basis. Management has committed to involve supervising firms, going forward.

#### (ii) Stalled renovation works of Huye Stadium

On 11 May 2022, the Government of Rwanda through Rwanda Housing Authority (RHA) awarded a two months contract for the renovation of HUYE stadium worth **Frw 9.89 Bn**. This contract was extended four times to 15th October 2022 and the contract sum increased to **Frw 17.99 Bn**.

On 21 February 2023, the Ministry of Justice rejected the fifth extension request in its legal opinion because it was not legally acceptable, given that it was sought after the contract had expired.

The visit conducted on 14 March 2023 by the audit team, over two months after the expiry of the contract, revealed that the following works were not yet completed (86% of completion): the transformer of 1000Kva was not yet supplied, the stadium was not soundproofed, there was no floodlights, and installation of electricity in Huye stadium was not done. It was noted that Rwanda Housing Authority (RHA) paid **Frw 11.88 Bn**.

The audit also noted nineteen (19) defects. The examples of these defects included 196 VIP seat covers that were damaged by adverse weather conditions among others and the fence affected by humidity, *as per the photo on next page*:



*Damaged seats at Huye stadium Photos taken by OAG on 14<sup>th</sup> March 2023*

Therefore, if the defects are not corrected before the provisional handover, it may result in additional costs for repair. RHA should request the contractor to rectify defects before final payments.

#### 4.2.4. RWANDA ENERGY GROUP

##### 4.2.4.1. Energy Utility Corporation Limited (EUCL)

EUCL made a loss of **Frw 52.50 Bn** during the financial year ended 30 June 2022 compared to a profit of **Frw 2.02 Bn** in the previous year. The decrease in profitability was mainly due to increase in the cost of sales (by **56%**) and deferred tax charge for the year. It should be noted that during the current year, the Government provided **Frw 39.35 Bn** to subsidize electricity tariff. The audit noted that EUCL is purchasing power from expensive suppliers which was leading to poor financial performance, as described below:

##### (i) Purchase of power from high cost sources

Thermal power plants are the most expensive source of energy with a unit cost of **Frw 375.5** per Kwh, as shown in the table below.

Table 12: Unit production cost per each source of power

Source of energy	Cost of energy/ KWh
	<b>Frw</b>
Thermal power plant	375.5
Hakan peat power plant	259.9
Methane Gas	173.7
Hydro power plant	136.9

During the year ended 30 June 2022, the audit noted that the cost to obtain power from thermal power plants constituted **31%** of the total production costs but only provided **14%** of total energy mix. This ultimately resulted into production of expensive power. EUCL paid **Frw 38.83 Bn** to source energy from thermal power plants. This will continue to worsen the financial performance of EUCL unless there is a plan to phase out thermal plants. *See details in the table below.*

	Power plant category	Number of power plants	Costs incurred as per power plant category (Frw)	Percentage of cost incurred per plant category	Annual energy generation “ kWh”	% of energy produced per plant categories
1	Thermal power plant	3	38,828,445,489	31%	103,416,460	14%
2	Methane Gas	1	37,977,920,864	30%	218,596,398	30%



	Power plant category	Number of power plants	Costs incurred as per power plant category (Frw)	Percentage of cost incurred per plant category	Annual energy generation “ kWh”	% of energy produced per plant categories
3	Solar energy	1	2,357,783,531	2%	12,765,790	2%
4	Peat	1	6,446,239,158	5%	50,635,086	7%
5	Hydro power plant	28	35,248,332,313	28%	257,488,567	35%
6	Import	3	4,949,449,841	4%	96,535,847	13%
	<b>Total</b>		<b>125,808,171,196</b>	<b>100%</b>	<b>739,438,148</b>	<b>100%</b>

The company should plan and invest in alternative cheap energy sources to replace thermal plants.

## (ii) Delay in connecting customers

There were stock out of key electrical materials such as service cables and meters ranging from **1** to **9** months at REG central store and visited branches. As result, REG did not connect **7,475** customers. The delay ranged from **3** to **8 months** at the time of audit.

## (iii) Delays in handling customers' complaints

The audit analyzed **211,534** customer queries and complaints from nine branches. The most repetitive claims include power outages; meter faults; meter bypass; token not entering in the meter; poles falling down; among others.

The results indicated that **22,571** complaints were handled within a period of **30** to **795 days**. These delays hamper customer satisfaction and compromise REG core value of serving customers with excellence. REG should improve its customer service delivery.



#### **4.2.5. Rwanda Electricity Sector Strengthening Project (RESSP)**

##### **4.2.5.1. Continuous gaps noted in execution of contract for supply of smart meters for EUCL big customers**

RESSP through EUCL spent **Frw 288,069,890** to purchase smart meters as part of revenue protection program (RPP) to contribute to a significant reduction/control of electricity commercial losses. In the previous year, the audit highlighted that the supplier failed to commission and integrate the smart meters to the Meta Data Management System (MDMS).

The current audit noted that the supplied meters were still waiting for testing and integration to MDMS, more than two years after the meters were received in EUCL's store.

Management attributed the delay to an integration issue of the supplier's system with other systems which was yet to be fixed.

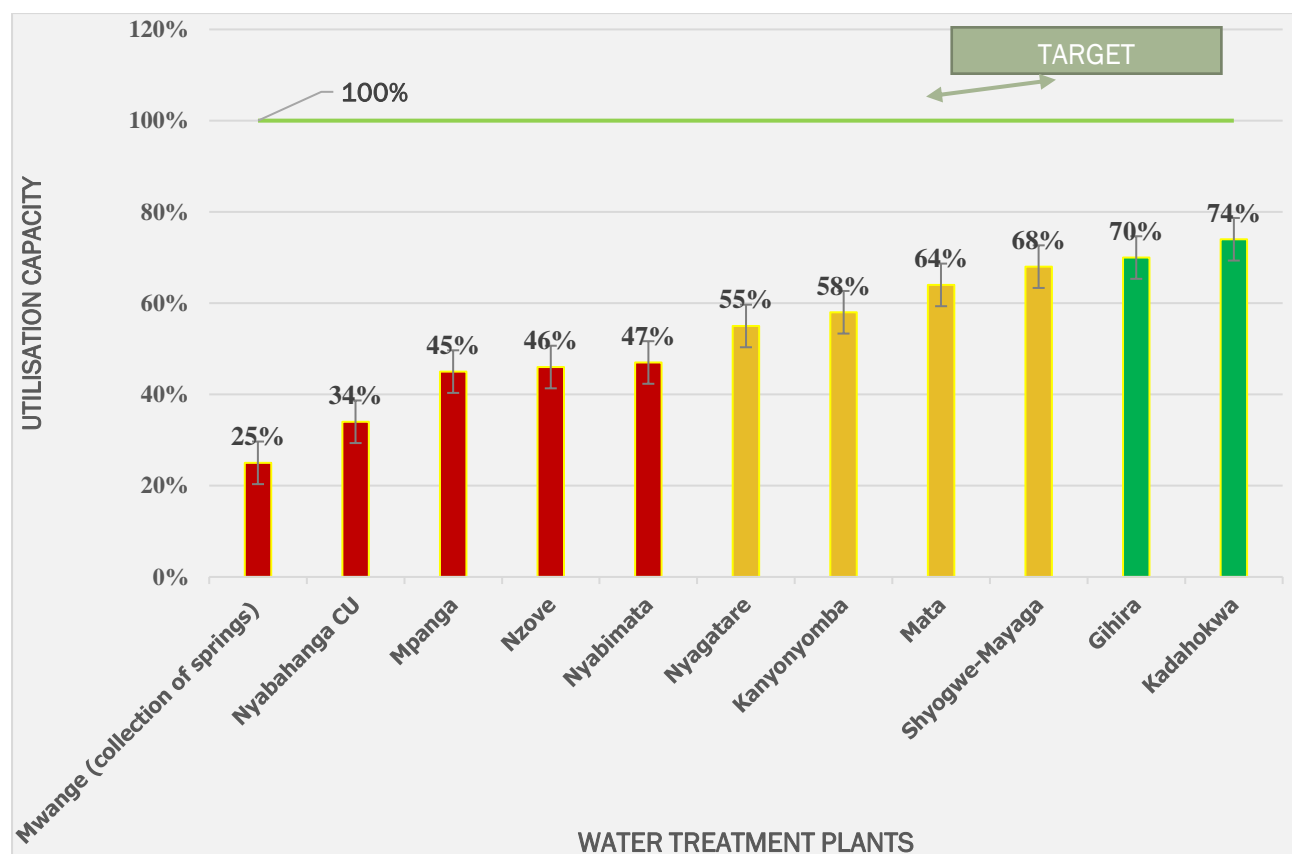
EUCL management should work with the contractor to ensure defects are fixed and that final reception is made.

#### 4.2.6. Water and Sanitation Company Limited (WASAC Ltd)

##### (i) Water production infrastructure

- Water treatment plants operating significantly below their installed capacity**

The audit noted that **eleven (11)** out of **25** Water Treatment Plants (WTPs) operated by WASAC Ltd, produced less than **75%** of their capacity; as shown in the graph below.



Management indicated that this was mainly due to lack of new forwarding infrastructure and old water network infrastructure, some of which are obsolete. This denies citizens access to clean water. There is an urgent need for WASAC to speed up the ongoing upgrade of forwarding infrastructure to increase water production.

- Water Treatment Plants (WTPs) in poor condition**

The audit noted that seven (7) water treatment plants constructed between 1965 and 1988 had operational challenges as a result of old age, unrepaired defects and a lack of regular maintenance. These included; Gihengeri, Cyunyu, Nyamabuye, Mutobo, Gisuma, Shyogwe

and Old Nzove. There is an urgent need for WASAC to mobilize funds to upgrade the water treatment plants.

**(ii) Water distribution**

- **Continued water rationing in the City of Kigali**

Water rationing was still being implemented in some areas of the City of Kigali where water was delivered between one (1) to three (3) days a week on average in the months of July, August, and September 2022. The affected areas included; lower and upper Kinyaga, Masizi, Kariza, Musave, Gisasa, and Buhoro in Gasabo District.

WASAC Ltd should fast-track the completion of the ongoing Kigali water network extension, rehabilitation and upgrade project.

- **Implementation of Public Private Partnership Agreement (PPP) between WASAC Ltd and Kigali Water Ltd**

The Government of Rwanda, through WASAC Ltd, signed a PPP agreement for the financing, construction and operation of **40,000 m<sup>3</sup>/day** bulk water plant at Kanzenze at **USD 53,389,038**. Kigali and Busegera are meant to receive **30,000 M<sup>3</sup>/day** and **10,000 M<sup>3</sup>/day** respectively. The plant started production in January 2021.

As highlighted in our previous audit reports, the current year's audit still noted the following:

- **Increasing cost of water from Kanzenze WTP due to the agreement being in USD**

Given that, the PPP agreement is in USD that keeps fluctuating against the Rwanda Francs at the time of reporting in April 2023, the average cost per cubic meter (M<sup>3</sup>) of water was at **0.82 USD/m<sup>3</sup>**, equivalent to **Frw 909**. Due to the fluctuation of the USD, the cost of water from Kanzenze will keep increasing. It is important to note that selling price of a cubic meter (M<sup>3</sup>) of water by WASAC Ltd ranges from **Frw 323** to **Frw 895**.

- **Water consumption for Bugesera is significantly below the installed capacity**

WASAC Ltd only received **46%, 1,673,189 M<sup>3</sup> out of 3,637,367 M<sup>3</sup>** of water planned for Bugesera during the year ended 30 June 2022. Management indicated that water meant for

Bugesera could not be fully supplied because the forward infrastructure was not yet ready and Bugesera Industrial Park and the Airport were not yet completed. As a result, WASAC Ltd cumulatively incurred a loss of **USD 4,448,717.29** from 19<sup>th</sup> January 2021 to 31<sup>st</sup> October 2022, in form of fixed costs for unsupplied **7,069,808.47 M<sup>3</sup>** of water.

WASAC management should expedite the ongoing construction of forwarding infrastructure to reduce the above losses.

- **Alternative water network infrastructure not yet completed**

Kanzenze Water Treatment Plant (WTP) is sharing forwarding infrastructure with two existing water treatment plants, namely Nzove and Ngenda. The priority was given to Kanzenze WTP. This resulted into a reduction of **15%** daily production (**9,052 M<sup>3</sup>**) on average of the **two** plants during the year ended 30 June 2022. It is important to note that the water produced by the two plants is much cheaper than that of Kanzenze WTP.

Consequently, WASAC Ltd is losing much-needed revenue from its existing Water Treatment Plants.

**(iii) Revenue generation**

- **Persistent high volume of Non-Revenue Water**

WASAC Ltd only billed **55%**, **37,470,480 M<sup>3</sup>** out of **68,139,551 M<sup>3</sup>** of water produced during the year ended 30 June 2022. The remaining **45%** (2021: **42%**) were not billed. As a result, WASAC Ltd lost revenue between **Frw 9.91 Bn** (considering the minimum selling price of **Frw 323/M<sup>3</sup>**) and **Frw 27.45 Bn** (Maximum selling price of **Frw 895/M<sup>3</sup>**). Therefore, the financial sustainability of WASAC Ltd is at stake if this trend is not addressed.

Management attributed this mainly to old water network infrastructure, lack of active leakage control system and old or inaccurate water meters.

Management should urgently come up with new strategies to reduce of Non-Revenue Water to reverse the trend.

- **Delays to connect new customers to the water network**

The audit noted delays in connecting 12,090 new residential customers and 993 new non-residential customers. The delays ranged from 10 to 210 days. The delays are largely attributed to the shortage of water meters.

This adversely affects service delivery. WASAC Ltd should secure adequate funding for water meters.

- **The high number of customers billed flat amounts during the year:**

The audit noted that **124,171** customers were billed constant amounts for the period ranging between 3 and 12 months.

This is attributed to the fact that the water meters were unreadable, inaccurate, blocked or damaged largely due to wear and tear and in some cases customers tempering with them. WASAC could not replace the meters in time due to their scarcity attributed to budget constraints. Consequently, there is a risk of high revenue loss.

WASAC Ltd should secure adequate funding for the replacement of the damaged and wearing-out meters. A replacement plan should be established and monitored accordingly.

**(iv) Delay in implementation of Sanitation component under RSWSSP**

In January 2018, the Government of Rwanda, through Rwanda Sustainable Water Supply and Sanitation Project (RSWSSP), secured **USD 440,442,000** from the African Development Bank to fund key Water Supply and Sanitation Infrastructure, and Services Improvement. The purpose was to meet NST1 target of providing sanitation and hygiene to all in 2020/2021 (2016/2017: 86.2%). An estimated **USD 110.249** million was reserved for sanitation infrastructure and services improvement components.

The project was to run from January 2018 to June 2024, which was later extended to June 2026. However, the audit noted that the progress in the development and improvement of sanitation infrastructure was far below the target set in NST1. *The progress is shown in the table below:*

N <sup>o</sup>	Description	Initial completion date	Revised completion date	Status at the time of audit/reporting
1	Construction of Kigali Centralized Sewerage System	December 2021	10 January 2026	The contract is under signature

Nº	Description	Initial completion date	Revised completion date	Status at the time of audit/reporting
2	Construction of Feacal Sludge Treatment Plants and landfill in four (4) satellite cities namely; Rusizi, Karongi, Musanze and Rubavu.	30 June 2020	30 June 2024	The tenders were at the evaluation stage seeking non-objection for evaluation results from AFDB
3	Rehabilitation and upgrading of semi-centralised systems	12 March 2022	12 January 2023	Under testing and commissioning
4	Central water and wastewater laboratory	30 June 2020	24 November 2024	The tender is at the evaluation stage seeking non-objection for evaluation results from AFDB

This is due to delays in procurements, delays caused by the project nature, as well as the expropriation process.

The management of WASAC Ltd should speed up the procurement process to ensure that activities are carried out without further delays.



# Education



### 4.3. EDUCATION SECTOR

#### 4.3.1. Ministry of Education

##### (i) Delay to operationalize Ntare School

On 11<sup>th</sup> May 2017, the Government of Rwanda (GoR) partnered with Ntare School Old Boys Association (NSOBA) to jointly establish Rwanda Ntare School of Excellence, a World Class Secondary school in Science, Technology, Engineering and Mathematics (STEMs). The budget for the school construction and all external works was **Frw 26.40 Bn** and **Euros 85,900**. The school business plan stated that the school will start operations in January 2019.

On 28 January 2021, the School Steering Committee transferred the full ownership of the school to the Government of Rwanda.

However, the current year's audit noted the following material gaps:

- The construction works had not yet been completed, 4 years after the start of partnership. Works were still at 90% of completion at the time of audit in December 2022;
- MINEDUC had not prepared the revised business plan to reflect the changes caused by delay in construction;
- MINEDUC budgeted **Frw 1.40 Bn** to equip the school in 2023 but there was no planned tenders to acquire school equipment; and
- There was no plan to recruit teachers and management of the school;

Therefore, the operationalization of the School is unlikely to start at its completion.

There is a need for the Ministry of Education to speed up equipping and operationalization of the school. *See status of the school in photos on next page:*





*Ntare School under construction: Photo taken by OAG at completion on 21 December 2022*

#### **4.3.2. MINEDUC/ Rwanda Quality Basic Education for the Human Capital Development Project (RQBEP)**

##### **(i) Schools missing necessary infrastructure**

MINEDUC has the responsibility to upgrade and increase necessary school infrastructure including modern laboratories, and appropriate teaching and modern learning materials, as per NST1's pillar of social transformation. The Government through the Rwanda Quality Basic Education for the Human Capital Development Project (RQBEP) provided funds to increase school capacity (classrooms). However, OAG visited schools constructed by RQBEP and noted that **56** schools lacked electricity while **16** schools lacked laboratories. Cases were noted in 17 districts and City of Kigali, namely Nyaruguru, Nyamasheke, Nyagatare, Nyabihu, Ngoma, Kirehe, Karongi, Gisagara, Gatsibo, Gakenke, Burera, Bugesera, Rulindo, Nyanza, Musanze, Gicumbi, and Nyanza.

MINEDUC and districts should ensure appropriate infrastructure are made available to schools.

### **4.3.3. Rwanda Education Board (REB)**

#### **(i) Overcrowded classrooms**

Article 4 and article 8 of the Ministerial Order determining standards in education states that a pre-primary or primary school and secondary school should have a classroom not exceeding 46 learners.

As highlighted in the previous audit, the current year's audit still noted cases where classes were overcrowded in a sample of schools visited. The excess number of pupils ranged from **10** to **77** pupils. This issue was noted in **34** schools located in **9** districts and City of Kigali. Those districts were Burera, Huye, Karongi, Musanze, Ngororero, Nyabihu, Nyamasheke, Rulindo and Rutsiro.

The issue of overcrowded classrooms was attributed to insufficient number of classrooms. As a result, the quality of education may be adversely affected. There is a need for MINEDUC to develop a national plan to mobilise funds and address the issue.

#### **(ii) Insufficient books for pupils and teachers in schools**

Ideally, each subject should have a pupil's book for each student to follow while the teacher is teaching.

However, as highlighted in the previous audit, on sampled schools, the current 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 P5, English of P1, P6, S1 and Mathematics of S5). This was noted in **16** schools located in **five (5)** Districts

Where there were books for some of the subjects, the number was insufficient, and were shared by pupils at the ratio of **1:10** (1 book being used by 10 pupils) to **1:176** (1 book being used by 176 pupils). 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. There is a need for exploring ways of addressing this issue including partnership with the private sector.

**(iii) Expired chemicals still in use in different schools' laboratories**

A field visit conducted by the audit team in different schools from 31 January 2023 to 5 February 2023 revealed cases where schools still used expired chemicals in their laboratories.

**See details in the table below:**

District	Schools	Product	Date of expiration
Nyamasheke	G.S st Domonique Savio Karambi	Sucrose	October 2020
Rusizi	G.S Ntura Protestant	Trust Chemical	October 2019
Rusizi	G.S Ntura Protestant	Sodium Hydroxide –pellets	August 2018
Rusizi	College de Nkanka	Agar powder	June 2021

Accordingly, continuing to use expired chemicals in laboratories may expose the learners and teachers to the risk of chemical accidents.

**(iv) Lack of smart classrooms and libraries at different schools**

According to article 8 of the Ministerial Order N° 001/MINEDUC/2021 of 20/10//2021 determining standards in education, each secondary school should have a well-equipped school library and at least two (2) smart classrooms.

However, our audits noted that **198** secondary schools did not have smart classrooms and **48** schools did not have libraries. This was noted in Muhanga, Gisagara, Musanze, Nyamasheke, Rutsiro, Huye, Ngoma, Rulindo, Karongi, Rubavu districts, and City of Kigali.

Lack of smart classrooms implies that pupils will not be able to access IT knowledge. In addition, pupils will miss reading opportunities due to the absence of libraries.

MINEDUC and REB should ensure that secondary schools have working smart classrooms and libraries as stipulated in the Ministerial Order.

#### **4.3.4. Audit of Public TVET Schools**

##### **4.3.4.1. National Examination and School Inspections Authority (NESA) and Rwanda TVET Board (RTB)**

The Government invested **Frw 27.83 Bn** to support public TVET schools between June 2018 and December 2022. An audit was conducted in RTB, NESA, districts and twenty- four (24) public TVET schools to assess the quality of technical, vocational education and training vis a vis the demands of the labor market. The audit revealed the following key findings:

**(i) Absence of needs assessment during establishment of public TVET schools:**

The audit noted that, needs assessment were not conducted during TVET Schools establishment. The assessment could show the projected number of students to be enrolled per sector, available resources for teaching & learning and available economic activities in the area (each sector) in order to know which programs will be taught in the established schools.

RTB is unlikely to meet the target of accommodating 60% of all finalists in P6 and S3 by 2024.

**(ii) Inefficient accreditation and/or reaccreditation process of public TVET schools and trades**

NESA accredited or reaccredited public TVET schools and trades without considering a set criteria on required training equipment to be made available. This is due to the fact that RTB did not set the minimum required standard training equipment to be available for each trade and level in public TVET schools.

**(iii) There is no competence basis for placing students in TVET schools' trades**

NESA did not set selection criteria for placing trainees in the **30** trades (*programs*) in TVET system. This can negatively affect the quality of education.

**(iv) Public TVET schools did not have sufficient training equipment to deliver TVET curricula**

Field visits conducted found that **fifteen (15)** different TVET schools (Gasabo, Kayonza, Gatsibo, Rulindo, Musanze, Nyanza, Rusizi, and Nyamagabe districts) had a gap in training equipment ranging from **5% to 96.8 %**.

RTB should conduct a need assessment before establishing TVET schools and trades to ensure effective enrolment of students, teaching & learning process so that the established trades respond to the economic priorities of the country.

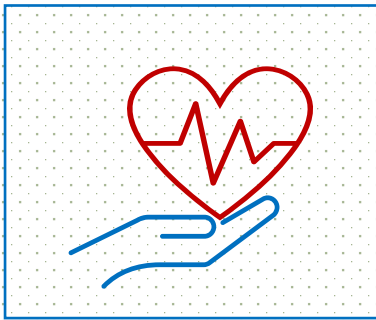
#### **4.3.5. Rwanda Polytechnic (RP)**

##### **(i) Materials for producing cooking stoves purchased without comprehensive utilization plan**

In December 2020, Rwanda Polytechnic purchased materials, tools and other accessories worth **Frw 6.73 Bn** to be used by different Integrated Polytechnic Regional Centres (IPRC) companies to produce community cooking stoves (*Muvelo*).

However, materials worth **Frw 1.14 Bn** were still kept idle in different colleges' stores at the time of audit in January 2023 (more than 1 year after delivery). In addition, to this amount, materials (paint) worth **Frw 89,958,349** were due to expire by February 2023.

The audit was not provided with the concept note indicating the number of cooking stoves to be produced and their respective sizes. Therefore, some of the above materials are likely to become obsolete and lead to the loss of public funds.



# Health





## **4.4. HEALTH SECTOR**

### **4.4.1. Ministry of Health**

#### **(i) Public Health posts not working**

The Ministry of Health through districts constructed different health posts in the country. The purpose was to reduce the time it takes the community to walk to the nearest health facility. Management of health posts was given to private health operators. However, the audit of districts noted that **41** health posts were not working at the time of audit. This was noted in six (6) districts, namely Musanze, Rutsiro, Gisagara, Rusizi, Rulindo and Karongi.

Therefore, the intended purpose of constructing the health posts may not be achieved.

The management of districts indicated that the management of health posts was a big challenge as some health posts could not attract private operators. The districts should work with Ministry of Health to come up with appropriate management models of health posts.

## 4.4.2. Audit of hospitals

### (i) Lapses in service delivery at public hospitals

The audits noted a number of gaps in service delivery at hospitals. *See the gaps in the table below:*

N°	Issue	Public Hospital where it was noted
1	<b>Long waiting time/queuing by patients:</b> The audits noted long patients' turnaround time from the point of entry to receipt of treatment, especially at reception for registration, cashiers' counters for payment, doctors' consultation, laboratory, etc. This was mainly attributed to inadequate staffing ( <b>Both medical and non-medical staff</b> ) and facilities	1. Nyagatare 2. Kibungo 3. Ruhengeri 4. Gisenyi 5. Byumba 6. Nyanza 7. Rwamagana
2	<b>Failure or delays to respond to patients' complaints:</b>  There was no documented or actions taken to address the patients' complaints provided through "suggestion boxes".	1. Gatonde 2. Nyarugenge 3. Nyagatare 4. Muhima 5. Rwinkwavu
3	<b>Stock outs/shortages of drugs:</b> Cases of stock out for drugs and medical supplies ranging between <b>4</b> and <b>703</b> days.	1. CHUK 2. Muhororo 3. Ngarama 4. Kibagabaga 5. Ruhengeri 6. Nyanza 7. Munini 8. Gihundwe 9. Gatunda 10. Kabaya 11. Kibungo 12. Kibilizi
4	<b>Poor customer orientation:</b> At some hospitals, there were no or poor mechanisms in place to guide the patients to various wards/services within the Hospitals' compounds. Hence, making orientation of patients difficult.	1. Ruhengeri 2. Kibagabaga

The above gaps adversely affect service delivery at public hospitals. This may negatively affect the reputation of mentioned hospitals. Hospitals in collaboration with their respective districts and MINISANTE should ensure that the mentioned gaps are addressed.

### (ii) Insufficient number of ambulances

According to Rwanda Neonatal Norms Standards of care protocols and norms, every health center should have an ambulance and its equipment (oxygen tank, infant nasal prongs, face mask). However, the audits noted insufficient ambulances at Public Hospitals, considering the number of Health Centres under their supervision. *Examples are shown in the table on next page:*

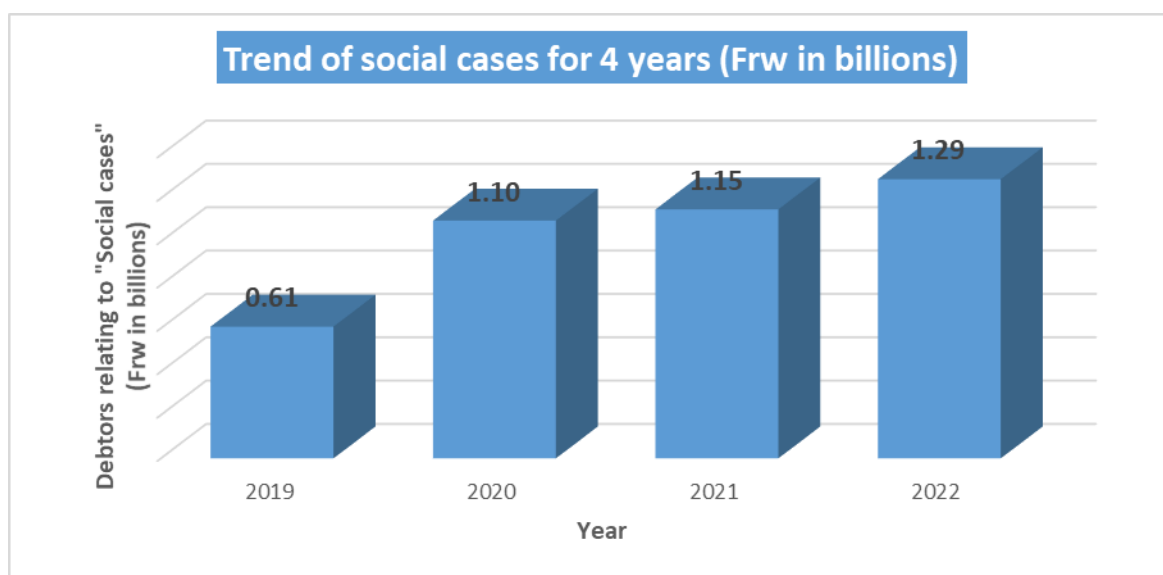
Nº	Public Hospital	Number of Health Centres under its supervision	Total number of available ambulances (those at public hospital level and at health centres)
1	Gatonde District Hospital	6	No health centre has an ambulance. There was only 2 ambulances at Gatonde District Hospital to cover the entire catchment area.
2	Rwinkwavu District Hospital	8	Four (4) (3 at public hospital level and 1 for health centre)
3	Gisenyi District Hospital	15	Five (5) at the hospital and only one (1) health centre possessed an ambulance.
4	Kirehe District Hospital	17	Only one (1) health centre has an ambulance, and 4 ambulances are available at Kirehe District Hospital level.
5	Kaduha District Hospital	9	No health centre has an ambulance. Kaduha District Hospital has 3 ambulances that cover its entire catchment area.
6	Muhima District Hospital	4	Two ambulances are available at Muhima District hospital level while only one health centre has an ambulance
7	Kibagabaga	16	All the five (5) ambulances are at the Hospital and none at health centres
8	Butaro	19	Six (6) are at the hospital while only two (2) health centres have ambulances
9	Munini District Hospital	16	Two ambulances at the hospital, only 9 health centers had an ambulance each while 7 others did not have any.
10	Nyanza District Hospital	17	Only 5 health center had an ambulance each while 12 others did not have any.
11	Nyarugenge District Hospital	6	Two (2) ambulances are at the hospital while only one (1) health center had an ambulance
12	Ruhango Provincial Hospital	7	Five (5) ambulances are at the hospital. All health centers did not have an ambulance
13	Ruhengeri Referral Hospital	16	Four (4) ambulances are at Ruhengeri Referral Hospital level while only three (3) Health Centres have an ambulance each.
14	Gihundwe District Hospital	8	Seven (7) out of eight (8) Health centers supervised by the District Hospital did not have an ambulance.
15	Rutongo District Hospital	13	Hospital had only six (6) ambulances which serve thirteen (13) health centres.

Having insufficient number of ambulances, will lead to poor service delivery to the patients and high risk of patient's mortality. Ministry of Health should set up a clear plan on how to address the scarcity of ambulances at health centers.

**(iii) Significant unsettled medical bills relating to “social cases/indigent patients” that may affect the smooth operations of hospitals**

Public Hospitals have significant receivables emanating from medical services provided to patients who are unable to settle their bills, commonly referred to as “social cases” or “indigents”. For the year ended 30 June 2022, receivables owed by “social cases” amounted to **Frw 1.29 Bn** in **22** public hospitals. Some hospitals had written off the long outstanding balances.

*See the graph showing the trend of social cases for the last four (4) years:*



In previous years’ audits, we recommended hospitals’ management to collaborate with MINISANTE and come up with a long-term solution to this problem. However, the audit still noted that there was no clear guidance on who should bear the cost of patients falling under social cases/indigents. As such, there is rarely any recovery.

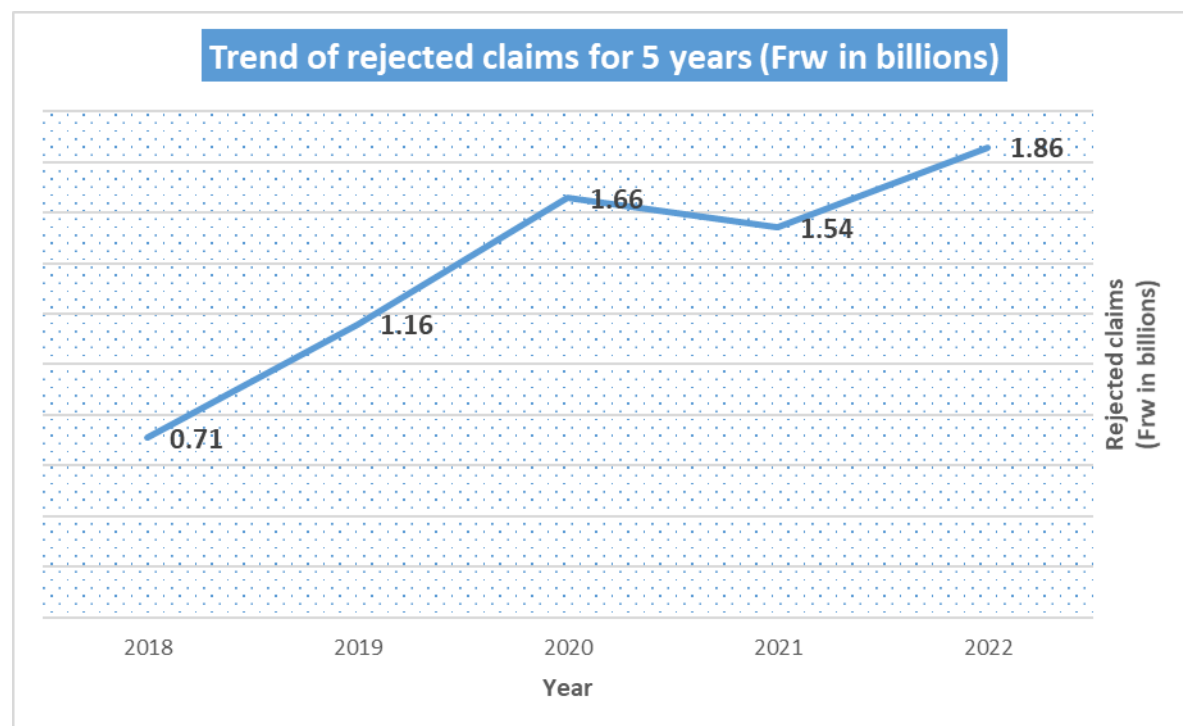
In addition, there were no documented and approved procedures that were being followed as a criteria to establish patients that qualify to be categorized as social case/indigent.

Accordingly, hospitals are denied the much needed cash inflows to facilitate them to operate smoothly. MINISANTE should find a funding mechanism for patients (indigents) who are unable to settle their medical bills.

**(iv) Increasing rejected claims from Hospitals by medical insurers**

Previous audits highlighted rejection of claims issued to medical insurers. The audit for the current year again noted that Public Hospitals continue to have rejected claims as a result of insurers adjusting medical invoices after verification. For the year under review, the rejected bills amounted to **Frw 1.86 Bn.** Rejection of bills was noted in all thirty (30) Public Hospitals.

**Graph: Trend of rejected claims for the last five (5) years:**



Rejection of billed amounts was mainly attributed to; incomplete documentation to support the claims, use of expired insurance cards, expired transfers, errors in billing, and some medical services claimed not covered by the insurance providers, inconsistency in interpretation of medical invoices by insurance staff/disagreement on tariffs etc.

The rejections of invoices deny the hospital funds that could have been used for hospital operations.

Hospital management should ensure that due diligence is exercised in billing medical insurers. In addition, hospital management should engage MINISANTE on disagreements on tariffs for action.

**(v) Continuing delays to bill insurers that denies hospitals timely cash inflows**

The hospitals are persistently delaying billing of insurers. The current year audit noted delays of up to **317** days to bill insurers for invoices amounting to **Frw 8.38 Bn** in **20** public hospitals. As a result, this negatively affect hospitals' liquidity.

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

### **4.4.3. Rwanda Food and Drug Authority (Rwanda FDA)**

#### **4.4.3.1. Safety and quality control of processed food products**

In 2018, Government of Rwanda established Rwanda Food and Drug Authority (Rwanda FDA) with the core mandate of protect public health through regulation of processed food, human and veterinary medicines among others.

An audit was conducted to assess whether Rwanda FDA effectively executes the set control measures to ensure the safety and quality of processed food in the Rwandan market. The audit covered the period from July 2019 to June 2022 and noted the following:

##### **a) Delays in processing submitted food-related applications**

The standard duration for processing food related applications is 3 days for import visa, import and export license; **45** and **60** working days for registration of high and low risks food products respectively and 30 days for manufacturing facilities and food outlets. However, the audit noted the following delays.

- Rwanda FDA registered a third of the **1,553** applications for food registration received since 2018. Further, in the processed applications and on sample basis, it was noted that feedback to fifty-four (**54**) applicants of food registration were delayed without documented reasons. Delays were up to **588** days.
- Forty-nine (**49**) import visa applications were delayed without queries or other documented reasons. Delays were up to **26** days.
- Seventy-eight (**78**) import license applications were delayed without queries or other documented reasons. Delays were up to **21** days.

Delays in processing submitted food-related applications leads to food business operators incurring financial losses and complains. This also affects the ease of doing business in Rwanda.

There is a need for Rwanda FDA to strengthen the service delivery to ensure easier, faster and less costly services to its customers.



# Social Protection





## 4.5. SOCIAL PROTECTION SECTOR

### 4.5.1. National Child Development Agency (NCDA)

#### (i) Low rate of targeted beneficiaries who received Fortified Blended Food (FBF)

NCDA implements a number of nutrition programs to improve nutrition for children under five (5) years of age in order to decrease all forms of malnutrition from **38%** to **19%** by 2024 as set in NST1. The stunting rate was **33%** as per NISR recent 2019/2020 survey. However, the current audit noted the following gaps:

- **119,560** beneficiaries, representing **49%** of the targeted beneficiaries did not receive Fortified Blended Food (FBF), also known as "*Shisha Kibondo*";
- There were eligible children who were enrolled in FBF after 10 months instead of 6 months, and eligible pregnant women who were enrolled in the second and third terms of their pregnancy instead of first term. These cases were noted in different health centres of Ruhango and Rusizi districts;
- The health centers had not received **3,586,476 kg** of FBF during the year. The shortage represented **25%** of their requests.

Consequently, the Government target to improve nutrition for children may not be achieved. Management indicated that this was mainly due to budget constraints. NCDA should work closely with MINECOFIN to mobilize necessary funds. NCDA should also properly monitor the supplier to ensure availability of FBF.

#### **4.5.2. Local Administrative Entities Development Agency (LODA)**

##### **(i) Delays noted in the disbursement of Nutrition Sensitive Direct Support (NSDS) funds to SACCOs by districts**

The audit of districts noted there were delays in transferring to SACCOs **Frw 7.58 Bn** meant to support poor and vulnerable pregnant women, new mothers and young children under this program. LODA and Local Government had agreed that payment must be made within the first 10 calendar days of every quarter but we noted delays ranging between **30 and 193 days**. This was noted in fifteen (15) districts of; Gisagara, Nyaruguru, Rusizi, Nyamasheke, Rutsiro, Nyabihu, Huye, Ngororero, Gakenke, Burera, Kayonza, Karongi, Bugesera, Nyamagabe, and Rubavu.

Management attributed the delays to complications in generating payrolls which requires integration of data from the LODA system (MEIS) and the Ministry of Health system (HMIS-Nutrition app).

- **Delays by SACCOs to disburse funds to beneficiaries:** The audit noted cases whereby SACCOs delayed disbursing funds amounting to **Frw 376,288,753** to beneficiaries. The delays ranged between **6 and 124 days**. This was noted in Bugesera and Nyaruguru districts.

As a result, delays in payment of direct support to beneficiaries may negatively affect their lives and prevent the program from achieving its intended objectives.

LODA, Ministry of Health and Districts should work together to address the gaps noted in the program.

##### **(ii) LODA did not request approved grants to implement part of its annual activities**

Each year, different development partners discuss and agree with LODA to finance its annual action plan. However, the audit noted that LODA failed to request grants committed during the year amounting to **Frw 3.89 Bn**. In addition, received funds amounting to **Frw 679,656,824** were kept idle in LODA bank accounts.

LODA should ensure that committed funds are fully disbursed and timely utilized to implement planned activities.

#### **4.3.5.2 Funds for VUP-Financial services not yet recovered**

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

From 2019, LODA through districts disbursed loans totaling **Frw 24.68 Bn** to beneficiaries under VUP-Financial services in the third scheme. However, the audit noted that mature loans amounting to **Frw 4.15 Bn** (2021: **Frw 1.80 Bn**) representing **18%** of loans disbursed, had not been recovered by districts through Umurenge SACCOS at the time of audit in November 2022. This could result in loss of public funds.

LODA management in collaboration with relevant stakeholders should continue to make efforts to ensure that the funds are recovered and returned to the revolving fund.

#### **4.5.3. Ministry of Emergency Management (MINEMA)**

##### **(i) Unused funds for the construction and rehabilitation of resilient houses destroyed by disaster**

By 30<sup>th</sup> June 2021, MINEMA had transferred **Frw 9.06 Bn** to districts for rehabilitation and construction of resilient houses destroyed by disasters.

According to letter N<sup>o</sup> 481/10/20/NB of 30<sup>th</sup> September 2020 by Ministry of Finance and Economic Planning to Minister in Charge of Emergency Management, districts were required to review and approve the list of disaster affected families prepared by Sector Disaster Management Committees before submitting it to MINEMA.

The audit noted that different districts kept idle **Frw 932,081,511** received from MINEMA for **18 months**. These funds were meant to construct and rehabilitate **12,772** houses destroyed by disaster. However, **854 houses** were yet to be constructed, as per the July 2022 recovery progress report. These cases were noted in **17 districts**.

MINEMA committed to make follow up with the districts to plan and use the remaining funds to assist families affected by disasters.

#### **4.5.4. National Rehabilitation Services (NRS)**

##### **(i) Failure to follow up and support graduates from rehabilitation centres**

National Rehabilitation Service (NRS) has set transit and rehabilitation centres to instill positive behaviours, educate and provide professional skills to delinquents, and to provide individualized treatment to those need it. NRS supports the graduates from rehabilitation centers program through financing their micro-leasing projects to facilitate their reintegration in the society and to prevent relapse. However, the audit noted **Frw 38,250,000** transferred to BDF to support micro-leasing projects of graduates from rehabilitation centers had not been utilized at the time of audit in August 2022, **1 year and 2 months** after transfer. In addition, National Rehabilitation Service (NRS) had no system to track graduates (delinquent) from the centre as this was still under development by the time of audit.

NRS should make a follow up to know the status of its graduates.

#### **4.5.5. Audit of financing and managing claims of accident damages**

Special Guarantee Fund (SGF) was established with the mandate of compensating damages such as deaths, injuries, and damages of property and crops caused by non-identified, non-insured automobiles and wild animals to ensure socio-economic welfare of the victims.

The following are key findings:

##### **(i) Long-time taken to handle claims**

Although SGF targets to handle all claims within 45 working days from the date of their registration, the audit noted that **50** out of **120** sampled claims were settled with a delay of between 45 and 315 days. The above delays were attributed to:

- Delays in inspection of accident scenes between **61** and **234 days** beyond the stipulated 5 days;
- Ineffective use of the Claims Management and Accounting Software by various stakeholders including SGF's units, claimants, hospitals, local administration, and insurance companies to speed up processing of claims due to lack of awareness and user training.

##### **(ii) Computation of compensation not harmonized**

There were inconsistencies in computation of compensation for professional indemnity claims due to use of different minimum daily wage which varied from **Frw 2,000; Frw 2,500** to **Frw 3,000** and average monthly working days which varied from **25, 26** to **30** days.

There is need for SGF to continue refining its internal processes, fully operationalize its IT systems and engage stakeholders to improve service delivery in compensating accident victims.



## Economic, Trade and Industry sector



## **4.6. ECONOMIC, TRADE AND INDUSTRY SECTOR**

### **4.6.1. Ministry of Finance and Economic Planning (MINECOFIN)**

#### **(i) Accumulated taxes not remitted to RRA**

Included in the State consolidated financial statements are filed taxes that are not yet paid to RRA amounting to **Frw 553.14 Bn** (2021: **Frw 450.81 Bn**). These outstanding taxes remained unpaid at the time of audit despite efforts by public entities to engage MINECOFIN.

The recoverability of these taxes is doubtful and continues to increase. There is a need for the Ministry of Finance to address the issue of accumulated taxes.



#### 4.6.2. Ministry of Commerce and Industry (MINICOM)

##### (i) Target quantities of national petroleum reserve not achieved

By February 2023, MINICOM had only met **27%** of the national petroleum reserve target that is set in the Rwanda Downstream Petroleum Policy 2020-2024, with only 1 year 4 months left to the end of the policy. In addition, the available tanks had a capacity to store only **35%** of targeted national reserve. **See details in the table below:**

Description	Target in litres (millions)	Actual in litres (millions)	% of actual performance
National strategic reserve	337	91.4	27%
Size of tanks storage capacity	337	117.2*	35%

\* Actual size of the storage capacity

MINICOM should mobilise funds to expand tanks to meet the required petroleum reserve.

##### (ii) Cross border markets operating below capacity

NST 1 2017-2024 aims to reduce the cost of doing business and facilitate trade by constructing new markets to facilitate cross border trade. The construction of cross border markets began in 2018. However, the current year's audit identified six (6) cross-border markets that were not operating or were partially operating, **as detailed table below:**

S/N	Name of cross boarder	Date of completion	Amount invested Frw	Occupancy rate (%)
1.	Rusumo (Kirehe)	23/07/2020	3,566,913,072	0%
2.	Burera (Cyanika)	27/04/2018	1,976,059,637	0%
3.	Rusizi (Bugarama)	26/11/2021	1,448,988,974	13%
4.	Nyamasheke (Rugari)	5/11/2021	2,396,785,437	Only operates one day a week
5.	Karongi	06/12/2018	1,573,759,399	39%
6.	Rubavu	21/03/2019	Not indicated	42%
	Total		<b>10,962,506,519</b>	

*See a sample of photo (Burera-Cyanika cross border market) on next page for details:*



*Cyanika cross boarder market not yet operational. Photo taken by OAG on 26 January 2023*

This casts doubt on the value for money achieved from funds invested in cross border markets. MINICOM should liaise with local authorities to mobilize intended users of the markets, especially in Rusumo, Cyanika, Rusizi and Nyamasheke cross border markets.

### **(iii) Development of Industrial Parks**

Industrial parks are designed to address the domestic private sector constraints including availability of industrial and commercial land, availability and the cost of energy, limited transport linkages, market access and availability of skills. To maximize the above benefits, there are 11 designated industrial parks for development, such as Kigali Special Economic Zone, Bugesera Special Economic zone, Huye, Nyabihu, Rusizi, Muhanga, Nyagatare, Rubavu, Musanze, Rwamagana industrial parks and Kicukiro SME park.

An audit was carried out to assess whether MINICOM effectively designed and monitored the development of industrial parks to make them operational. The following were the key findings:

- **Industrial parks without basic infrastructure**

The Government through MINICOM has to build basic infrastructure within the industrial zones, such as roads, electricity, water and internet connectivity, which are essential for Industrial Park utilization and to attracting investors.

However, the audit noted that Huye, Musanze and Rusizi industrial parks were expropriated but 11 industries operating in those parks did not have basic infrastructure such as roads, water and electricity supply, sewage system, internet, and firefighting systems. *See details in the photos below:*



*Photo taken on 1<sup>st</sup> March 2023 showing industries being constructed in Huye industrial park without basic infrastructure*



*Photo taken on 1<sup>st</sup> March 2023 showing Musanze industrial park without basic infrastructure*

This may impede attracting investors in established industrial parks. MINICOM should develop a roadmap for developing basic infrastructure in the industrial parks.

- **Buffer zones around industrial parks are not respected**

There is a need to create buffer zones around the industrial park to protect citizens from pollution. Light industries are required to have a buffer zone of at least 50m, General industries of at least 100m, factories of at least 500m and special industries of at least 1 km between their boundaries and the nearest residential building.

However, during field visits conducted in March 2023, the audit noted that buffer zones around KSEZ Phase II, Huye, Kicukiro, Muhanga, Rwamagana and Rusizi industrial parks are not respected. As a result, residents live in close proximity of the established industries which increases the risk of negative impacts on the health, environment, safety, and well-being of neighboring communities. This was due to ineffective coordination among districts, MINICOM and RDB/SEZAR in industrial park development as their roles and responsibilities were not well coordinated.



**Refer to the photos below for details:**



*Photos taken on 6<sup>th</sup> March 2023 showing established industry in Rwamagana industrial park closer to residents.*

**(iv) Funds to support export programs kept idle**

The current year's audit noted that **Frw 861,334,022** made available to BRD between September 2021 and January 2022 to support export programs were kept idle for more than one (1) year. *See the details in the table below:*

Nº	Program	Amount Frw	Purpose
1	Export Growth Facility (EGF)	645,000,000	Provides matching grant, investments catalyst fund, and export guarantee facility to exporters
2	Export Growth Initiatives (EGI)	216,334,022	Provides matching grants
<b>Total</b>		<b>861,334,022</b>	

The delay to use funds for Export Growth Facility (EGF) is mainly attributed to the component of Export Guarantee Facility that had not been rolled out since 2022. Therefore, the objective of the two programs to support Rwandan exporters in order to increase exports may not be timely achieved. MINICOM in collaboration with BRD should put in place strategies to accelerate the implementation of the two programs (EGI and EGF).

#### **4.6.3. National Industrial Research and Development Agency (NIRDA)**

The audit of NIRDA identified the following material gaps which can impact on its ability to deliver on its mandate:

**(i) Inability to use available funds to support small and medium enterprises to enter new markets and increase new improved products**

NIRDA is responsible for facilitating small and medium enterprises to enter new markets and to develop new improved products. NIRDA sources funds from development partners through the National Treasury to support the private sector industrial firms and to provide financial advisory services. The process of selecting and supporting beneficiary firms is jointly conducted by NIRDA and BRD. However, the audit noted that NIRDA had accumulated Frw 4.60 Bn for this program in BRD which had been idle since November 2019.

NIRDA should speed up the process of selecting and approving beneficiaries of grants in order to promote small and medium enterprises.

**(ii) Inability to manage Community Processing Centres (CPCs) to maturity**

NIRDA had constructed different Community Processing Centres (CPCs) as part of its responsibility to establish technology incubation centers and pilot plants. The objective was to handover the CPCs to the private sector after they have matured and proven to be viable and profitable.

However, the audit noted that the following constructed CPCs were not properly implemented and managed to serve the intended objectives. Rwamagana Banana Wine plant and Nyabihu Potatoes Plant were not operating at the time of audit in September 2022. NIRDA had invested Frw 1,087,997,292 and Frw 529,315,000 in Rwamagana and Nyabihu plants, respectively.

**Idle plant and machines at Rwamagana banana wine ltd**



*Photo taken by OAG : Idle plant and machines at Rwamagana Banana Wine Ltd*

**Idle plants and machines installed at Nyabihu Potatoes Plant**



*Photo taken by OAG: Idle plant and machines at Nyabihu Potatoes Company Ltd*

Management attributed to the idleness of the factories to lack of working capital. Consequently, there is no value for money being derived from this investment.

There is urgent need to secure working capital of the factories to ensure that they are put to use as envisaged.

#### **4.6.4. Rwanda Cooperative Agency (RCA)**

RCA is responsible for registration, regulation, promotion and capacity building of cooperatives in Rwanda. An audit covering a period of 4 years, i.e. from 01 July 2018 to 30 June 2022, was conducted to assess the effectiveness of activities implemented by RCA to empower cooperatives.

The following were the key findings:

**(i) Incomplete list and status of registered cooperatives**

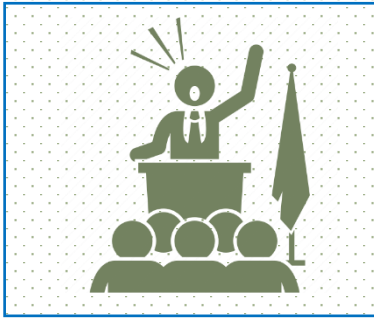
RCA did not have data on the exact number and status of registered cooperatives due to ineffective collaboration between RCA and districts in monitoring and following up. This can lead to inadequate decision making on RCA mandate to promote cooperatives.

**(ii) Cooperatives not categorised**

According to the National Policy of Cooperatives in Rwanda, cooperatives should be categorized to enable graduation from low to high production, and to promote their self-financing through promotion of structural transformation.

However, the audit noted that RCA had not classified the registered cooperatives due to the absence of guidelines on classification and the needed support for every category. This hinders effective support to cooperatives to ensure their growth and success.

RCA should conduct an assessment to determine the number and status of cooperatives in the country and categorize them for effective planning and decision making.



# Local Government





## 4.7. LOCAL GOVERNMENT

### 4.7.1. Audit of Districts and City of Kigali

#### 4.7.1.1. City of Kigali

##### (i) Concerns noted over implementation of Kigali Infrastructure Project

On 5<sup>th</sup> October 2020, the City of Kigali signed a pre-financed agreement with by Development partner worth **USD 404,725,673** (equivalent to **Frw 387.72 Bn**). Following the pre-financed agreement, a contract with the contractor on 05 May 2021 to implement Kigali Infrastructure Project (KIP) for construction of **215.5 Km** of road networks in the City of Kigali.

The project is in six phases to be completed on 5<sup>th</sup> April 2025. The review of implementation of the project revealed the following:

- **Shortage of funds for KIP project**

The audit carried out in March 2023 noted that only **USD 150,000,000** equivalent to 37% of the entire budget of KIP (**USD 404,000,000**) had been raised by Development partner. Consequently, this may lead to failure to deliver the agreed road infrastructure on time.

- **Slow pace of implementation of Kigali Infrastructure Project**

At the time of audit in March 2023, one year and ten months after signing the construction agreement, the contractor had only completed **13.3 Km** and started works on **29.795 Km** whose completion was between 7.5% and 43% out of the 215 Km targeted.

In addition, the audit noted that there was no roadmap/plan showing the time when each one of the six phases of the project will start and end. Due to delay in implementing the road infrastructure, the intended objectives may not be timely achieved.

- **Delay to implement planned activities in line with the work plan in KIP funding arrangement**

At the time of audit in March 2023, the contractor had only executed **33%** of the planned activities on the work plan in that period *as highlighted in the table on next page.*

Details of financing plan versus actual status	Amount Frw
Expected total cumulative cost of activities as at the time of audit (A)	261,813,877,295
Actual total cost of activities implemented by the contractor as at the time of audit (B)	86,106,772,935
<b>Total cost of activities not implemented by the contractor as at the time of audit (C=A-B)</b>	<b>175,707,104,360</b>
<b>Percentage of the cost already incurred at the time of the audit (D=B/A)</b>	<b>33%</b>

Failure to execute planned activities on time will lead to delays in achieving the intended objectives. The City of Kigali should liaise with the partner in the KIP project to mobilise necessary funding and develop a catch up plan for speeding up the project.

#### 4.7.1.2. Districts

##### (i) Continuous absence of water in the constructed water supply system of Higiroy-Kigembe- Mukindo in Gisagara District

As highlighted in the previous audit report, on 24 July 2020, the contractor completed and handed over the constructed water supply system of Higiroy-Kigembe- Mukindo in Gisagara District. Its cost was **Frw 3.60 Bn** jointly financed by WASAC, Nyaruguru and Gisagara districts (**Frw 919,693,250** as a share of Gisagara). The handover was done one day after the supervising firm reported on 23 July 2020 that the water supply system was not well functioning due to insufficient water.

However, the current year's audit still noted that the water supply system was not operating since its completion (**more than 2 years**) despite the recommendation to jointly (WASAC, Nyaruguru and Gisagara districts) address the issue. Management attributed the lack of water in the constructed water system to the long distance from water sources in mountainous topography of Nyaruguru which experienced regular landslide.

Management of Gisagara district should liaise with WASAC and Nyaruguru district and ensure the issue is urgently resolved and so that citizens can access clean water. *See current status at the time of audit, on next page.*



Water point installed in Agatunda Village, Mukindo Sector, but not in use due to lack of water: Photo taken by OAG on 16<sup>th</sup> November 2022.



Water tank without water, in Mukindo sector, Agatunda village: Photo taken by OAG on 16<sup>th</sup> November 2022.

**(ii) High number of damaged water supply systems and boreholes not maintained**

**43%** of constructed water supply systems in Muhanga, Nyabihu, Nyagatare, Rusizi, Gatsibo, and Karongi districts were either partially operating or non-functional, *as indicated in the table below:*

District	Number of water supply systems constructed	Partially operating water supply system	Water supply system not in operation	% of water supply system not properly working
	A	B	C	D=(B+C)/A
Nyabihu	71	14	13	38%
Muhanga	65	40	7	72%
Nyagatare	237	-	78	33%
Rusizi	13	6	7	100%
Gatsibo	20	-	4	20%
Karongi	32	20	1	66%
<b>Total</b>	<b>438</b>	<b>80</b>	<b>110</b>	<b>43%</b>

As a result, the public could not access clean water. This may increase waterborne diseases. Districts attributes this to lack of sufficient budget. Therefore, there is a need for districts to repair water supply systems after assessing their feasibility.

**(iii) Biogas program not revamped**

The main objective of the program was to substitute firewood with biogas as the main source of cooking energy. Its benefits included among others; protecting the environment and people's lives, improving sanitation in family kitchen and reducing the burden of collecting firewood

on women and children. This is in line with the Government's objective of reducing biomass dependence to 55% by 2017 and to 50% by 2020 through promoting the use of alternative energy sources such as biogas. The Government committed to providing a subsidy of **Frw 300,000** per each biogas plant constructed.

In May 2022, EDCL conducted an assessment of the status of biogas plants. It recommended to the districts to link masons to biogas owners for rehabilitation for those that presented minor defects. For major defects, the Districts were recommended to mobilise funds and help biogas owners to renovate the defective plants.

However, audits of districts noted that no tangible action had been taken to reverse the situation. Out of **10,913** biogas plants constructed, **8,354** biogas plants, representing **77%**, were not operating. This was observed in all districts and the City of Kigali.

It is important to note that, in the EDCL assessment report, 63.4% of households with non-functional biogas plants expressed interest in having them renovated.

Management of districts indicated that the issues in biogas program are beyond their control.

As it stands, the government is not realizing value for money from funds invested in the program. Furthermore, the program has not achieved its envisaged objectives.

MININFRA in collaboration with MINALOC should ensure that the biogas program is revamped to achieve the intended objectives.

**(iv) Gaps noted in procurement processes**

- **Unlawful exchange of contract for assets valuation observed in Nyanza and Gisagara districts**

The audit observed that Nyanza and Gisagara districts compensated the contractor for valuation with movable and immovable assets. Initially the contract was signed by Nyanza district, and later it was borrowed by Gisagara district unlawfully without approval from RPPA and the Tender Committee. It is worth noting that Nyanza district officially granted the right to use this contract to Gisagara district.

Unlawful contract compensation undermines the fundamental principles of transparency, efficiency, economy, and fairness in awarding public tenders. There is need for public entities to comply with public procurement laws in award of tenders.

- **Probable loss of public funds due to failure to specify amount in Service Order**

The audit noted that Gisagara and Nyanza district did not determine the amount on the purchase order issued to the contractor hired to value forests. This gave loopholes to the contractor to issue abnormal invoices of **Frw 1.46 Bn** and **Frw 1.23 Bn** for Gisagara and Nyanza districts respectively. This was significantly increased due to the abnormal unit price of valuation of forest based on the counting each unit of **Frw 500** per tree.

Therefore, the above loopholes may result in payment of non-executed works. Hence wastage of public resources. Districts should liaise with the contractor to ensure that no abnormal price is paid to avoid wastage of public funds. In addition, districts should consider using its staff with required competences in property identification and valuation.

- **Lack of detailed basis of negotiated contract amount for valuation of assets in Ngororero & Muhanga districts**

On 5th May 2020 and 12th June 2020, Ngororero and Muhanga districts signed contracts for valuation of district properties and assets. After submission and approval of the final reports, districts negotiated with contractors as detailed in the table below. The details that triggered the reduction of the invoiced amount to these figures were not explained to the audit team.

District	Amount before negotiation Frw A	Amount after negotiation Frw B	Difference Frw C=A-B	% reduction D=C/D
Ngororero	935,536,980.00	288,135,593.00	647,401,387.00	69%
Muhanga	1,120,170,251.00	481,673,207.00	638,497,044.00	57%

This has created a serious concern on whether works done by the contractor were evaluated. The principle of accountability in public procurement law was also not observed as the above threshold of reduction was less than 20% of the bid.

In absence of detailed pricing, there is a possibility of paying work not executed. This could result in loss of public funds. There is a need to investigate and recover funds unduly paid, where possible.

**(i) Irregularities noted in the construction of 626 houses for families to be relocated from Akagera belt Rwimiyaga in Nyagatare district**

On 8<sup>th</sup> September 2020, Nyagatare District entered into an agreement with the contractor for construction of **626** houses for families to be relocated from Akagera belt at Rwimiyaga. The contract amount was **Frw 1,314,243,180** (*Frw 2,099,430 per house*). The contract period was 12 months from the date of signature to 8<sup>th</sup> September 2021. The construction was expected to be done in two phases. A review of the agreement implementation noted the following irregularities:

- **Houses for the second phase not constructed**

Out of **626** houses that were to be constructed in two phases, only **190** with total cost of **Frw 398,891,700** for phase one were constructed leaving **436** houses unconstructed for phase two, (**Representing 70%**) up to the time of audit in November 2022 i.e. one year and 3 months after the expiration of MoU. Further, there was no plan to construct the remaining houses.

Delay to construct planned houses implies that the intended objectives were not achieved and the citizens are still living in critical areas.



- **Defects noted on the constructed houses**

The field visit conducted on 31st October 2022 at Gatebe site where 100 houses were constructed, one year and three months after the date of MoU expiration, noted significant defects on eighteen (18) constructed houses. Accordingly, these are indicators of poor workmanship. As such, durability of these houses is questionable. *See the photo below for illustration. )*



*Defects on the constructed houses at KIREBE IDP model village: photo taken by OAG on 31 October 2022.*

Nyagatare district should urgently secure funds to ensure the remaining planned houses are constructed. Further, defects observed should be rectified.

**(ii) Delay to construct 200 affordable houses in Muhanga district and recover funds unduly paid**

- **Delay to construct 200 affordable houses in Muhanga district**

According to the District Council resolution of 29/06/2009, Muhanga District gave land to Societe d'Investissement de Muhanga (SIM S.A.) to construct 200 affordable houses in Muhanga District in Munyinya village, Ruli Cell, Shyogwe sector. However, the audit noted that SIM S.A did not construct these houses. There is no evidence that the district repossessed the land from SIM S.A, as a result of not using the land for the intended purpose. It should be noted that the land has been idle since 2009 (That is 13 years had elapsed).

- **Muhanga district did not recover funds paid to repossess its own land**

According to the minutes dated 24/11/2015, Muhanga district executive committee authorized the purchase of **4.8 Ha** of the land owned by SIM S.A at the price of **Frw 3,330** per sqm, yet the land belonged to the district. The audit noted that Muhanga District unduly paid **Frw 155,587,590** to repossess **46,723 Sqm**. However, this amount had not been recovered from SIM S.A.

As a result, there were no benefits delivered from land provided to SIM S.A. Hence, the intended objectives are not being achieved. Muhanga district should liaise with SIM S.A and ensure that land is used for the intended purpose or be repossessed.





# Social Order & Justice



## **4.8. SOCIAL ORDER AND JUSTICE**

### **4.8.1. Rwanda Correctional Services (RCS)**

#### **(i) Lack of work plan and bills of quantities to account for materials used in constructing RCS buildings using inmates labour**

During the year ended 30 June 2022, RCS purchased construction materials including cement, iron sheets, and iron bars worth **Frw 626,543,519** to construct different buildings in various prisons and RCS Training Schools using inmates labour. However, the audit noted that there were no bills of quantities to support materials used.

During the field visit carried out in December 2022, the audit noted that some construction works were still ongoing while others had stopped. In addition, there was no documentation showing the cost already incurred, and approved work plans showing expected completion time of each building. It is therefore difficult to estimate the value of the materials used on each building. As a result, the materials can be misused without management knowledge.

Proper planning and monitoring should be done to ensure adequate controls and completion of RCS construction projects.

#### **(ii) Fraudulent cases over electricity bills**

Review of a sample of electricity payments for five (5) years from 2017 up to 30 June 2022 revealed that there were cases of fraudulent cases amounting to **Frw 169,074,343** through overpayment, fictitious payment, double payment and unsupported payment of electricity.

### **4.8.2. Specific Governance Problems in Muhabura Multi Choice Limited (MMC)**

Muhabura Multi Choice Limited (MMC) was established to gain competitive advantage through the use of competent and affordable labour (inmates) and to provide RCS with quality and affordable products and services. However, the audit of MMC revealed the following gaps:

**(i) Lack of working capital and cash flow challenges**

The company was facing working capital and cash flow challenges. As a result, at the time of audit in October 2022, the company had an outstanding loan balance of Frw 364,630,686 with ZIGAMA CSS which was 359 days overdue.

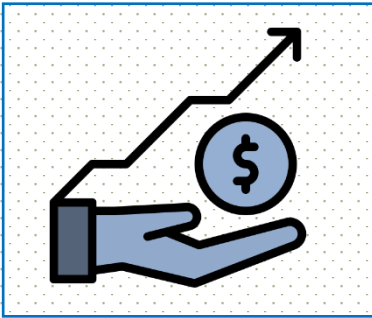
**(ii) Concerns over working relationship between Rwanda Correction Services (RCS) and MMC**

MMC Ltd goes through a competitive bidding process to supply its products to RCS. In addition, MMC Ltd competes with RCS for the same labor force (inmates) as they both carry out similar business activities such as construction, wood making and agriculture. Consequently, manpower that is requested by MMC is not always readily available.

**(iii) Failure to implement MMC Ltd business plan**

A review of MMC five (5) years' business plan: 2018 to 2023, indicated that the company had not implemented Six (6) business plan activities, namely; Garment manufacturing, Supply of construction materials, Garage project, Welding project, Manufacturing of cooking briquettes and Sericulture. The audit also noted that RCS had not given to MMC additional **1,600 Hectares** of land as planned. This casts doubt on the company's ability to continue as a going concern.

There is an urgent need for the Ministry of Interior and Ministry of Finance to define working relations between MMC and RCS and enhance its working capital.



# Investments



## 4.9. INVESTMENT SECTOR

### 4.9.1. Specific Operational Challenges noted in RSSB

The following material findings were identified in RSSB audit for the year ended 30th June 2021.

(i) **Delay in implementation of Batsinda phase II middle cost apartments (548) dwelling units and infrastructures**

The construction of Batsinda phase II middle cost apartments which started in April 2016 was only at 43% of completion in August 2022. The project initial completion date was 11th July 2018 which was later revised to 14th November 2019 after introducing the precast construction system and increasing the project cost from **Frw 15.50 Bn** to **Frw 37.28 Bn**. Thus a delay of more than 4 years. Due to the significant delay in project implementation period and increase in project costs, the intended returns from the project may not be realised. This may negatively affect the sustainability of the pension scheme.

There is an urgent need for RSSB to get the catch up plan from the contractor so that works is completed without further delay.

(iii) **Poor returns on RSSB investments**

(a) **Equity investments**

RSSB pension scheme had invested **Frw 438.31 Bn** in equities in **thirty five (35)** companies. The audit noted that eleven (**11**) companies which RSSB had invested **Frw 127.78 Bn** had lost 80% in fair value (accumulated losses of **Frw 102.04 Bn**).

RSSB earned dividends amounting to **Frw 7.36 Bn** from ten (**10**) equity investments while **fourteen (14)** equity investments did not declare dividends. RSSB should discuss with MINECOFIN to come up with a strategy so as to avoid further losses.

**(b) Investment properties**

RSSB pension scheme had investment properties valued at **Frw 414.77 Bn** as at 30<sup>th</sup> June 2021 which generated **Frw 2.28 Bn** rental income during the year. The income only represented **0.011%** of the amount invested. The return on investment is low. There is a need for RSSB to put in place strategies to improve the return on investment or sell some of the properties that are not performing well.

**(iv) Long delay in refurbishment and renovation of Akagera Game Lodge**

RSSB acquired all Akagera Game Lodge (AGL) shares in 2013 and invested **Frw 13.31 Bn** between 2003 and 30 June 2021 to rehabilitate the hotel in order to improve its performance. In 2017, RSSB recruited a new operator, MANTIS, to manage the hotel for a period of 10 years. However, the audit noted that the completion for the refurbishment and renovation of the hotel which was expected to have been completed in October 2018 was still ongoing at the time of audit in September 2022, implying a delay of almost 4 years. The Hotel was partially operating.

There is a need for RSSB to follow up with the management of the hotel to speed up the completion of the rehabilitation works.

**4.9.2. RDB/ Rwanda Innovation Fund (RIF)**

Rwanda Innovation Fund (RIF) was established in 2018 to provide equity financing for Tech-Enabled Small and Medium-size Enterprises (SME's), train tech- oriented entrepreneurs in business planning and management, and increase awareness and sensitization with respect to intellectual property rights. The initial budget was **USD 60 million** which was expected to increase to **USD100 million**. AfDB committed a loan of **USD 30 Million** and the remaining **USD 70 Million** was to be raised from private investors.

However, the audit of RIF project noted the following significant gaps:

- **Small share of targeted investee companies registered or operating in Rwanda**

According to section 4.1.9 of RIF Appraisal Report issued by AfDB in February 2018, the focus areas of RIF investment are smart energy and resources, smart agriculture, smart transport and logistics, digital health and medical technology, and

nanotechnology. The share of Rwanda based companies was between 30% and 40%. The remaining shareholding 60% to 70% was to be invested in foreign companies. Hence, Rwandans would not benefit from advantages from companies neither registered nor operating in Rwanda. The benefits would be in form of employment creation, IT infrastructure and skills transfer if the investee companies are registered or operating in Rwanda. At the time of audit in February 2023, out of **USD 917,500** invested, only **USD 160,000 (17%)** was invested in Rwandan companies while **USD 757,500** was invested in a foreign companies.

- **Lack of securities in investee companies**

There was no evidence of shares (equity) or any alternative securities, such as debt or hybrid security (combining aspects of debt and equity) of RIF in investee companies.

- **Insignificant funds mobilization by the Fund Manager**

Only one investor (MINECOFIN) committed **USD 15 Million** to RIF Ltd, representing **15%** of targeted fund of **USD 100,000,000**. Out of the amount committed, MINECOFIN only disbursed **USD 3,160,000** (or 3.2% of the targeted fund) to RIF Ltd by February 2023. There is an urgent need for MINECOFIN and RDB to review the project implementation strategies.

#### **4.9.3. Rwanda Development Board (RDB)**

#### **4.9.4. Audit on Protection of National Parks**

The Office conducted an audit of protection of all four national parks for the period from July 2017 to June 2022 to assess the effectiveness of measures put in place to protect national parks. The following were the key findings:

- (i) There was no specific law governing national parks management and protection to guide strategic planning and management of national parks.
- (ii) Not all land owners in the buffer zones of Gishwati-Mukura and Akagera national parks were expropriated. As a result, individuals still live and practice illegal activities in the buffer zones.
- (iii) There was a reduction in the number of animals which had not been investigated. For example, Zebra and Topi population had reduced by **609 (or 31%)** and **192 (or 28%)** respectively between 2019 and 2021.
- (iv) The height of the fence around Volcanoes Park is not effective to prevent wild animals to escape (the fence is only 1m high).

RDB should initiate the development of a law governing national parks management and protection; expropriate remaining population in the buffer zone; investigate the root causes of reduction in some animal species and develop solutions to address the problem, and address the fencing issue.





# ENVIRONMENT PROTECTION



## 4.10. ENVIRONMENT PROTECTION AND NATURAL RESOURCES

### 4.10.1. National Land Authority (NLA)

#### (i) Delay in completing land related transactions

National Land Authority uses the Land Administration Information System (LAIS), a web-based system for administration of land procedures in Rwanda.

The audit tested a sample of land transactions to assess whether they were completed within the time stipulated in the service charter and noted delays, *as indicated in the table below*:

Nature of land transaction	Expected days per service charter	Delays in days
Transfers by voluntary sale	7	127 days to 881
Parcel sub-division (Split)	30	340 days to 1,141
Merged parcels	30	10 days to 535
Rectification of parcel boundaries	30	385 days to 755

Consequently, delays in processing land transactions may negatively impact on the reputation of NLA. NLA management has committed to address the delay in processing land transactions.

#### (ii) Inaccurate information on registered land (plots)

The review of the land register in LAIS revealed the following weaknesses:

- **553** registered plots lacked information relating to location such as Sector, Cell and Village.
- **256,651** registered plots did not have information relating to land use.
- **80,303** registered plots had abnormal area such as Zero (0) or **3** square meters.

The above gaps may lead to wrong decisions on land management. NLA management should update the land register.

#### **4.10.2.Audit of E-waste Management**

In 2014, Rwanda Green Fund (FONERWA) granted **Frw 873,647,300** to the Government of Rwanda, through MINICOM, to implement E-waste management strategy. This included the establishment of E-waste management facility. The facility, which is operated by Enviroserve Rwanda Green Park under leasing agreement, was established in 2018 in Eastern province, Bugesera district and E-waste collections centers established in 14 districts.

An environmental audit was conducted to assess whether MINICT and its stakeholders have effectively established an environmentally friendly management of E-waste.

The following were the key findings:

##### **(i) Ineffective coordination of E-waste management activities**

The National Sanitation Policy of 2016 was not updated as recommended by the Inter-Ministerial Coordination Committee to encompass all kinds of waste including E-waste. In addition, strategies were not developed to elaborate on required procedures for proper management of E-waste in Rwanda. This has resulted into:

- Institutional responsibilities such as planning, budgeting or awareness promotion, monitoring and enforcement activities not been specified to respective Government entities. Consequently, there was no data on E-waste management.
- Producers of Electrical and Electronic Equipment were not engaged in environmentally sound management of E-waste (effective take-back and treatment).

##### **(ii) Lack of strategies/ plans for collecting E-waste from households**

E-waste collection focuses on public and private institutions which generate only **18%** of E-waste leaving out households who generate **82%** of E-waste.

There is a need for MINICT, MININFRA and MINICOM to fix the highlighted gaps in order to mitigate negative environmental and health effects from E-waste.

## **4.11. HIGHLIGHTS ON THE PERFORMANCE OF STATE OWNED COMPANIES**

### **4.11.1. Indicators of Corporate Governance Failure in some GBEs**

#### **(i) Poor performance of some Government Business Enterprises**

The GoR had invested **Frw 408.96 Bn** in **twenty six (26)** companies. However, during the year ended 30 June 2022, **9** companies made losses amounting to **Frw 62.05 Bn**. The accumulated losses amounted to **Frw 267.25 Bn** representing **65%** of total equity investments. There is a need for MINECOFIN to come up with a strategy so as to avoid further losses.

#### **(ii) Operational and performance problems of Bella Flowers Ltd**

Bella Flowers Ltd started operations in 2015. It has expanded in phases by investing in land improvement, irrigation equipment, greenhouses, etc. At the time of the audit, Phase IV was ongoing. By 30<sup>th</sup> June 2022, a total of **Frw 14.78 Bn** had been spent on all phases. The audit noted the following irregularities:

- Business expansion that is not proportionate to the company's performance**

Bella Flowers invested in the last three phases without conducting an assessment of each expansion phase to determine its viability. Continuing to invest before assessing the previous phase's success may lead to huge overhead costs associated with such expansion.

In addition, Bella Flowers did not have enough market to sell all the flowers it was producing. During the six months to 30th June 2022, the company only sold **70%** of the flowers it produced. Consequently, the financial sustainability of the company may be at risk.

There is a need for Bella Flowers to conduct a thorough assessment of the past phases before deciding on any future expansion. The company also needs to align its expansion strategy with the projected market share.

- Challenges in servicing a long-term loan**

Bella Flowers Ltd obtained a loan of **Frw 4.30 Bn** in 2015 to finance the flower project. In 2020, the loan was restructured due to the impact of COVID-19 pandemic on the flower business. The continued poor financial performance, 7 years after it started operations (accumulated losses stood at **Frw 6.3 Billion** as of 30 June 2022) coupled with the increasing

operating costs due to the continued expansion cast doubt on the company's ability to continue servicing the loan.

There is an urgent need for the Board of Directors to assess the current financial capacity of the company and engage the shareholder for action to ensure that the company remains financially viable.

- **High cost of air freight for exported flowers:** Over 70% of Bella Flowers Ltd's revenue is earned from export. However, the audit noted that the transport cost of exported flowers is high. Instances were noted where transport costs incurred were higher than related sales excluding the cost of flower production. The transport costs ranged between 49% and 148% of sales. The average transport costs was 86% of sales from exports.

This current trend worsens the financial performance of Bella Flowers Ltd. Management should consider reviewing its business strategies and taking appropriate actions to improve the company.

## 5. GOVERNANCE ISSUES

### 5.1. Entities without Board of Directors or lacking quorum

Board of Directors in public entities are charged with the responsibility of determining the strategic orientation of the entities and overseeing the achievements of their strategic goals. However, the audit noted that some public entities did not have Board of Directors or their boards lacked quorum to hold board meetings. **Examples are shown in the table below:**

Cluster	Nº	Name of the entity	Comments
GBEs	1	WASAC Ltd	No Board
	2	Bella Flowers Ltd	Lack of the required quorum
	3	RNIT Ltd	Lack of the required quorum
	4	RBA	No Board
Board	5	NESA	No Board
	6	REB	No Board
	7	RTB	No Board
Other central budget agencies	8	NCDA	No Board
	9	NIRDA	Lack of the required quorum
	10	NIDA	No Board
	11	CHUB	No Board
	12	CHUK	No Board

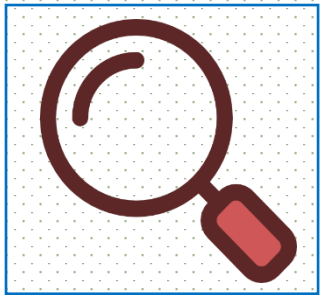
There is an urgent need for the supervising organs to appoint board members.

### 5.2. Entities without strategic plans

Each Chief Budget Manager is required to prepare a strategic plan in order to ensure achievement of the public entity's vision, mission and goals (Article 11 of Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations). However, the following entities did not have strategic plans as **shown in the table below:**

Cluster	Nº	Name of the entity
GBEs	1	WASAC Ltd
	2	GAH
	3	Bella Flowers Ltd
	4	Agaciro Development Fund
	5	RGCC
Board	6	NESA
Other Central Budget Agencies	7	RISA
Ministry	8	MYCULTURE
	9	MINISPORTS

The governing bodies and management of the above entities should establish strategic plans to effectively achieve the entities' goals.



## CROSS CUTTING FINDINGS



## 6. CROSS-CUTTING FINDINGS

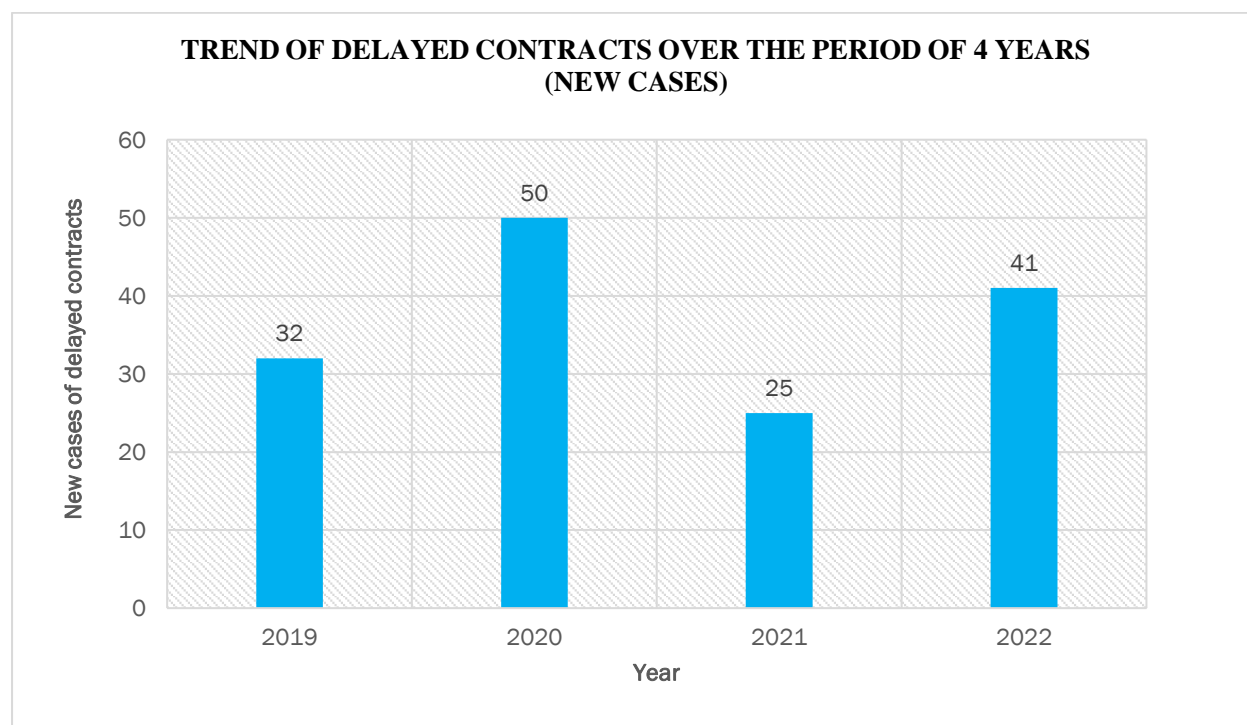
This section summarizes cross-cutting findings identified in public entities in different clusters including projects, Boards and GBEs, Ministries and Central government.

### 6.1. Persistent cases of delayed contracts

Timely completion of government projects is crucial for availing key services to citizens to improve their living conditions as enshrined in the National Strategy for Transformation (NST1). Government services includes provision of roads, schools, hospitals and clean water among others.

However, during the year, the audit observed fifty five (55) cases of delayed contracts worth **Frw 644.16 Bn** (2021: Frw 201.0 Bn). These comprised of; Forty (41) contracts worth **Frw 551.25 Bn** identified during the year under audit, and fourteen (14) contracts worth **Frw 92.91 Bn** from previous audits.

*Graph 1: Trend of new cases of delayed contracts over period of 4 years*



The delays ranged between 30 days and 4 years. The completion of these projects can greatly improve the lives of citizens through improved infrastructure and services.



Public entities should improve contract management processes or engage the Ministry of Finance and development partners to address budget constraints, where necessary.

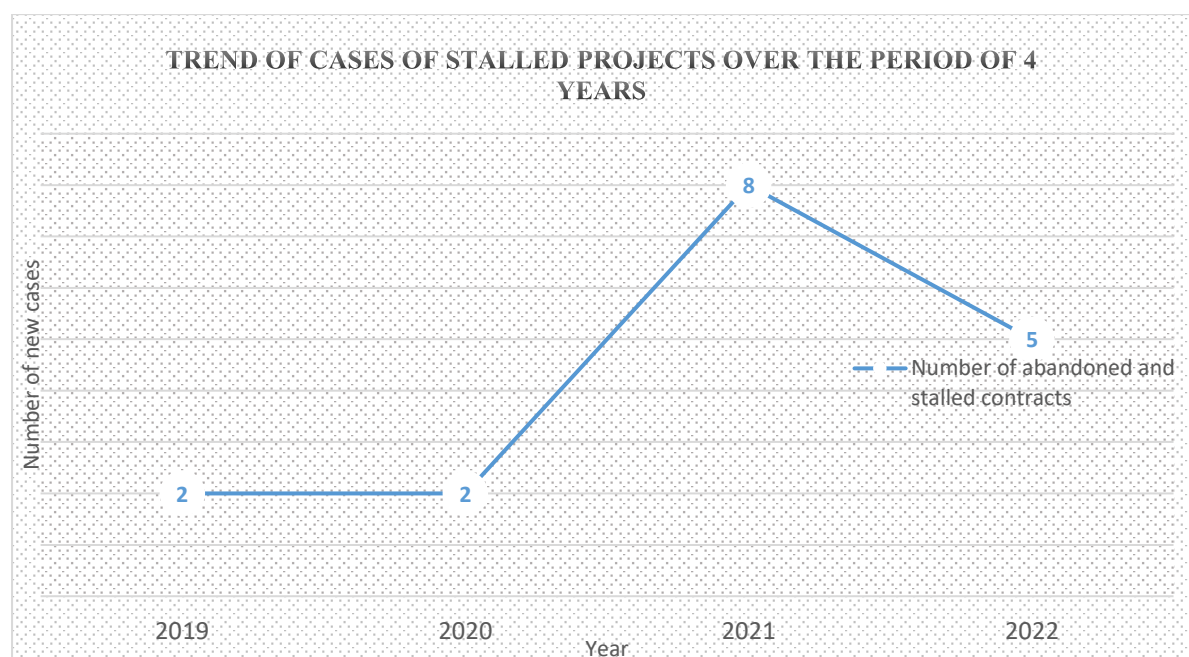
## **6.2. Stalled construction works and supplies/services not yet resumed**

Timely completion of government projects is crucial to saving costs, and to timely avail key services to citizens aimed at improving their living conditions. 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.

Our audits continue to note cases of construction projects whose contracts were terminated due to budget constraints or the contractors did not comply with contract terms. Works were not resumed at the time of audit.

The number of contracts that have been abandoned and stalled is decreasing. During the current year audit, our audits noted thirteen (**13**) cases of stalled projects worth **Frw 100.47 Bn** (2021: **18** cases of **Frw 103.89**). These comprised of new five (**5**) cases and eight (**8**) for the prior years. These cases were identified in nine (**9**) public entities.

**Graph 2: Trend of stalled contracts/Projects over period of 4 years**



### 6.3. Increase of supervision costs due to delayed works by primary contractors

Contract periods for the three (3) supervising companies in the following projects were extended at a cost of **Frw 2.72 Bn** (2021: **Frw 5.39 Bn**), after the contract periods with the primary contractors were extended. **See details in the table below:**

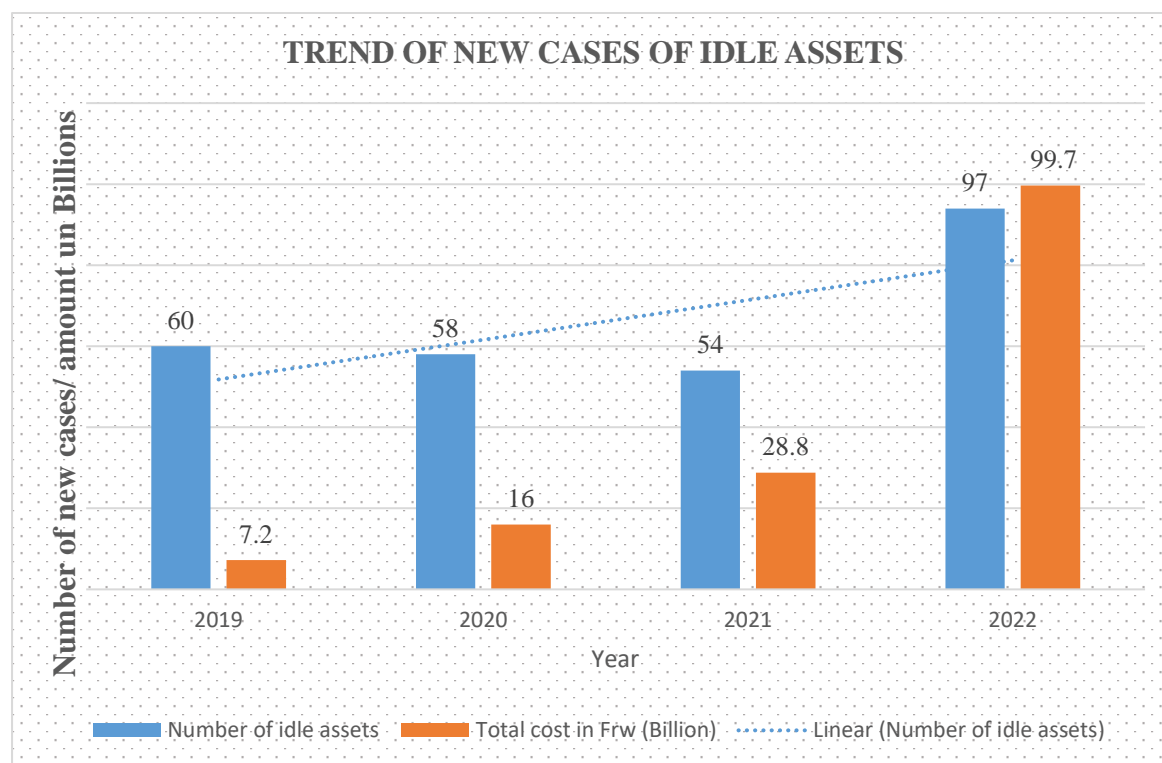
Entity	Project	Additional supervision costs due to delays Frw
Rwanda Sustainable Water Supply and Sanitation Program (RSWSSP)	(5) contracts for upgrading and extension of water supply network	849,828,141
Roads Development Project (RFRDP)	Contract for rehabilitation of indicative feeder roads in Nyabihu, Rutsiro and Gakenke Districts	969,907,540
Roads Development Project (RFRDP)	Contract for rehabilitation of indicative feeder roads in Gatsibo, Nyagatare and Nyaruguru Districts	896,828,896
<b>Total</b>		<b>2,716,564,577</b>

Delay in implementation of projects was due to delay in expropriation of affected properties as a result of delay in availing funds.

Management should closely monitor the implementation of the projects and budget for the expropriation.

#### 6.4. Idle assets

Auditors identified **117** idle assets worth **Frw 124.12 Bn** (2021: **Frw 37.2 Bn**) in 66 public institutions that were not put to use. These comprised of **97** new cases worth **Frw 99.68 Bn** and **20** cases worth **Frw 24.44 Bn** noted in our last year's audits.



There is a need for public entities to use the above assets.

## 6.5. Material cross – cutting gaps in the audits of financial statements

As highlighted in section 2.2 of this report, we issued modified 70 opinions (qualified/ “except for” and adverse opinions) on financial statements as a result of material misstatements. These material misstatements were attributed to inadequate controls over financial reporting. The cross – cutting material gaps on financial statements included:

Findings	Number of public institutions	Amount (Frw)
Unsupported debtors	20	4,573,051,763
Unsupported other payables	28	4,039,310,653
Long outstanding debtors	61	27,085,918,518

In addition, the audit noted that the above entities had significant gaps in making disclosures to the financial statements contrary to applicable accounting standards.

Public entities should strengthen financial reporting controls to prevent recurrence of similar cases and carry out regular reconciliations to detect and correct errors and fraud.

## 6.6. Cross-cutting issues in project management

### 6.6.1. Slow pace in implementing government projects

The implementation schedules of following seven (7) projects funded by development partners were delayed. This put the projects at the risk of forfeiting part of their funding. The initial project duration had either expired or was about to expire, yet the disbursement rates were still low.

s/n	Project	Undrawn fund	Initial completion date and duration		Time left on initial duration	Absorption rate
			Date	Duration in months	Months	
1.	MINECOFIN - Public Finance Management (PFM) Reform Project	4,487,784,356		50	4	78%
2.	EDCL Ltd - Regional Rusumo falls hydropower project-transmission lines component	11,812,827,141		67	0	66%
3.	WASAC - Rwanda Sustainable Water Supply and Sanitation Program (RSWSSP)	346,153,913,306	31/12/2023	78.5	18.5	25%
4.	MINICOM - Rwanda Meat Value Chain Trade Competitiveness Project	959,882,259	30/09/2022	39	0	22%

s/n	Project	Undrawn fund	Initial completion date and duration		Time left on initial duration	Absorption rate
			Date	Duration in months	Months	
5.	Supreme Court - Programme of capacity building of the Judiciary & Prosecution for extradited suspects of Genocide, Phase II no 4000002774	5,540,669,967	30/06/2022	24	0	44%
6.	Mainstreaming climate smart planning and implementation into agricultural development project (Under MoE)	712,404,575	26/09/2021	15	0	24%
7.	MINEMA - Social Economic Inclusion of Refugees and Host Communities in Rwanda Project (SEIRHCP)	81,958,592,480	3/10/2024	66	42	29%
8.	RDB – RIF	29,794,509,572	22/12/2022	57	6	29%
	<b>Total</b>	<b>481,420,583,656</b>				

These gaps are mainly attributed to lack of readiness by project management to implement the projects at the effective dates of projects and long procurement process. Though some projects had requested for time extensions, there is a need to closely monitor implementation of projects and develop catch up plans.

## **6.7. Delays to pay compensation to beneficiaries of expropriated properties**

- **Unpaid expropriation costs**

The audit noted that expropriation fees amounting to **Frw 521,351,691** was not yet paid to beneficiaries as at the time of audit. This was noted in Gisagara, Muhanga, and Gakenke districts. The management attributed to the issue of unpaid compensation fees to budget constraints.

- **Delayed payments**

The audit noted delays to pay the expropriation fees amounting to **Frw 3.34 Bn** to various beneficiaries of properties affected by implementation of different activities. The delays ranged between **31** and **1,559** days above the expected **120** days as per article **36** of the law on expropriation No 32/2015 of 11/06/2015.

This was observed in twenty one (**21**) public entities and projects. Delay in payment of fair compensation to beneficiaries of expropriated properties negatively affects their livelihood.

As a result, unpaid and delayed expropriation fees may negatively affect the well-being of citizens. Concerned public entities and projects should ensure that the population is paid on time, going forward.

## ABBREVIATIONS AND ACRONYMS

Abbreviation	Description
<b>AfDB</b>	African Development Bank
<b>BDF</b>	Business Development Fund
<b>BNR</b>	National Bank of Rwanda
<b>BRD</b>	Development Bank of Rwanda
<b>CHW</b>	Community Health Workers
<b>CHUK</b>	University Teaching Hospital of Kigali
<b>CBHI</b>	Community Based Health Insurance
<b>CMIS</b>	Cooperative Management Information System
<b>CPCs</b>	Community Processing Centres
<b>EATTFP</b>	East Africa Trade and Transport Facilitation Project
<b>EGF</b>	Export Growth Facility
<b>EGI</b>	Export Growth Initiatives
<b>EIF</b>	Enhanced Integrated Framework
<b>EWSA</b>	Energy, Water and Sanitation Authority
<b>EDCL</b>	Energy Development Corporation Limited
<b>EUCL</b>	Energy Utility Corporation Limited
<b>FBF</b>	Fortified Blended Food
<b>FONERWA</b>	Rwanda Green Fund
<b>GAH</b>	Gabiro Agribusiness Hub
<b>GBEs</b>	Government Business Enterprises
<b>GF</b>	Global Fund
<b>GoR</b>	Government of Rwanda
<b>ICPAR</b>	Institute of Certified Public Accountants of Rwanda
<b>IFMIS</b>	Integrated Financial Management Information System
<b>IPPIS</b>	Integrated Personnel and Payroll Information System
<b>IRCAD</b>	Research Institute against Cancer of the Digestive System
<b>IT</b>	Information Technology
<b>KFHR</b>	King Faisal Hospital Rwanda
<b>KIP</b>	Kigali Infrastructure Project
<b>KIST</b>	Kigali Institute of Sciences and Technology

<b>LAIS</b>	Land Administration Information System
<b>LODA</b>	Local Administrative Entities Development Agency
<b>LGTLMs</b>	Local Government Taxes Management System
<b>LKIWTP</b>	Lake Kivu Inland Water Transport Project
<b>LWH</b>	Land Husbandry Water Harvesting and Hillside Irrigation
<b>LVTP</b>	Lake Victoria Transport Program
<b>MINADEP</b>	Ministry of Defense
<b>MINAGRI</b>	Ministry of Agriculture and Animal Resources
<b>MINECOFIN</b>	Ministry of Finance and Economic Planning
<b>MINEDUC</b>	Ministry of Education
<b>MINEMA</b>	Ministry of Emergency Management
<b>MINICOM</b>	Ministry of Trade and Industry
<b>MINICT</b>	Ministry of Information and Communication Technology
<b>MINIJUST</b>	Ministry of Justice
<b>MININFRA</b>	Ministry of Infrastructure
<b>MINISANTE</b>	Ministry of Health
<b>MOE</b>	Ministry of Environment
<b>MMC</b>	Muhabura Multichoice Company
<b>NAEB</b>	National Agricultural Export Development Board
<b>NBA</b>	Non-Budget Agency
<b>NCDA</b>	National Child Development Agency
<b>NLA</b>	National Land Authority
<b>NEC</b>	National Electoral Commission
<b>NESA</b>	National Examination and School Inspection Authority
<b>NIRDA</b>	National Industrial Research and Development Agency
<b>NISR</b>	National Institute of Statistics of Rwanda
<b>NIWSSM</b>	National Integrated Water Supply and Sanitation Masterplans
<b>NPPA</b>	National Public Prosecution Authority
<b>NRS</b>	National Rehabilitation Services
<b>NSDS</b>	Nutrition Sensitive Direct Support
<b>NST1</b>	National Strategy for Transformation
<b>OAG</b>	Office of the Auditor General of State Finances

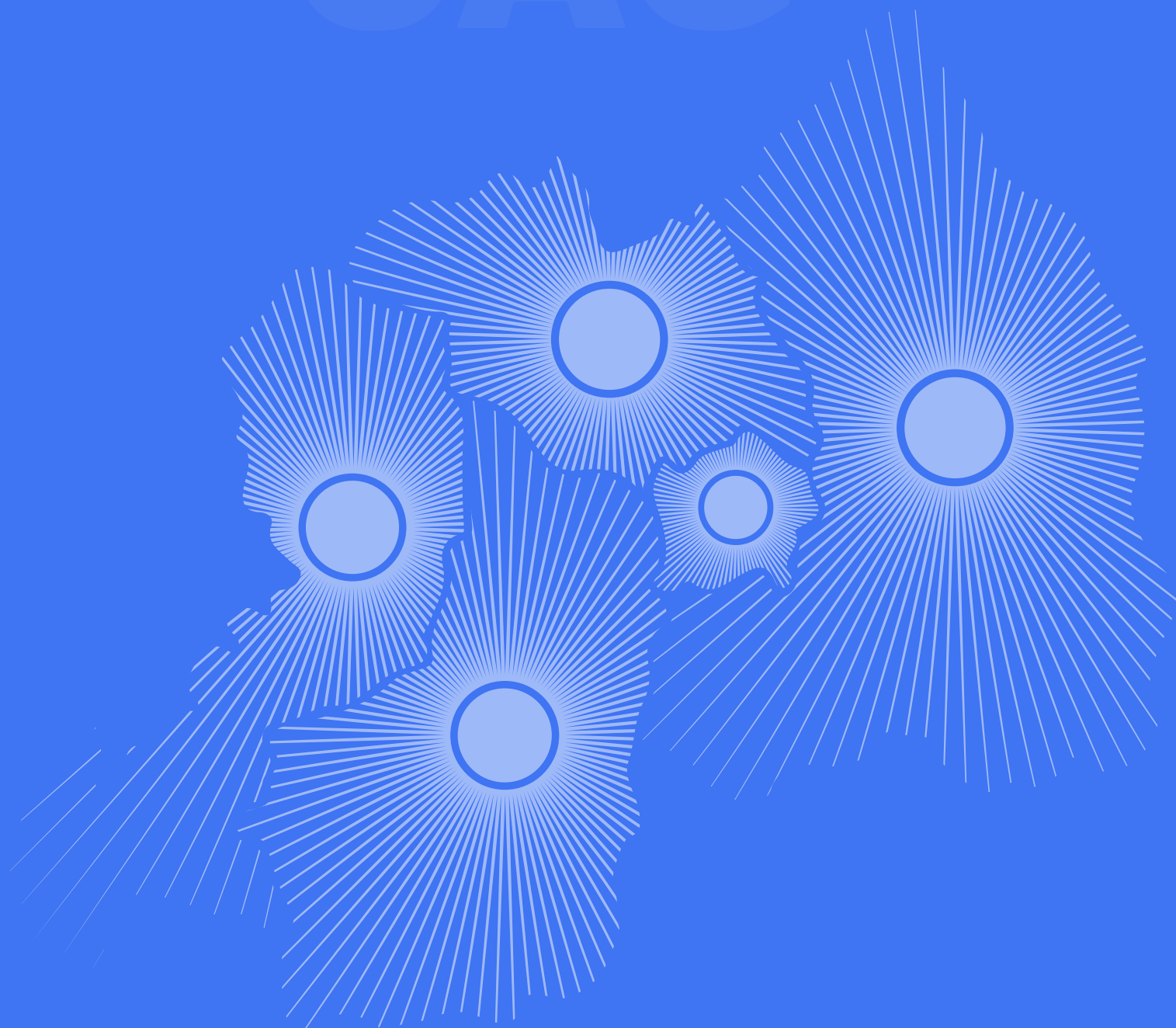


<b>PAC</b>	Public Accounts Committee
<b>PAYE</b>	Pay As You Earn
<b>PFM</b>	Public Financial Management
<b>PHHSTF</b>	Postharvest Handling and Storage Task Force
<b>RAB</b>	Rwanda Agricultural Board
<b>RGCC</b>	Rwanda Grains and Cereals Corporation
<b>RIF</b>	Rwanda Innovation Fund
<b>RBC</b>	Rwanda Biomedical Centre
<b>RCA</b>	Rwanda Cooperative Agency
<b>RCS</b>	Rwanda Correctional Services
<b>RDB</b>	Rwanda Development Board
<b>REB</b>	Rwanda Education Board
<b>REMA</b>	Rwanda Environment Management Authority
<b>RESSP</b>	Rwanda Electricity Sector Strengthening Project
<b>RHA</b>	Rwanda Housing Authority
<b>RIF</b>	Rwanda Innovation Fund
<b>RNIT</b>	Rwanda National Investment Trust Ltd
<b>RNP</b>	Rwanda National Police
<b>RP</b>	Rwanda Polytechnic
<b>RPPA</b>	Rwanda Public Procurement Authority
<b>RQBEP</b>	Rwanda Quality Basic Education for the Human Capital Development Project
<b>RRA</b>	Rwanda Revenue Authority
<b>RSSB</b>	Rwanda Social Security Board
<b>RSSP III</b>	Rural Sector Support Project Phase III
<b>RTB</b>	Rwanda TVET Board
<b>RTDA</b>	Rwanda Transport Development Agency
<b>RURA</b>	Rwanda Utility Regulatory Authority
<b>RWB</b>	Rwanda Water Board
<b>RISA</b>	Rwanda Information Society Authority
<b>SACCO</b>	Savings and Credits Cooperatives
<b>SGF</b>	Special Guarantee Fund
<b>TVET</b>	Technical and Vocational Education and Training

<b>UR</b>	University of Rwanda
<b>VAT</b>	Value Added Tax
<b>VUP</b>	Vision Umurenge Program
<b>WASAC</b>	Water and Sanitation Corporation
<b>WTP</b>	Water Treatment Plants



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