REPUBLIC OF RWANDA

OFFICE OF THE AUDITOR GENERAL OF STATE FINANCES

OAG
In Public Interest

ANNUAL AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2023




"Every Rwandan Franc Should Count"

Message of the Auditor General

"The Office of the Auditor General of State Finances is committed to promoting a culture of accountability, transparency and judicious management of public resources towards meeting national priorities and the wellbeing of citizens.

Every Rwandan Franc should count."

I am pleased to present this year's Annual Auditor General's report which is an executive summary of audit reports issued to public entities for the financial year ended 30th June 2023. The report aims to promote public accountability by informing citizens how public entities used allocated budget appropriations. The report is a consolidation of outcomes of audits carried out in the audit cycle that ran from May 2023 to April 2024.

The report summarizes the audit opinions and conclusions issued on financial, compliance, performance, Information Systems (IS) and special audits; significant audit findings and recommendations as well as progress in implementation of previous years' audit recommendations.

This year, we audited **96%** of public expenditure. We increased the number of audits of Government Business Enterprises from 17 to 21, performance and IS audits, despite a challenging environment characterised by high turnover of experienced staff.

During the year under review, there was an improvement in audit outcomes compared to the previous year. The number of public entities that obtained unqualified audit opinion on their financial statements increased from **68%** in 2022 to **92%**.

We attribute this improvement to the following:

- A stable Integrated Financial Management Information System (IFMIS) that supported accounting and financial reporting;
- Chief Budget Managers and finance team enhanced understanding of Public Financial Management systems; and
- Adjustments made to correct errors and omissions noted during the audits.

There was notable improvement in compliance with laws and regulations. In addition, a slight improvement in realization of value for money as well as in the implementation of our previous year's recommendations was noted.

The Office has continued to conduct impactful audits in order to improve the wellbeing of citizens. This year we increased the number of performance audits from 14 to 16 and continued to implement a preventive audit approach that is yielding tangible results. This has led to saving of public resources.

I urge all heads of public entities to implement audit recommendations and take corrective measures to improve management of public funds and service delivery in order to improve the wellbeing of citizens.

KAMUHIRE Alexis,
AUDITOR GENERAL

Kigali, 19th April, 2024

ACKNOWLEDGEMENT

I want to acknowledge the Government of the Republic of Rwanda for the continued public financial management reforms meant to ensure efficient and effective use of public resources for the benefit of the citizens.

I recognize the Parliament of the Republic of Rwanda for its oversight role and the commendable job of the Public Accounts Committee (PAC), that scrutinizes the Auditor General's report, conducts public hearing sessions aimed at holding accountable those in charge of managing public funds.

I appreciate the support of Development Partners and other stakeholders that has contributed to increase the institutional capacity of the Office.

I take this opportunity to thank the management of the auditees for their continued cooperation during the audit process.

I would like to express my gratitude to OAG staff who worked tirelessly with professionalism, hard work and resilience that has enabled the Office to execute its constitutional mandate.

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1. INTRODUCTION

1.1. Auditor General's Constitutional Mandate

The Office of the Auditor General of State Finances (OAG, the Office) is mandated by Article 166 of the Constitution of the Republic of Rwanda to audit State finances and property in all public sector entities.

Article 167 of the Constitution 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.

The Constitutional mandate of the Auditor General is operationalized by the Organic Law N° 002/2022.OL of 12/12/2022 on public finance management and Law N° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances. The responsibilities of the Office are stipulated in Article 6 of Law N° 79/2013 of 11/09/2013 and include:

(i) To audit Government revenue and expenditure of all public sector entities;

(ii) To carry out financial and property management audit to ensure compliance with applicable laws and regulations, proper use of finances and property and ascertain if finance and property were managed appropriately;

(iii) To carry out the audit of accounts, efficient management of property and finance and that of functioning of all public sector entities; and

(iv) To conduct forensic audit or special audit of all public sector entities.

In conducting the audits, the Office of the Auditor General is guided by the International Standards of Supreme Audit Institutions (ISSAIs) and the Code of ethics for International Organisation of Supreme Audit Institutions (INTOSAI).

1.2. About this report

This report summarises key audit findings from the audit report of the State consolidated financial statements, and financial, compliance, performance, information systems (IS) and special audits issued public entities for the year ended 30 June 2023.

The audits covered the financial statements and operations of public entities for financial year ended 30 June 2023 while the periods covered by performance audits varied based on the scope of each audit. Individual audit reports containing the audit opinions and conclusions together with detailed audit findings and audit recommendations were submitted to respective public entities.

1.3. Structure of this report

The report is structured as follows:

Section 1: Introduction

This section summarises the mandate of the office.

Section 2: Audit Coverage and Opinions Issued

This section provides the audit opinion on the State consolidated financial statements and statistics on the number of entities audited, the percentage of the public budget they represent and the audit opinions issued during the year and in the previous three years.

Section 3: Status of Implementation of Auditor General's Audit Recommendations

This section provides the trend in the implementation of audit recommendations issued by the Office in the previous three years.

Section 4: Reporting on the Provisions of Article 167 of the Constitution

This section summarised ineligible public expenditure.

Section 5: Sector-Specific Findings

This section highlights significant findings and recommendations noted in a cross-section of public sector entities audited for the financial year ended 30th June 2023.

Section 6: Cross-Cutting Issues

This section highlights different public financial management issues that were identified in across public sector entities.

Section 7: Governance and Internal Control Issues

This section highlights governance, risk management and internal control issues noted in different public sector entities.

2. AUDIT COVERAGE AND OPINIONS ISSUED

2.1. Audit coverage

The Office conducts five types of audits namely:

2.1.1. Definitions of types of audits

Financial audit: This is an independent examination of the financial statements of an entity to determine whether they were prepared in accordance with applicable financial reporting and regulatory framework. The purpose of this type of audits is to provide an objective assessment of the financial position and performance of the entity, and to issue an audit opinion.

Compliance audit: This involves examining whether an audited entity has adhered to relevant legal and regulatory requirements. This type of audit aims at ensuring that the entity's activities are conducted in accordance with applicable laws, regulations, and other authoritative requirements. Under this type of audit, auditors check whether audited entities complied with laws, regulations and guidelines regulating public spending, and whether they realized value for money in utilization of public funds.

Performance audit: This is an independent and objective examination of whether government systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

IS audit: This is an examination of controls relating to information technology (IT)-driven information systems, in order to identify instances of deviation from criteria, which has in turn been identified based on the type of audit engagement being carried out- i.e. Financial Audit, Compliance Audit or Performance Audit or as a standalone audit.

Special audit: This is an examination of a specific area of an entity's operations carried out using a combination of financial, compliance and performance audit approaches in response to a particular concern or request.

2.1.2. Financial audits and compliance audits

In total, we issued two hundred twenty two (**222**) financial audit and **(220)** compliance audit reports for the financial year ended 30 June 2023, compared to two hundred forty six (**246**) in the previous year. These reports supported the audit opinion issued on the State Consolidated Financial Statements. Below is a summary of the public sector entities audited and their expenditure per cluster of audited entities:

Table 1: Audit coverage versus total public expenditure for the financial year ended 30 June 2023

Clusters of audited entities	Nº of entities audited	Number of audit reports issued	Expenditure for the financial year ended 30 June 2023
			Frw
Projects*	75	78	305,048,111,064
Central Government agencies	51	62	707,167,691,458
Boards	13	13	554,237,854,446
Government Business Enterprises (GBEs)**	21	21	158,137,965,185
Ministries	19	19	2,315,376,855,169
Districts and City of Kigali	28	28	1,127,955,068,687
Direct investment	1	1	0
National treasury and revenue collection (State Consolidated Financial statements)			64,700,271,865
Inter-entity transfers			(250,715,475,854)
Net audited expenditure (A)			4,981,908,342,020
Total National Expenditure (B)			5,193,535,221,569
OAG Annual expenditure (C)			6,887,326,834
Total National Expenditure Auditable by OAG (D=B-C)			5,186,647,894,735
Audit coverage-2022-2023 (E=A/D)*100			**96%**

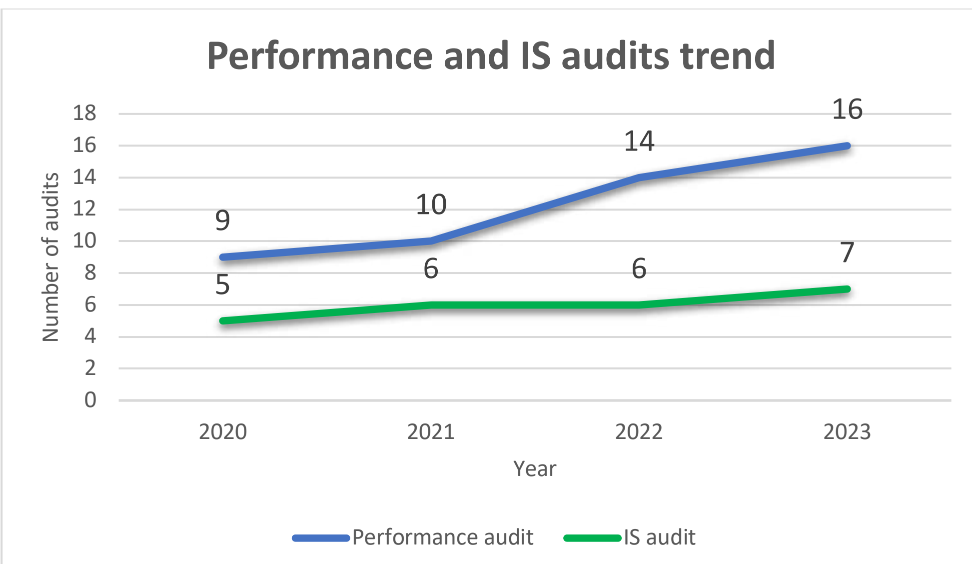
** There are two projects in MINIJUST that we only audited financial statements.*

*** - The audit covered 21 Government Business Enterprises (GBEs), but only three (3), Electricity Development Company Limited (EDL), Rwanda Broadcasting Agency (RBA) and Water and Sanitation Corporation Limited (WASAC), received budget support from the National Treasury to implement Government sponsored projects. The total revenue of these GBEs for the year ended 30 June 2023 was **Frw 945.79 Bn**.*

2.1.3. Performance, special and IS audits

In the current 2023-2024 audit cycle, we carried out sixteen **(16)** performance audits, seven **(7)** IS audits and ten **(10)** special audits. The performance audits focused on the areas of national interest in agriculture, education, social and environment, investment, ICT, and finance and economy sectors. The Office has continuously increased the number of performance and IS audits carried out over the years as shown in graph below.

Graph 1: Trend of performance and IS Audits completed in the last 4 years



The following is a list of performance and IS audits that were carried out:

(a) Performance audits (16)

1. Management of Group Settlement Sites
2. Integrated Crafts Production Centres (ICPCs)
3. Management of Agaciro Development Fund
4. Special needs and inclusive education in Rwanda
5. Management of investment incentives
6. Value Added Tax Collection
7. Ejoheza Long-Term Savings Scheme
8. Centralized procurement of ICT equipment and infrastructure
9. Land management and use in Rwanda
10. Credit Guarantee by Business Development Fund (BDF)
11. Effectiveness of Early Childhood Development (ECD) interventions to eradicate stunting
12. Roles and responsibilities of RICA, RFDA and RSB
13. Availability and use of fertilizers
14. Production and distribution of seeds
15. Environmental audit of rain, storm and wastewater management in the City of Kigali
16. Public procurement

(b) Information systems audits (7)

1. Health Sector Systems
2. Monitoring and Evaluation Information System (MEIS)
3. Electronic Billing Machines (EBM)
4. BDF systems
5. Smart Nkunganire
6. Land Administration Information System
7. E-procurement system (Umucyo)

(c) Special audits

Ten (10) special audits were performed

2.2. Audit Opinions

The Office issues four (4) categories of audit opinions on financial statements, and four (4) categories of conclusions on compliance with laws, regulations and guidelines regulating public spending, and realization of value for money in utilization of public funds .

The audit opinions are based on the following criteria:

Unqualified audit opinion/ conclusion

- In the context of financial audit, the Auditor General issues an opinion that there are no material misstatements due to error or fraud found in the financial statements.
- In the context of compliance audit, the Auditor General makes a conclusion that there are no material instances of non-compliance with laws and regulations on public spending and realisation of value for money..

Qualified Audit Opinion/ conclusion

- In the context of financial audit, the Auditor General issues an opinion that there are material misstatements found in the financial statements. However, those misstatements are not pervasive (not affecting the entire financial statements).
- In the context of compliance audit, the Auditor General makes a conclusion that there are material instances of non-compliance with laws and regulations on public spending and realisation of value for money. However, those instances are not pervasive.

Adverse Audit Opinion/ conclusion

- In the context of financial audit, the Auditor General issues an opinion that there is material and pervasive misstatements found in the financial statements (affecting a number of components of financial statements)
- In the context of compliance audit, the Auditor General concludes that there are material and pervasive instances of non-compliance with laws and regulations on public spending and realisation of value for money.

Disclaimer of Audit Opinion/ conclusion

- In the context of financial audit, the Auditor General issues a disclaimer of opinion when the auditor is unable to obtain sufficient audit evidence and possible mistatement could be material and pervasive.
- In the context of compliance audit, the Auditor General is unable to obtain sufficient audit evidence and/ or the instances of non-compliance with laws and regulations on public spending and realisation of value for money are material and pervasive.

Emphasis of matter paragraph: This is included in the auditors' report and refers to a matter presented or disclosed in the financial statements that, in the auditor judgement, it is of such importance to users' understanding of the financial statements. The nature of matters included in emphasis of matter paragraphs differ per entity.

The Auditor General issues overall conclusions on performance, IS and special audits.

2.2.1. Audit Opinion on the State consolidated financial statements

Below is an extract of the audit opinion issued on the State consolidated financial statements of the Government of Rwanda for the year ended 30 June 2023.

Opinion

As required by Article 166 of the Constitution of the Republic of Rwanda, and Articles 6 and 14 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 (OAG), I audited the State consolidated financial statements of the Government for the year ended 30 June 2023. The financial statements comprised of the consolidated statement of financial assets and liabilities as at 30 June 2023, the consolidated statement of revenue and expenditure and consolidated statement of cash flows, together with other accompanying statements, notes and the accounting policies.

In my opinion, the Consolidated Financial Statements of the Government of Rwanda were prepared in compliance with the Organic Law Nº 002/2022.OL of 12/12/2022 on Public Finance Management and related legal framework of the financial position of the Government as at 30 June 2023, and of its financial performance and its cash flows for the year then ended.

The audited State consolidated financial statements are in Volume II of this Auditor General's annual report.

2.2.2. Audit opinions issued

2.2.2.1. Audit opinions on entities' financial statements

Out of **208** public entities and projects audited, **191** (***representing 92%)*** had unqualified opinions, **11** (***representing 5%)*** had qualified opinions, and the remaining **6** (***representing 3%)*** had adverse opinions on their financial statements. These include **21 Government Business Enterprises (GBEs)** that generate own revenue. The table in the next page shows the trend of financial statements audit opinions issued per category in the last four (4) years.

Table 2: Trend of financial statements audit opinions per audited public entities and projects
(The table shows number of entities and percentage of opinions for each year)

Year	Opinion per category				Total entities
	Unqualified	Qualified	Adverse	Disclaimer	
2023	191 92% ▲	11 5%	6 3%	0 0%	208
2022	151 68% ▲	57 26%	13 6%	0 0%	221
2021	98 57% ▲	63 36%	12 7%	0 0%	173
2020	95 54% ▲	55 32%	25 14%	0 0%	175

In addition to the audit opinions on the financial statements, we made emphasis of matter paragraphs to **43** public institutions.

2.2.2.2. Conclusions on compliance with laws and regulations on public spending

Out of the **206** public institutions and projects audited, **142** entities (representing **69%**) had unqualified conclusions, 59 entities (representing **29%**) had qualified conclusions while **5** entity (representing **2%**) had adverse conclusions on compliance with laws and regulations regulating public spending. The table in the next page provides a trend of audit conclusions issued in the last four (4) years:

Table 3: Trend of conclusions on compliance with laws and regulations on public spending

Year	Conclusions per category				Total entities
	Unqualified	Qualified	Adverse	Disclaimer	
2023	142 69% ▲	59 29%	5 2%	0 0%	206
2022	135 61% ▲	77 35%	9 4%	0 0%	221
2021	76 44% ▲	83 48%	14 8%	0 0%	173
2020	73 42% ▼	82 47%	20 11%	0 0%	175

2.2.2.3. Conclusions on realisation of value for money in utilisation of public funds

Out of **206** compliance audits conducted, **122 (representing 59%)** public entities had unqualified conclusions, **65 (representing 32%)** had qualified conclusions and **19** (**representing 9%**) had adverse conclusions. The table below provides the trend of the conclusions in the last four years:

Table 4: Trend on conclusions on realisation of value for money in utilisation of public funds

Year	Conclusions per category				Total entities
	Unqualified	Qualified	Adverse	Disclaimer	
2023	122 59% ▲	65 32%	19 9%	0 0%	206
2022	117 53% ▲	74 33%	30 14%	0 0%	221
2021	76 44% ▼	53 31%	44 25%	0 0%	173
2020	84 48% ▲	49 28%	42 24%	0 0%	175

2.3. On-going audit assignments

By the time of submitting this report, the audits of eight (8) public entities and one (1) special audit were ongoing. These are:

- Rwanda Ultimate Golf Course Ltd (RUGC);
- Ultimate Developers Ltd (UDL);
- Prime Holding Ltd;
- SONARWA life assurance Ltd;
- Institutional Strengthening of MINAGRI Program 4
- BE3 - Belgian Contribution to EARP
- Forest Landscaping Restoration in Mayaga Region Project (Mayaga)
- Rwanda Polytechnic Corporate Limited (6 months ended 31 December 2023); and
- DLI 1-2: Installation of SCADA/DMS.

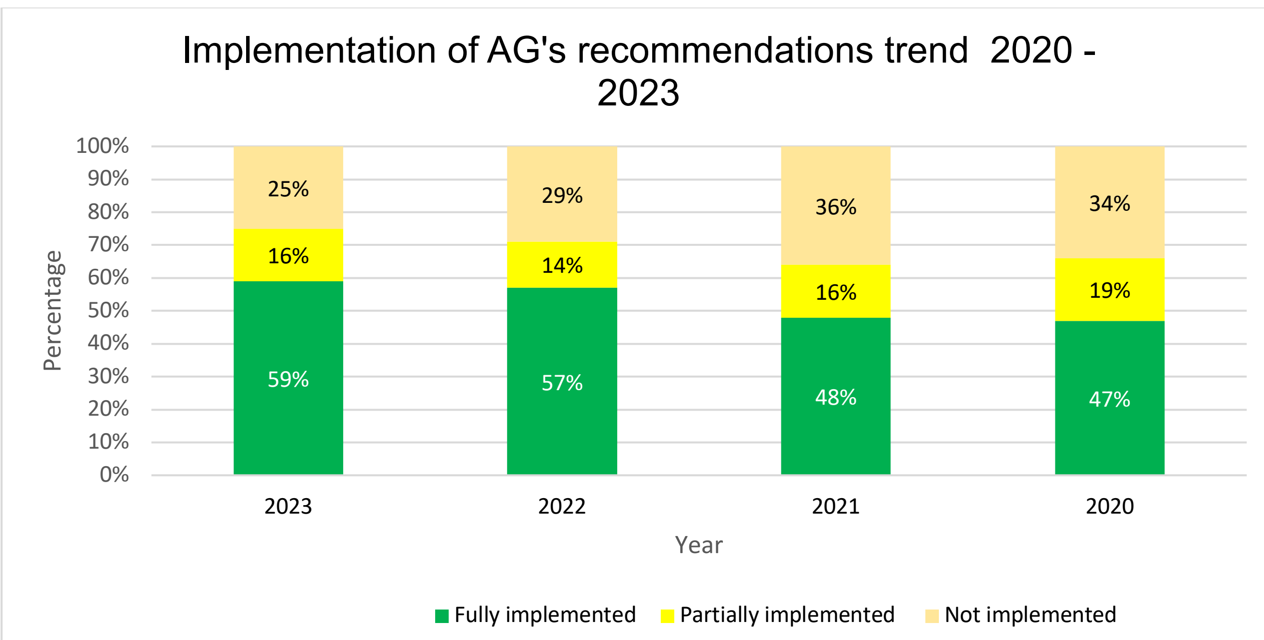
Their audit reports will be submitted to Parliament once the audits are completed.

3. STATUS OF IMPLEMENTATION OF AUDITOR GENERAL'S RECOMMENDATIONS

The Office of the Auditor General every year makes follow up on implementation of the previous year's audit recommendations. 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. This leads to improvement in public financial management systems and ensures that public resources are being utilized for national priorities and the wellbeing of citizens.

Out of 3,556 audit recommendations given in the previous year's audits, only 59% were fully implemented, 16% were partially implemented while 25% were not implemented. The graph below gives the trend in implementation of audit recommendations for the last four years.

Graph 2: Trend of implementation of audit recommendations



4. REPORTING ON THE PROVISIONS OF ARTICLE 167 OF THE CONSTITUTION

4.1. Unlawful expenditure

During the current year ended 30th June 2023, different cases of unlawful expenditure totaling **Frw 2.57 Bn** were noted. The table below highlights the trend in unlawful expenditure observed over the years in the following categories:

Table 5: Mismanaged public funds

Description	2023	2022	2021	2020
	Frw	Frw	Frw	Frw
Unsupported expenditure	0	0	229,315,415	141,471,269
Partially supported expenditure	676,305,054	644,492,724	1,243,807,554	1,116,552,332
Wasteful expenditure	1,742,603,365	2,453,267,292	1,682,268,950	4,040,484,359
Overpayment*	80,065,046	3,187,376,871		
Unauthorized expenditure				308,429,452
Funds diverted (fraud)	75,947,784*	169,074,343	45,331,149	57,130,704
Total	**2,574,921,249**	**6,454,211,230**	**3,200,723,068**	**5,664,068,116**

** Payments for contracts not in force and non-work contracts related.*

As highlighted in the table above, unlawful expenditure decreased by 60% compared to the previous year. There is a need for Chief Budget Managers to put in place strong internal controls to avoid them.

4.2. Impact of audits

4.2.1. 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 output and livestock quality.

The current year's audits used a preventive audit approach to review contracts before their implementation or while they were still being implemented. This audit approach helped to identify financial losses while there was still a chance for recovery.

The audits identified financial losses amounting to **Frw 6.92 Bn** that were likely to be recovered. The losses were as a result of contracts that were not properly designed, inadequate monitoring of construction projects and review of invoices before payment. These included duplicated or inflated items in ongoing contracts and amounts overpaid to contractors as detailed below.

4.2.2. Amounts in ongoing contracts recommended for recovery (excess items in bills of quantities but not yet fully paid) – current audit

The table below highlights excess items in bills of quantities amounting to **Frw 5,612,265,973** relating to contracts that were ongoing at the time of the audits:

We recommended management to change the bill of quantities and the contracts with the contractors.

4.2.3. Amounts paid to contractors recommended for recovery – current audit

The table below highlights excessive payments to contractors noted at the time of audit.

Table 7: Amounts paid to contractors recommended for recovery

Entity	Amount recommended to be recovered Frw	Amount recovered at the time of audit - Frw
MINICOM	474,883,226	0
RDRC	33,149,766	33,149,766
RwandAir	18,736,087	0
Muhamga District	61,739,323	0
Global Fund HIV/AIDS&TB Program Grant Nº 2055-RWA-C-MOH	92,246,060	92,246,060
RHA	200,801,897	0
RHA	393,297,732	0
RHA	35,984,917	0
Total	**1,310,839,008**	**125,395,826**

We recommended management to recover the excess payments.

4.2.4. Status of amounts recommended for recovery in last year's audit report

Follow up of audits to assess the progress that management has to recover excess amounts in bills of quantities and payments in the previous year showed that public entities recovered **Frw 1.22 Bn** out of **Frw 10.05 Bn** reported.

We recommended management to follow up recovery of the remaining amounts.

4.3. Unresolved fraud cases noted in the previous years

As per the previous audit report, unresolved fraud cases had accumulated to **Frw 2.36 Bn** from the 2013 to 2022. Follow up audits during the year noted that public entities recovered only **Frw 18 Mn.** Hence **Frw 2.34 Bn** were still unresolved.

We recommended the Ministry of Justice to continue following up these cases.

5. SECTOR-SPECIFIC FINDINGS


INFRASTRUCTURE

5.1. INFRASTRUCTURE SECTOR

5.1.1. Rwanda Transport Development Agency (RTDA)

RTDA is a public institution charged with the responsibility of developing rail, cable cars, road and waterways infrastructure in the country. The following were noted:

5.1.1.1. Review of quality of constructed roads

The audit took samples of asphalt core on 5 roads worth **Frw 139.54 Bn** to confirm whether the mix designs were complied with to ensure quality of constructed roads. The samples were tested in RSB material testing laboratory for the following parameters:

- **Compaction %:** Compaction is the process by which the volume of air in a hot mix asphalt mixture is reduced by using external forces. Proper compaction is crucial for the durability and longevity of asphalt pavements.
- **Percent air void**: Spaces between aggregate particles in the compacted asphalt mix. This minimizes risks of moisture infiltration. This measurement is important because it can affect the strength and durability of the material.

However, the audit noted that **10/30 (33%)** tested parameters failed to attain the required standards for compaction and air voids.

For example, **Huye-Kitabi road (53Km)** in the table above was provisionally accepted on 21 January 2022 and had ***fifty- seven (57) repair patches within one and half years. See the pictures below for illustration:***


Photo showing repaired patches along the road section at PK 0+000-50+350 as example . Photo taken by OAG on 15/11/2023

The audit also noted that RTDA did not carry out regular tests. The time interval between two testing exercises could reach **507 days.** In addition, RTDA did not have documentation indicating implementation of provided recommendations.

We recommended RTDA to reassess the quality of constructed asphalt roads and request contractors to redo the works where significant gaps have been noted.

5.1.1.2. Deteriorating roads that need to be repaired

The audit noted that a number of roads had significant defects and needed urgent repair, as illustrated in the pictures below:

Rusizi-Bugarama-Ruhwa roads (61km): The entire road pavement had undergone severe damages such as big potholes, cracks, pavement rutting, and damaged side ditches. The road is under maintenance contract but management stated that they were mobilizing funds to get the critical section of the road repaired.	 ***Photo taken by OAG on 21 November 2023***
Cyakabiri – Nyabikenke - Ndusu road sections of national NR17 phase II: • Sections from PK73+300 to PK 74+300 were flooded by Mukungwa River leading to silt being deposited alongside the road. • The road crossing box culverts to prevent water flow on the roadway at PK 66, PK63+100, PK60+300, PK58+100 and PK58+100 were missing.	

	Flooded section at PK74+300: Photo taken on 23 November 2023
Kitabi-Nshili tea factory (15.09km) • At PK 0+ 600 the road was impassable due to landslide that had broken the road. • At PK 13+700 to PK13+750 the audit noted a slope failure along the road section which might result to the road becoming impassable.	 ***Landslide in the road (at PK 0+ 600): Photo taken on 21 November 2023***

We recommended RTDA to mobilize funds to repaid the above noted defects.

5.1.2. Rwanda Feeder Roads Development Project (FRDP)

Rwanda Feeder Roads Development Project (RFRDP) was to be implemented between 2014 and 2021 and was later extended to 31 December 2025. The aim of the project was to develop rural roads in 10 Districts to improve agriculture market linkages, reduce post-harvest losses and lower the price of delivering agricultural inputs. The following were noted:

5.1.2.1. Defects noted in the feeder roads constructed in Nyaruguru and Gatsibo districts

RTDA and Nyaruguru District signed a forty-one (41) months' contract worth **Frw 11.69 Bn** for the rehabilitation, upgrading and multi-year maintenance works feeder roads in Nyaruguru District in two lots (70.787 km). The contract was under Design, Build and Maintain (DBM) model, effective up to 15 January 2023. This was later revised to 1 December 2023.

Gatsibo district signed a contract worth **Frw 10.45 Bn** for the implementation of rehabilitation, upgrading and multi-year maintenance works of lot 1 & 2 and 3 under feeder roads in Gatsibo District. The contract was to be implemented in eighteen (18) months to 30th January 2021.

However, the audit visit in Nyaruguru and Gatsibo districts in November 2023 noted the following:

- Defects on the roads due to masonry ditches that were not constructed - Nyaruguru Feeder Road (*See pictures below*);
- Damaged masonry ditches at PK 0+800 - Gatsibo Feeder Road;

- Deflection developing along the road surface - Gatsibo Feeder Road (*See photo below*); and
- Potholes developing along the road surface.


Road pavement deteriorated due to water run-off at PK 18+240: Photo taken by OAG on 17th November 2023 on Nyaruguru feeder road	***Deflection developed on road surface at PK 0+300. Photo taken by OAG on 17/11/2023 on Gatsibo feeder road***

The above defects may lead to the roads becoming impassable.

We recommended RTDA to raise funds to maintain these roads.

5.1.2.2. Payment of maintenance cost before expiry of the Defects Liability Period

Articles 122, 123 and124 of Law N°62/2018 of 25/08/2018 governing public procurement, that was in force at the date of contract signature, provided that the defect liability period should start from the date that the procuring entity takes possession and utilises the accepted works. The successful bidder is only responsible for the repairs resulting from construction defects or poor workmanship. Such responsibility applies during the period covered by the guarantee period. This implies that the procuring entity should start incurring maintenance costs after the end of the defect's liability period/ final handover.

However, the audit noted that in the nine signed contracts to develop feeder roads in six (6) districts (Nyagatare, Gatsibo, Nyaruguru, Nyabihu, Rutsiro and Gakenke), the maintenance period started within the defect liability period (DLP), after the provisional handover. Consequently, RTDA paid **Frw 601 Mn** out of **Frw 5.31 Bn** maintenance cost incurred for Nyagatare and Gatsibo Districts feeder roads, within the defect liability period. It should be noted that the contractor is liable to correct defects within the defect liability period.

5.1.3. RTDA Lake Victoria Transport Program (LVTP) NGOMA NYANZA

5.1.3.1. Delay on the contract for upgrading works of Kibugabuga-Shinga-Gasoro road (66.55Km), part of Bugesera to Nyanza road

On 22 May 2019, RTDA signed a contract amounting to **Frw 40.73 Bn** for upgrading Kibugabuga-Shinga-Gasoro (66.55Km) under design, build and maintain scheme. The initial contract period was 2.5 years to 22 November 2021.

As per the consultant progress report of October 2023, the executed works were at **79.59 %** of completion. The construction on **10 Km** section from Nyamiyaga to Gasoro had not started due to non-expropriation of properties. This was 4 years after commencement of the project.

Management indicated that the project was facing a shortage of funds to pay for the right of way.

We recommended RTDA to work with different stakeholders to handle the issue without further delay, and speed up the construction of the road.

5.1.3.2. Delay in execution of Ngoma-Ramiro road project under lot 2 (2^{nd} section from Ngoma to Bugesera)

As highlighted in the previous report, RTDA signed a contract for upgrading Ngoma-Ramiro road **(lot 2) -23 Km** worth **Frw 33.21 Bn.** The initial contract period was for 2 years from 4^{th} October 2021 to 4^{th} October 2023. At the time of audit in September 2023, the works were at **33%** of completion.

Management attributed the slow progress to the delay to acquire land due to inadequate funds. However, this was about to be resolved.

We recommended RTDA to liaise with the contractor to speed up the construction works of the road.

5.1.4. Rwanda Lake Kivu Water Transport Project -RTDA LAKE KIVU WTP

5.1.4.1. Delay in construction of ports on Lake Kivu

As reported in the previous year's report, construction of Rubavu and Rusizi Ports worth **USD 12,457,097** was put on hold while waiting for a revised study to be completed. The project initial completion date was 17 June 2021. The follow up audit noted that the contractor completed the revised study which showed that there were material weaknesses in the initial study. The following were also noted:

- **Abnormal extension period for construction of port facilities at Rubavu and Rusizi Districts:**
  The contract period for Rubavu port and the Rusizi Port were extended by 150% and 161% of the initial period respectively.
- **Abnormal construction price increase caused by poor initial design:**
  The contract price for the port of Rusizi increased by **91.7%** from **USD 5,933,867** to **USD 11,378,124** while that of Rubavu increased by **39.6%** from **USD 6.523.230** to **USD 9,107,244.**

This abnormal increase was caused by inaccurate data in the initial design. The revised study found that the shores of the lake were deeper than what was indicated in the initial design.

Consequently, the National Strategic Transformation (NST1) target to construct four (4) ports on Lake Kivu in Rusizi, Rutsiro, Karongi and Rubavu districts will not be achieved on time.

There is a need for RTDA to speed up construction works to improve inland water transport.

5.1.5. Excessive delays in the execution of contract for supply of Nkombo boat II

As highlighted in the previous audit reports for 2021 and 2022, on 10 May 2018, RTDA signed a contract worth **USD 2,656,600,** tax exclusive, for the supply of Nkombo boat II. The initial contract period was **336 days** from 07 September 2018 to 9 August 2019. The contractor was granted several extensions and the recent extension ends on 15 June 2024.

The audit noted that the contract extensions for Nkombo boat exceeded the initial contract periods by **1917 days** (5.2 years). The overall completion of the works stood at **76.42%** as at November 2023.

Execution of works, photo taken by OAG on 20/11/2023.

Due to the delay, the population will not benefit from the use of the boat as planned. Management attributed the delay mainly to cash flow challenges and an increase in the project scope.

We recommended RTDA to put in place measures to ensure the works are completed without further delay.

5.1.6. Road Maintenance Fund (RMF)

RMF is responsible for collecting funds to fund the maintenance of roads in Rwanda.

5.1.6.1. Defects on roads not repaired

The audit noted a number of roads with defects that required urgent repair. These included the following:

Muhanga-Ngororero-Mukamira and Meru-Nyabarongo Bridge paved road (121Km) • As highlighted in prior year audit report, there was still a landslide at PK 61+100 that needs to be maintained that was not repaired. • At PK 100, there was also an embankment failure that caused one side of the road to be impassable	 ***Gigantic landslide at PK 61+100: Photos taken on 22 November 2023***
Continuous washing away of bridge abutment by Giciye River at Jomba bridge There was continuous washing away of bridge abutment by Giciye River at Jomba bridge. Provisionally, the road was deviated in order to facilitate transportation until a sustainable solution was found.	 ***Collapsed side of the road at PK83+700due to Giciye River at Jomba bridge: Photo taken on 22/11/2023***
Crete Congo-Nil Buhinga road (31km): several sections of the road being damaged RMF had issued a one year's contract effective until 4th February 2023 to maintain Crete Congo-Nil Buhinga road (31km). Despite several sections of the road being damaged, no budget was allocated for its maintenance.	 ***Pothole developed at PK: 3+980: Photo taken on 12th January 2024***
Kigali-Gatuna road: Serious slope failure at PK 72 and PK 74 In prious year's audit report noted serious slope failure at PK 74. However, physical verification conducted on 19 November 2023 revealed that the site was yet to be corrected.	 ***Slope failure at PK 72: photo taken by OAG on 19 November 2023***

The above defects may lead to the roads becoming impassable, if no urgent action is taken to repair them.

We recommended RMF to raise funds for regular maintenance these roads.

5.1.7. Rwanda Energy Group Limited (REG)

REG is a government owned holding company responsible for the management of its two subsidiaries, EDCL and EUCL.

5.1.7.1. Delay in achieving NST1 objectives regarding access to electricity

According to the National Strategy for Transformation (NST1), access to electricity was to be scaled up from **34.4%** in **2017** to **100%** by **2024.** However, EDCL annual report for the year ended 30 June 2023 indicated that the current electricity access rate was **71.9%**.

The slow pace in achieving the NST1 target was partly attributed to delays in some projects. For example, the electrification projects in Musanze and Rubavu Districts to connect **47,806** citizens at a cost of **Frw 32.70 Bn** were initially planned to be completed by 30 December 2022. However, in August 2023 they were at 56.1% and 52% respectively. In Rubavu district, no customer was connected while in Musanze, only 351 customers had been connected.

Management attributed the delay in achieving Universal Access to Electricity (100%) to factors such as budget availability and delays in supply of materials.

We recommended management to work with MINECOFIN to get the required budget and to improve electrification materials' supply chain to avoid stock outs.

5.1.8. Energy Utility Corporation Limited (EUCL)

EUCL is a government owned company that is devoted to the operations and maintenance of electricity generation plants, transmission and distribution network, and the retailing of electricity to end-users in the country. The following were noted.

5.1.8.1. Continuous poor financial performance of EUCL

EUCL made a loss before income tax of **Frw 53.47 Bn** in the financial year ended 30 June 2023 (**2022: Frw 31.30 Bn loss**), and had accumulated losses totalling **Frw 126.39 Bn** as at 30 June 2023. The loss was attributed to among others:

- **Purchase of power from high-cost sources:**

  EUCL spent **Frw 33.89 Bn** to purchase power from **thermal power plants** which represented **21%** of the total production costs for the year. This amount only purchased **87,570,800 kWh,** or **10%** of the total energy available, as shown in the table below:

Table 10: Purchase cost and annual energy generation analysis

N°.	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	33,890,586,531	21%	87,570,800	10%
2	Methane Gas	1	46,640,042,467	29%	207,937,664	24%
3	Peat	2	33,842,567,062	21%	174,847,967	20%
4	Hydro power plant	27	41,161,277,455	25%	278,197,007	32%
56	Import	3	6,680,608,046	4%	113,159,679	13%
	Total		**162,215,081,561**	**100%**	**861,713,116**	**100%**

The Government discontinued use of thermal power plants subsequent to the year under review. This is expected to reduce company's operational costs.

We recommended REG to speed up the implementation of hydropower projects that were aimed at reducing the cost of power production in order to improve the company's performance.

5.1.8.2. Continued delays in connecting new customers

As reported in the previous year, EUCL delayed to connect **16,583** new customers during the year ended 30 June 2023. The period taken to connect new customers ranged from **25** to **1,480 days.**

Delay to connect new customers imply that they were not benefiting from the electricity on time. Management attributed the delay to stock outs of connection materials due to import delays.
We recommended management to improve the supply chain for connection materials.

5.1.9. Energy Development Corporation Limited (EDCL)

EDCL is a government owned company that is devoted to the development of new electricity generation plants and distribution network in the country.

5.1.9.1. Gaps noted in the implementation of the contract for Nyaborongo II Hydropower Plant

EDCL signed an Engineering, Procurement, and Construction (EPC) Turnkey, lump-sum Contract worth **USD 214,048,208** for design, supply, construction, installation and commissioning of Nyabarongo –II Hydropower Plant with an installed capacity of 43.5MW and a 110KV evacuation transmission line that was effective from 16 December 2020. The project duration was 56 months from 21 October 2021. As per the September 2023 supervision report, the physical progress was 22%. The following were noted:

(i) Unjustified Bills of Quantities

Management was not able to justify **USD 1,164,944 (Frw 1.35 Bn)** included in the bills of quantities in the contract for Nyaborongo II Hydropower Plant. Example: the decoration of the powerhouse that will cost **USD 923,936.**

We recommended management to review the bills of quantities and not to pay the unjustified amount.

(ii) Lack of detailed study to determine the size of land needed for quarry extraction for Nyaborongo II Hydropower Plant

EDCL spent **Frw 3.75 Bn** to acquire **123 Ha** of land for quarries and borrow pits for the project. However, there was no study to justify the quantities of construction materials required to be used in the project. The study would have indicated the total area required to avoid unnecessarily land expropriation.

As a result, part of this land may not be used. Unnecessarily expropriated land will ultimately amount to wasteful expenditure.

5.1.10. Interconnection of Electric Grids of Nile Equatorial Lakes Countries Project

This project was aimed at financing and supporting the electricity transmission and interconnectivity to Rwanda neighbouring countries including Uganda, Kenya, Burundi and the Democratic Republic of Congo (DRC). The project started in 2009 with an initial project duration of 5 years to December 2014 which was extended several times. The last disbursement date of AfDB funds was 31 August 2021 while that of KfW funds was 31 December 2023. The following were noted:

5.1.10.1. Persistent delay in the construction works and installation services of Bwishyura substation

On 04 August 2021, EDCL signed a contract worth **USD 14,487,652 (Frw 14.35 Bn)** for construction of Rubavu sub-station, Bwishyura sub-station and extension of Kibuye, Shango and Birembo sub-stations. The initial contract was to be completed in eighteen (18) months to 7 May 2023.

In September 2023, due to change of sub-station orientation, the execution was extended to 13 March 2024. However, on 28 September 2023, six (6) months before the end of the new completion date, the audit noted that works were far from completion at Bwishyura sub-station. The works were at foundation level. ***See the photo on next page:***

Photos taken by OAG on 29 September 2023 showing works in progress for the construction of Bwishyura substation in Karongi District.

5.1.11. Scaling Up Energy Access Project - SEAP EDCL

This project started in 2013 with the aim of creating and expanding opportunities for local populations to pursue value addition agricultural activities and non-agricultural electricity-dependent income generating activities in order to improve their livelihoods. The project ended on 30 June 2023. The following were noted:

5.1.11.1. Unused constructed markets and handcraft workshops

EDCL - SEAP constructed markets worth **Frw 1.29 Bn.** However, the field visit conducted in October 2023 noted that Ryankana and Bugarama markets were not operational while Kigarama market was partially used as indicated in the table and photos in the next page:

Table 11: Unused and partially used markets and handcraft complex

Nº.	Constructed infrastructures	Contract amount Frw	Date of provisional handover	Percentage of occupancy	District
1	Ryankana Markets	310,528,453	09/2/2022	0%	Rusizi
2	Bugarama Handcraft workshops	551,757,299	10/2/2022	0%	Rusizi
3	Kigarama Markets	435,276,975	10/2/2022	5%	Karongi
	Total	**1,297,562,727**			

	
Ryankana market not yet used. Photo taken by OAG on 19 October 2023	***Bugarama handcraft workshop not yet used. Photo taken by OAG on 19 October 2023***

The intended objective of improving the livelihood of citizen through increasing commercial activities and hands on skills was not achieved.

We recommended EDCL to follow up with management of the concerned districts to make the markets and handcraft workshops fully operational.

5.1.12. Regional Rusumo Falls Hydroelectric Project (RRFHP)

RRFHP is a joint development project between the governments of Burundi, Rwanda and Tanzania aimed at generating 80MW hydroelectric power to be shared equitably among the three countries. The plant was under commissioning at the time of audit in August 2023. The following was noted.

5.1.12.1. Failure to repair/ reconstruct houses affected by blasting in Kirehe District

The project signed a contract to repair/reconstruct 75 houses in Kirehe District that were damaged by blasting during the construction of Rusumo Hydroelectric plant. In April 2023, the project temporarily stopped the repair works because of poor quality and living conditions of affected citizens. The audit conducted physical verification three (3) months after suspension of the works and noted the following weaknesses:

(i) Works to repair/reconstruct affected houses were not yet resumed;

(ii) No detailed assessment of affected houses was conducted to indicate the scope of works to be carried out by the contractor;

(iii) The project did not facilitate affected people to get temporary accommodation during the repair period. As a result, people were still living in uncompleted houses and while others were accommodated by their neighbours.

(iv) Houses were poorly repaired. The rehabilitated houses were still showing various defects such as: cracks on the walls and foundations, and partial plastering.

Accordingly, this negatively impacted on the wellbeing of beneficiaries. See pictures below for further illustration:

	
Photos: Examples of uncompleted house in Kirehe district: photo taken by OAG on 21 June 2023.	***Photo: House totally destroyed in Kirehe district: photo taken by OAG on 21 June 2023.***

We recommended the project to liaise with the contractor to reconstruct sustainable houses.

5.1.13. Water and Sanitation Corporation Limited (WASAC Ltd)

WASAC Ltd is a government owned company responsible for providing water and sanitation services in Rwanda. The audit noted the following:

5.1.13.1. Water production per day significantly below NST1 target

According to NST1, the country is aspiring to move towards a modern Rwandan household with 100% access to water by 2024 (from 87.4% in 2017) through investments in construction, extension, rehabilitation of **3,788 Km** water infrastructure in the country and by increasing daily water production capacity from **182,120** to **303,120 cubic meters** per day.

The audit noted that the actual water production per day was **200,883 cubic meters** from **23** Water Treatment Plants (WTP) excluding water from other sources. This resulted in a gap of **102,237 cubic meters** (34%) per day as at 30 June 2023.

Management attributed the gap to old WTPs and network infrastructure that require significant financial resources to rehabilitate or upgrade. Consequently, the NST1 target will not be achieved on time.

We recommended management to revise the target based on available resources.

5.1.13.2. Lack of long-term plans to improve the efficiency of Water Treatment Plants

As reported last year, some WTPs were still operating significantly below their installed capacity. This was due to lack of adequate forwarding infrastructure and old infrastructure (**both WTPs and network**) that could not permit water production at full capacity.
This year, out of 23 WTPs, sixteen (16) WTPs were at 60% and above of their installed capacities while the remaining seven (7) were operating between **27%** and **58%.**
WASAC had no long-term plan to improve their efficiency.

5.1.13.3. Concern over sustainability of WASAC Ltd without Government subsidy

WASAC purchased expensive water at **Frw 1,041 per cubic meter** from Kigali Water Ltd, a company that owns Kanzenze Water Treatment Plant. The total invoices from Kigali Water Ltd, for the year ended 30th June 2023 amounted to **Frw 11.68 Bn** which was equivalent to 37% of WASAC annual water sales revenue of **Frw 31.6 Bn.** WASAC Ltd would have made a loss before

tax of **Frw 6.8 Bn,** if it had not received Government Grant of **Frw 8.6 billion** to settle part of the invoices of Kigali Water Ltd.
It should be noted that the plant only supplies water to Kicukiro district and part of Bugesera district.

This poses doubt on the ability of WASAC to meet Kigali Water Ltd monthly bills and the sustainability of WASAC performance. The company did not have a clear and sustainable plan to address the high cost of purchasing water from Kigali Water Ltd.

We recommended WASAC to develop a long-term strategy to address the challenge of purchasing expensive water.

5.1.13.4. Continuous delays to connect new customers to water networks

As reported in the previous year, WASAC delayed to connect new customers. Out of a sample of **459** new customers, **249** customers representing 54% were connected with delays ranging from **10** to **619 days** compared to the two working days stipulated in WASAC service charter.

Management attributed the delays in connecting customers to shortage of water meters caused by import delays.

Management should manage the supply chain of water meters to avoid stock out.

5.1.13.5. Continued high volume of Non-Revenue Water

As reported in the previous year's report, WASAC continued to experience high Non-Revenue Water (NRW) losses. Out of **71.8m M^3** volume of water supplied, only **41.3m M^3** (*representing only **57.6%** of total water supplied*) was billed to customers during the year ended 30 June 2023. This implies that **30.5m M^3** (*representing **42.4%** of the total water supplied*) was not billed.

Further analysis revealed that the worst recorded losses were in five (5) branches, namely, Ruhango, Nyagatare, Gicumbi, Rubavu and Karongi. The losses range between 50% and 59%.

The high NRW losses were mainly due to old water network infrastructure, vandalism, lack of tools to detect water leakage on the water network, faulty water meters and damage to the existing water infrastructure caused by infrastructure developments such as road development.

Consequently, due to high Non Revenue Water, the financial sustainability of WASAC without government subsidies is doubtful.

We recommended management to establish practical measures to minimise losses caused by NRW.

5.1.13.6. Sanitation activities far below NST1 target

According to NST1, access to sanitation and hygiene was to be scaled up from 86.2% to 100% by 2024 and while waste management systems were to be developed in cities, towns and rural areas. In a bid to achieve the target, the Government secured funds from African Development Bank (AfDB) to implement the Rwanda Sustainable Water Support and Sanitation project under WASAC. The total project cost was **USD 440 Mn** which included **USD 110.2 Mn** allocated to sanitation infrastructure**.** The project was to run from January 2018 to June 2024, which was later extended to June 2026.

By December 2023; seven (7) activities had either not been started or were at early stages of being executed. ***See the status in the table below:***

Table 12: Status of sanitation infrastructure and services project activities

Sanitation Infrastructure and Services Improvement			
Nº	**Description of activity**	**Nature of works**	**Status as at the time of audit**
1	Kigali Centralized Sewerage System	Design review & construction	Contract in early stages of its execution
2	Central Water & Wastewater Laboratory	Construction	Contract execution is in early stages
3	Water and Sanitation Operations Training Center	Construction	Contract execution is in early stages
4	Musanze City (Faecal Sludge Treatment Plants and Landfill)	Construction	AfDB provided no objection and the contract is yet to be signed
5	Karongi City (Faecal Sludge Treatment Plants and Landfill)	Construction	Not yet started (To be re-advertised)
6	Rubavu City (Faecal Sludge Treatment Plants and Landfill)	Construction	Not yet started (To be re-advertised)
7	Rusizi City (Faecal Sludge Treatment Plants and Landfill)	Construction	Not yet started (To be re-advertised)

The delays were largely attributed to failure to secure responsive bidders leading to re-advertisement of tenders, and lengthy procurement process and approvals channels. Accordingly, with only six months remaining, the NST1 targets for sanitation will not be achieved.

We recommended WASAC to fast track completion of sanitation infrastructure activities.


EDUCATION

5.2. EDUCATION SECTOR

5.2.1. Ministry of Education (MINEDUC)

5.2.1.1. Delay to operationalise the International Hospitality School of Excellence in Rwanda

On 29 July 2022, the Cabinet approved a joint venture between Government of Rwanda and the investor to establish a company to build, finance, manage and operate the International Hospitality School of Excellence in Rwanda. MINEDUC, RDB, MININVEST represented the Government in the agreement. The implementation plan had two phases. The Government contributed **Frw 10.08 Bn** in kind, representing 49% of the company share capital and the remaining **51%** worth **Frw 10.49 Bn,** was to be contributed by Startstone DMCC Ltd.

The Government contribution was the Hospitality Management Institute building **("HMI Building"),** previously managed, by Rwanda Polytechnic. The company planned to complete Phase 1 activities immediately and achieve Phase 2 within one year of Board approval. The following were noted in implementation of the joint venture agreement:

- The joint venture agreement did not specify the responsible organ to oversee its implementation. The absence of an organ to supervise and track the progress of the joint venture activities poses a potential risk to the successful execution of the partnership.
- The joint venture agreement required the Government to release its contribution after incorporation of the Company. Startstone was required to contribute **Frw 1.46 Bn** *(as per RHA valuation)* to complete the remaining works to HMI Building, not later than **sixty (60) days** following the formation of the Company**.** However, at the time of the audit in March 2024, there was no evidence of either the Government transferring HMI building or Startstone paying their respective contribution to the Company, one year after the company's amended registration dated 12 April 2023.

We recommended RDB and MINEDUC to follow up to ensure the school is completed and operationalised.

5.2.2. Rwanda Basic Education Board (REB)

REB is a public institution responsible for promoting the quality of education in basic, specialized and adult schools. The following were noted:

5.2.2.1. Insufficient pupils' books compared to the number of pupils per classroom

As reported in the last year's report, the number of text books per pupil still remained low. One book was being shared between **5** pupils and **48** pupils. This was noted in all Provinces.

In addition, some schools did not have any students' textbooks for some subjects. These were noted in schools in Ngoma, Kayonza and Rubavu districts. This was partially attributed to the following:

(i) Delay in delivering textbooks

The audit noted a significant delay of between **286** and **971 days** in delivering **1,857,376** textbooks to different schools.

(ii) Failure to re-award contract for delivering students' textbooks

On 01 August 2023, a supplier declined to sign a contract to print and deliver textbooks due to financial difficulties. However, the contract was yet to be re-awarded at the time of audit in December 2023. Therefore, **1,326,544 textbooks** were not printed and delivered for use by students.

(iii) Delays in providing final approval of mass-printing textbooks

REB delayed to approve mass-printing of textbooks worth **Frw 2.62 Bn**. The delay ranged from **146 days** to **428 days.**

Lack of textbooks may adversely affect the quality of teaching and learning, hence compromising the quality of basic education as well as the students' performance.

We recommended REB to speed up the process of approval and to improve the management of the supply chain.

5.2.2.2. Overcrowding in different schools

On a sample basis, the audit noted classrooms with learners exceeding the maximum of 46 learners per classroom stipulated by the Ministerial Order. The excess number of pupils ranged from **10** to **98** pupils above the required 46. This issue was noted in **394** schools located in **seventeen** (**17**) districts. These include: Rulindo, Rwamagana, Kicukiro, Nyabihu, Burera, Muhanga and Rubavu districts.

MINEDUC indicated it required **Frw 560.82 Bn** to construct **47,209** classrooms in order to solve the issue of overcrowding in schools. However, there was need of coming up with an implementation plan.

5.2.2.3. Idle studio equipment at REB

On 20 February 2023, REB acquired Television and Radio studio equipment worth **Frw 542 Mn.** However, the equipment was yet to be put to use at the time of audit in October 2023 ***(a delay 8 months***). Management attributed this gap to lack of technical expertise. ***See photo for illustration below:***

Photo taken by OAG on 16 October 2023 showing REB studio equipment not used at full capacity Equipment

5.2.2.4. Special needs and inclusive education

The Government has a special needs and inclusive education policy that aims at addressing issues faced by children and youth, who may for any reason, have temporary or permanent need for adjusted educational services.

An audit was carried out to assess whether REB effectively implemented the special needs and inclusive education strategies to facilitate learners with special needs in pre-primary and primary schools. The following were noted:

(i) Learners' special needs not identified by all schools

Seventy percent (70%) of the 50 schools visited did not conduct identification of special needs for learners with disabilities prior to their admission, while 30% of schools that conducted such assessment, used non-standardized tools developed by their respective partners. This was caused by lack of standardized procedures and relevant tools to guide schools in this exercise.

Inappropriate assessment and identification of special needs for learners with disabilities deprives them of having individual learning plan and any other special considerations that should be given during courses delivery.

(ii) Schools not adequately equipped with teaching and learning materials for learners with disabilities

Schools did not have adequate teaching and learning materials. Sixty percent (60%) of the 50 schools visited did not possess single set of the minimum package required to host learners with different disabilities. Notably, the following categories of essential package of learning materials were lacking:

- **Learners with visual impairment:** At both national and school levels, there were no books printed in braille format and other learning materials *(such as braille machines and audio books)* to facilitate leaners with visual impairments to read by touch.

- **Learners with hearing impairment:** Learners lacked visual aids *(such as screen and projectors)* to follow and understand what is being taught more clearly or to express thoughts more easily.

Unavailability of teaching and learning materials negatively affected the delivery of courses and the quality of education given to learners with disabilities.

(iii) Limited trainings for teachers

REB did not maintain a comprehensive database of trained teachers to track the progress made in teacher training in special needs and inclusive education. 62% of teachers in 50 visited inclusive-schools, were not trained on basic knowledge of inclusive education. The trained teachers were also not equipped with skills in sign languages and use of teaching and learning materials such as braille and visual aids to help learners with hearing and visual impairments respectively.

This will limit learners' enrolment and the quality of education delivered to learners with special and inclusive educational needs.

5.2.3. Rwanda Education Board – REB

RQBE is a 5-year project that was to be implemented between from November 2019 and November 2024. The project is aimed at improving teacher competency and student retention and learning in basic education. The following irregularities were noted:

5.2.3.1. Failure to save public funds in the tender for supply of ICT equipment

On 15 November 2021, REB on behalf of RQBE project signed four (4) framework contracts with four suppliers to supply laptops, projectors and sound equipment in different schools. The contracts were in four lots and with the same technical specifications. Review of the above contracts revealed the following irregularities:

(i) Loss resulting from using different unit prices in contracts for supply of ICT Equipment

The four suppliers quoted different unit prices for the same technical specifications in contracts for supply of ICT Equipment. However, REB failed to negotiate with the successful bidders with the lowest bid prices. Consequently, management did not save **Frw 1.15 Bn**.

Alternatively, had REB used the ongoing framework contract signed by RISA on behalf of government institutions to purchase the laptops, the Project would have saved **Frw 556 Mn** on purchase of the ICT equipment**.**

Though management claimed that each lot was evaluated independently, significant differences in prices indicated that prices in some lots were inflated. Management should therefore have negotiated for price reduction or considered cancelling the inflated lots.

(ii) Projectors purchased at higher price

For the supply of **540** projectors, REB instead of using its contract with the successful bidder, it used the contract the supplier had with RISA that had higher prices. This resulted in a loss of **Frw 162,194,400**.

We recommended REB to recover the excess funds paid.

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

RTB is a government institution established to promote lower level technical and vocational education and training. The following was noted.

5.2.4.1. Long delay in the construction of TVET schools and other facilities

NST1 aimed at promoting Technical and Vocational Education and Training (TVET) to address the challenge of mismatch between courses offered by TVETs and the skills demanded in the labor market. However, the audit noted that the development of TVET schools and other facilities were taking long to be completed, as indicated below:

(i) Delay to construct Bitare and Gatare TVET schools

RTB signed a design and build contract worth **Frw 13.96 Bn** for construction of Bitare and Gatare TVET schools for 18 months to 28 July 2023. However, at the time of audit in January 2024, the construction works had not yet started.

The audit further noted that the approved detailed design cost **Frw 24.26 Bn,** which was greater than the cost of construction contract of **Frw 13.96 Bn.** Negotiations for final contract amount were ongoing at the time of the audit.

We recommended RTB to speed up the negotiations and get works started without further delay.

AGRICULTURE

5.3. AGRICULTURE SECTOR

5.3.1. Rwanda Agriculture and Animal Resources Development Board (RAB)

RAB is a government body mandated to develop agriculture and animal resources through research, agricultural extension and animal resources extension in order to increase agricultural and animal resources productivity and quality, as well as their derived products.

5.3.1.1. Availability and use of fertilizers

Government of Rwanda aimed to increase the agricultural growth as a way of ending hunger, achieve food security, improve nutrition and promote sustainable agriculture. RAB implements and facilitates the availability, access and use of agricultural inputs by farmers.

The government has endeavoured to increase farmers' use of quality inorganic fertilizers by providing subsidies. The prices of fertilizers were subsidized between 5%-50%. The subsidy aims to make fertilizers affordable to farmers and promote fertilizer use. From 2019 to 2023, RAB earmarked to districts **Frw 66.27 Bn** to subsidize the prices of fertilizers and lime for farmers.

An audit was conducted to assess whether RAB has effective strategies facilitating the availability, access, affordability and use of quality fertilizers by farmers. The following were noted:

(i) Soil specific recommendations on fertilizer application not defined in different agro ecological zones

In 2015, RAB conducted studies on soil characteristics. The objective was to identify and recommend the suitable fertilizers for different soil types and crops, based on the knowledge of the nutrients present in the soil. However, the soil specific recommendations were not defined to guide application of fertilizers and lime in different zones. Consequently, this has led to:

- Farmers across different agro-ecological zones to apply similar types of fertilizer at the same application rate.
- Micronutrient fertilizers not adequately available in districts for application:

In 2016, RAB conducted studies to introduce micronutrients in fertilizer formulas, the results indicated that crop yield increased two to three times. However, Kaino Plus (Coated Urea) and 7 micronutrient fertilizers such as Nitrabor, three NPK blends and three NP blends were not adequately available in the visited 12 districts.

Therefore, this can affect the agricultural production.

We recommended RAB to speed up the project for soil specific recommendations on fertilizer application.

(ii) Gaps in quality control of inorganic fertilizers

RICA has a responsibility to ensure that the quality of distributed fertilizers meets the required standard. However, the following gaps were noted:

- **Agro-chemical retailing shops not inspected and operated without license:** 31 agro dealers visited in 12 different districts operated without license from Rwanda Inspectorate, Competition and Consumer Protection Authority (RICA). Further, 81% of these agro dealers were not inspected to ensure that the quality and condition of fertilizers.

  This could be attributed to lack of coordination framework between RAB, RICA and districts to ensure that all agro-chemical retailing shops operate in line with the established quality requirements.

5.3.1.2. Production and distribution of seeds

RAB is responsible to develop, promote the research and production of quality seeds of crop varieties and ensure effective multiplication and distribution in partnership with the private sector. RAB works with districts and privates seed actors and farmers to deliver its responsibilities. RAB earmarked **Frw 20.32 Bn** to execute its mandate of production and distribution of seeds to farmers.

On the other hand, RICA is responsible for certifying the seed quality through seed inspection, licensing, and certification of both imported and locally produced seeds.

An audit was carried out to assess whether RAB has effectively established mechanisms for production and distribution of seeds to farmers to increase the productivity from July 2020 to February 2024. The following were noted:

(i) Delay to conduct first seed inspection by RICA

RICA is required to inspect certified seeds of seeds multipliers, 3 times, after germination, during flowering and at maturity. However, RICA delayed inspecting declared fields *(first inspection)* after seed planting by up to **228** days. As a result, the audit noted **257** cases of field declarations (seeds/ crops) that were not inspected, **425** cases of seeds (crops) only inspected at flowering stage and **136** cases at maturity stage in 2023.

The delay in quality inspection could result into accepting seeds not meeting the required quality at all crop growth stages.

(ii) Inconsistency of licensed and considered seed multipliers during planning

As per the action plans, RAB aimed to annually increase the number of new seed multipliers. Seed multipliers are allowed to produce more than one crops. RAB has mobilized and recorded **1,777** seed multipliers for crops like maize, beans, wheat, peas and Irish potatoes. For multipliers to start production process are required to be registered and licensed by RICA.

However, comparing seed multipliers used by RAB in their planning, and registered seed multipliers by RICA showed that only **31%** equivalent to **545** seed multipliers were recognized by RICA. This means that RAB planning considers 69% of producers which were not producing the quality seeds. This was attributed to most of seed multipliers recorded by RAB not complying with RICA requirements. As a consequence, the audit found **136** multipliers have received pre-basic and basic seeds at RAB stations. Hence, they were not registered in RICA's database.

(iii) Low performance of quality seeds

RAB is mainly mandated for production of early generation seeds which is basically used by other private producers and farmers in general. RICA is responsible for seed inspection, testing and certification of productive seed. After being certified, the seed are allowed for released to farmers.

OAG field audit identified **17,055 kg** of maize seed *varieties (RHMH1601, RHMH1611, RHMH1520, and WH 605)* provided by RAB and a Seed supplier that showed partial or total failure, in Rubavu, Musanze, Gakenke, Nyamagabe, and Nyabihu districts. Despite RAB's efforts to develop and prescribe the above maize hybrid varieties, they continue to grow poorly leading to reduced yields, crop failure, financial losses.

RAB in collaboration with RICA should strengthen mechanisms to ensure timely inspections, registration and issuance of licenses to seed producers and dealers.

5.3.2. Postharvest Handling and Storage Task Force (PHHSTF)

Postharvest Handling and Storage Task Force (PHHSTF) is charged with the responsibilities of managing national strategic food reserves. The following were noted:

5.3.2.1. Targeted national food reserve quantity not achieved

As highlighted in the previous audit, PHHSTF only met **21%** 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 **28%** of targeted annual grain strategic reserve (maize and beans).

PHHSTF Management attributed the gap to budget constraints.

We recommended PHHSTF to work with MINAGRI and MINECOFIN for allocation of more funds.


HEALTH

5.4. HEALTH SECTOR

5.4.1. Ministry of Health

5.4.1.1. Utilization and Management of Health Posts

In a bid to improve access to quality primary health care services in various parts of Rwanda, different health posts were established to provide basic health services nationwide to communities. The health posts serve as an interface between community health workers and health centres. They provide several outpatient health services, from non-communicable disease check-ups to pharmacy, laboratory testing, maternal and child health services, etc. However, the audits noted the following irregularities:

(i) Idle (unused) health posts

One hundred and thirty-four (134) health posts were idle (not being used) in **twenty-five (25)** Districts and the City of Kigali. This was mainly due to the fact that Districts were still in the process of selecting private operators who would operate the health posts.

In addition, **one hundred and twenty-six (126)** health posts in 13 districts were partially operational. They operated between 1 and 5 days instead of the required seven (7) days in a week. The Management indicated that this was mainly caused by lack of or insufficient health staff (nurses). The cases of insufficient nurses were noted in the health posts in Burera, Muhanga, Nyaruguru, Rwamagana, and Ngoma districts.

The intended purpose of availing health care facilities to the citizens may be compromised.

The District management in collaboration with other stakeholders should ensure that the health posts are operational and providing the expected services to the citizens.

(ii) Lack of access to clean water and handwashing facilities

In order improve and sustain the sanitation in public places, especially health facilities, there is need of accessing clean water as well as handwashing facilities.

However, the audit noted **ninety-seven (97)** health posts visited that did not have this basic water infrastructures (like having clean water and handwashing facility) to promote sanitation in the working environment. Among these, 36 health posts were noted in the City of Kigali and the remaining in 61 in eight (8) Districts.

In absence of clean water and handwashing facilities, healthcare providers and patients are at a higher risk of being affected by healthcare-associated diseases.

We recommended City of Kigali and districts to avail sanitation facilities to health posts.

5.4.2. Rwanda Medical Service (RMS)

Rwanda Medical Supply (RMS) Ltd is a State-owned company with the mandate of managing the end-to-end health pharmaceuticals and health commodities supply chain for Rwanda. The following were noted:

5.4.2.1. Stock out of essential medical drugs

The audit noted cases of stock out of essential (subject to sell) medical drugs on different dates. The delay of replenishment of the stock was up to **282** days. The cases were noted in 13 district RMS branches.

In addition, OAG conducted field visit in December 2023 at RMS Ltd and noted cases of stock out of drugs of different programs (not for sale) in Nyaruguru, Gakenke, Musanze, Rubavu, Muhanga, Kayonza district branches ranging between **11** and **230 days**.

5.4.2.2. Delays noted in supplying requested medical supplies and consumables to health facilities by RMS branches

The audit noted delays in serving the requested medical supplies and consumables at Nyarugenge, Nyaruguru, Muhanga and Karongi branches to its concerned health facilities. These delays was up to **48 days**.

This adversely affects the quality of medical services provided to patients.

We recommended RMS to improve their supply chain of medicines.

SOCIAL

5.5. SOCIAL SECTOR

5.5.1. Social Protection Transformation Project (SPTP - LODA)

SPTP is aimed at strengthening the social protection programs and delivery systems and to improve access of poor and vulnerable households to human capital and economic inclusion services through cash transfers. The following was noted:

5.5.1.1. Delay by districts to disburse nutrition sensitive direct support (NSDS) to SACCOs

The previous audit reports highlighted delays by districts to transfer Nutrition Sensitive Direct Support (NSDS) funds to SACCOs. The funds are meant to support poor and vulnerable pregnant women, new mothers and young children. The current year's audit also noted that fifteen (**15**) districts delayed to transfer **Frw 10.32 Bn** to different SACCOs. The delays ranged from **37** to **478 days**. The districts that delayed transfer of NSDS include Burera, Gakenke, Gicumbi, Gisagara, Huye, Nyanza, Nyamagabe, Nyamasheke and Nyaruguru.

Delayed payment of NSDS support may negatively affect the welfare of the intended beneficiaries.

District management, in collaboration with relevant stakeholders such as Ministry of Health and LODA, should ensure that NSDS support is timely provided to the intended beneficiaries.

We recommended LODA to follow up with districts to expedite the transfers of NSDS funds to the beneficiaries.

5.5.2. National Child Development Agency (NCDA)

NCDA is a public entity whose aim is to foster the development of a child and the promotion and the protection of his or her right. NCDA also runs programs to eradicate malnutrition and stunted growth among young children among other activities. The following were noted.

5.5.2.1. Shortage and stock out of Fortified Blended Food (FBF)

The Fortified Blended Food (FBF) program aims at preventing and eradicating malnutrition in children under five years. The audit noted that health centres requested **11,996,686 Kgs** of FBF but NCDA only purchased **8,071,241 Kgs,** hence, a shortage of **3,925,445 Kgs** (33%).

In addition, fourteen (**14)** health centres visited in September 2023 did not have PBF stocks for periods ranging from **16** to **337 days**. The intended objective of the program may not be achieved.

5.5.2.2. Delays to deliver milk support to Health Centers and cases of stock outs

The supplier delayed to deliver **10,267.5 litres** of milk. The delay ranged from **35** to **78** days.

In addition, five (**5)** health centres out of nine (9) visited had no stocks of milk. The period of stock out ranged from **15** to **203 days.**

Management indicated that the allocated budget was insufficient.

We recommended NCDA to work with MINECOFIN to ensure sufficient budget was made available.

5.5.2.3. Effectiveness of integrated Early Childhood Development program (ECD) model centres

ECDs were established to ensure that children under six (6) years were benefiting holistically from integrated ECD services including: education health, nutrition, hygiene and sanitation, child protection and positive parenting. The NST1 target was to scale up ECD services at village level from 13% to 45% in 2024 by constructing model ECD Centers countrywide.

Field visits were conducted in 90 ECDs to assess whether NCDA had effectively implemented integrated early childhood development models' strategies to facilitate equitable access to quality ECD services for all children under six (6) years. The following were noted:

(i) Lack of holistic ECD services

The audit found that **92.2% (83)** of the visited integrated ECD models did not provide holistic ECD services to children under six (6) years. This was attributed to the following:

- **Education services not adequately provided to children attending integrated ECD model centres**

  - ✓ **63.3%** of the visited integrated ECD models did not have any didactic materials for reading and numeracy (counting)**.**

  - ✓ **62%** of the visited integrated ECD model centres were providing ECD services without basing on developed age-related curricula. Eventually, this affects the children capacity in terms of their development and school readiness competencies.

  - ✓ ECD model centres should have three (3) stimulation rooms (classrooms). However, **30.6%** of visited centres did not have sufficient rooms. In addition, **53.1%** of stimulation rooms were not properly equipped with decorations or bright colors in the room, child friendly chairs, tables and cabinets.

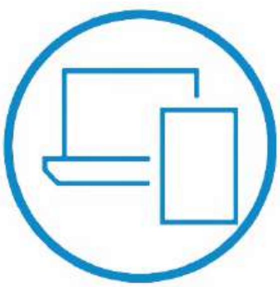
  - ✓ **73%** of the visited ECD did not have adequate caregivers with gaps of **51.6%**.

  - ✓ In **46%** of visited ECD models, attendance varied from one (1) to three (3) days, instead of required 5 days per week.

(ii) Nutrition services not adequately provided to children: 27% of the visited ECD did not adequately feed children. They neither took milk nor porridge. Other were fed 3 out of five (5) days.

The NST1 target of facilitating equitable access to quality ECD services for all children under six (6) years may not be timely achieved.

We recommended NCDA to implement a roadmap to accelerate equitable access to quality ECD services and address the highlighted gaps.



ICT

5.6. ICT SECTOR

5.6.1. Umurenge SACCOs (U SACCO) automation and consolidation project

5.6.1.1. Delay in automation of U-SACCO

The Ministry of Finance and Economic Planning (MINECOFIN) is implementing a project to automate and merge 416 U-SACCOs into 30 District SACCOs and establish a Cooperative Bank to serve the SACCOs. The project was initially planned to take 3 years from June 2020 to March 2024. The total financing for this project was **Frw 6.89 Bn.**

However, at the time of audit in October 2023, only **163** out of the **416** U-SACCOs (representing **39%)**, had been automated in eleven (11) districts. The slow pace was attributed to delays in recruiting skilled human resources.

The project objectives will not be timely achieved.

We recommended MINECOFIN management to fast track the recruitment of skilled human resources.

5.6.2. National Identification Agency (NIDA)

NIDA is a public institution that is responsible for population registration, civil registration and provision of National ID and Driving Licenses. The following were noted:

5.6.2.1. National Identity Card remaining uncollected for long periods

As at 14 February 2024, Kacyiru, Gisozi, Gikondo and Kimisagara sectors had **1,960** National ID Cards that had remained uncollected for over **10 years.** In addition, Rubavu, Musanze, Rwamagana and Huye Districts had **8,293** national ID cards that had remained uncollected for periods ranging between **2** to **10 years** as of November 2022**.** This limits citizens from accessing essential services.

5.6.2.2. Inadequate tracking mechanism for lost National IDs cards

The audit noted that there was no proper tracking mechanism for lost National IDs. For example, Gisozi sector had **580** lost and found **IDs** as at 14 February 2024 that were uncollected by their owners. In addition, there is no documentation of IDs transferred from police stations to NIDA.

We recommended NIDA management in collaboration with Sectors, to put in place an effective mechanism to prevent similar delays.

5.6.3. Centralized Procurement of ICT Equipment in RISA

The procurement process of ICT equipment and infrastructure for all public institutions was centralized at Rwanda Information Society Authority (RISA) since its establishment in 2017. RISA signs framework contracts with various service providers to supply ICT equipment and infrastructure, and develop systems.

An audit was conducted to assess the efficiency of planning and monitoring the procurement of ICT equipment and infrastructure by RISA and the utilization by end-user public institutions. The audit covered the period from July 2019 to November 2023. The following were noted:

5.6.3.1. Lack of mechanisms to monitor the centralized procurement system

- The audit noted that there was no mechanisms in place for RISA to adequately monitor the execution of signed framework contracts. The public entities did not inform RISA on acquisitions made and compliance with contract terms and conditions.

- RISA did not have a comprehensive database of systems acquired by public institutions. The audit identified a sample of 24 systems in ten **(10)** public institutions that were not included in RISA software database.

- The audit identified twenty **(20)** institutions that were not using the centralized procurement framework. This affects the achievement of the objective of centralizing procurement of ICT equipment and infrastructure.

We recommended RISA management to put in place mechanisms to monitor the implementation of framework contracts and maintain a comprehensive database of government systems.

ECONOMIC, TRADE AND INDUSTRY

5.7. ECONOMIC, TRADE AND INDUSTRY SECTORS

5.7.1. Ministry of Trade and Industry (MINICOM)

5.7.1.1. National strategic petroleum reserve target not achieved

The Rwanda Downstream Petroleum Policy (November 2020) set the storage capacity and quantity of petroleum reserves target at **337 million litres** by 2024.

However, as highlighted in the previous year's report, the current audit also noted that the storage capacity was still low at **117.2 million,** representing **35%** of the national target. This implies a gap of **219.8 million litres** (65%).

We recommended MINICOM to liaise with relevant stakeholders to ensure that the fuel strategic reserves target is achieved within the set timelines.

5.7.1.2. Industrial Parks

(i) **Failure to recover lease fees and proceeds from plot sales from lessees of Government properties**

MINICOM leases and sells industrial plots. However, the audit noted that MINICOM did not recover **Frw 922 Mn** from lease and **Frw 1.56 Bn** from sales of plots. These cases were noted in Rwamagana, Huye, Rusizi and Bugesera industrial parks.

We recommended MINICOM to recover those debts without further delay.

(ii) Low rate of uptake of plots in industrial parks

Industrial parks are designed to address the constraint the domestic private sector faces including availability of industrial and commercial land, availability and the cost of energy, limited transport linkages, market access and availability of skills. However, the audit noted that there was a low uptake of available plots in five (**5**) industrial parks by private investors. This ranged from **6%** to **36%.**

We recommended MINICOM to work with RDB to mobilize investors to invest in the industrial parks.

5.7.1.3. Integrated Crafts Production Centres (ICPCs)

ICPCs were set up to facilitate technology transfer and technical skills development among the different operators within the ICPCs. The ICPCs were to establish standardized and modern facilities for production and marketing of local products, generate employment opportunities and, enhance technology development and technical training. Target trades in ICPCs were metal crafts, wood crafts, carvings, handcraft furniture and accommodate businesses related to electrical fittings and computer maintenance, textiles, tailoring and knitting, shoe making and leather products, tourist products, artefacts and equipment for mechanical repairs and maintenance.

Forty-four **(44**) public and private ICPCs worth **Frw 12.8 Bn** were established in all districts (except Gicumbi) up to 2023. MINICOM was tasked to implement and coordinate activities of the ICPCs program.

The audit to assess whether MINICOM has established mechanisms and strategies to ensure effective operations of ICPCs. The audit covered the period from July 2014 to October 2023. The following were noted:

(i) ICPCs not operating effectively

The audit noted that ICPCs operations were dominated by wood crafts (carpentry) and metal crafts (welding). An analysis revealed that ICPCs operations were constrained by limited modern equipment and modern facilities to accommodate the whole production chains of all target trades in ICPCs, as detailed in the table below:

Table 17: Analysis of operational trades per ICPCs

ICPCs operations lacking modern components	Target trades not accommodated within ICPCs
89% of ICPCs lack Individual business units for assembling and finishing and; technological innovation & incubation center.	Above 83% of ICPCs do not accommodate target trades of shoes and leather; tourist products and equipment for mechanical repairs.

ICPCs operations lacking modern components	Target trades not accommodated within ICPCs
All ICPCs' central workshops are not modernized and not accommodating all operators at some ICPCs.	78% of ICPCs do not accommodate trade of electrical fittings.
All ICPCs lack common warehouse, common pool of raw materials, showrooms and common timber drying facilities.	56% of ICPCs do not accommodate trade of tailoring.

The main causes of ICPCs not operating effectively were:

- Some of the ICPCs were located far from business centres yet some target trades such as tailoring, welding, shoes making and leather, electrical fittings and mechanical repairs need to be in the business centres to operate effectively. Some operators in Kayonza, Bugesera and Gisagara ICPCs decided to leave the ICPCs because they were located far from towns.
- The size of some ICPCs was not enough to accommodate all trades.
- 85% (11) of 13 visited public ICPCs were established without feasibility studies to gather information necessary to design the program.
- ICPCs program was implemented without a detailed design document to elaborate its implementation plan.
- There was no strategy for upgrading technical skills in ICPCs. For instance, it was not clear who was responsible for training ICPCs operators. Further, no training needs assessment was conducted per target trades countrywide, no training schedules were developed and there was no assessment of the required equipment necessary for technical trainings. Consequently, some incubation centres in Kayonza and Nyamagabe ICPCs were not operating and the machines were not being used due to lack of technical skills and working capital.

We recommended MINICOM management to work with different stakeholders to address the challenges that hindered ICPCs from operating effectively.

(ii) Unreliable electrical installations and inadequate firefighting systems

Seventeen (17) out 18 ICPCs **(94%)** visited had unreliable electrical installations. This increased the risk of fire hazards. ***See the pictures below:***

Photo taken by OAG on 11 October 2023, showing the inappropriate electrical installation in Kimironko ICPC

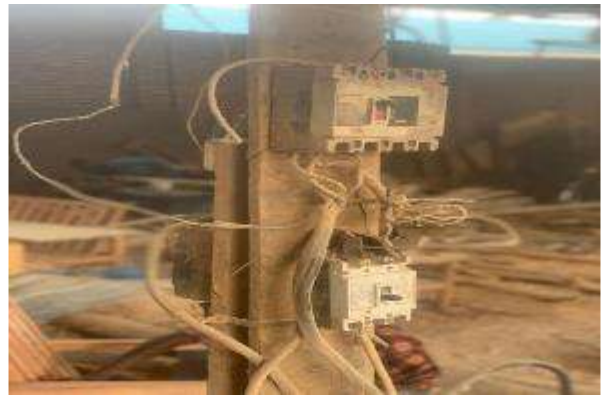


Photo by OAG taken on 17 October 2023, showing the inappropriate electrical installation in NyamagabeICPC

In addition, ICPCs lacked adequate firefighting equipment such as hose reel, fire sprinkler system, fire hydrant, fire alarm system and smoke detectors. Furthermore, fire extinguishers were not serviced in nine (9) ICPCs. This poses a high risk of fire hazards which could lead to material economic losses as it has already happened in Gisozi, Huye and Kimironko ICPCs.


FRW
INVESTMENT

5.8. INVESTMENT SECTOR

5.8.1. Business Development Fund (BDF)

BDF Ltd is a Government owned company established to facilitate small and medium enterprises to access finance through the fund's financial instruments products including credit guarantee, equity financing, credit financing and grants. BDF also offers advisory services to its clients. As at 30 June 2023, BDF had gross loans receivable balance of **Frw 11.16 Bn.**

In addition, BDF provides credit guarantees to Micro, Small and Medium Enterprises (MSMEs) with viable projects, by providing financial institutions with credit guarantees on loans issued to MSMEs with insufficient collaterals. From January 2020 to December 2023, BDF approved guarantees totaling **Frw 20.29 Bn**.

The following weaknesses were noted:

5.8.1.1. High number of Non-Performing Loans (NPL)

BDF had Non-Performing Loans amounting to **Frw 3.57 Bn** which represented **32%** of the total outstanding loans. The NPL ratio surpassed by **27%** the **5%** maximum ratio recommended by the National Bank of Rwanda.

The Non-Performing Loans are at a high risk of not being recovered. This will reduce the revolving funds available to finance other BDF activities.

We recommended BDF management to strengthen loan recovery mechanisms to minimize the non -performing loans.

5.8.1.2. Non-operating businesses leading to idle assets and equipment

BDF financed **eighteen (18)** cooperatives and companies to acquire assets worth **Frw 411 Mn** between the year ended 30 June 2017 and 30 June 2023**.** However, these businesses were not operating and the assets were idle at the time of audit in January 2024.

Management attributed this to lack of working capital and poor management.

We recommended BDF to enhance the evaluation and monitoring of financed projects to ensure only viable projects are funded.

5.8.1.3. Delay to approve loan applications:

The following delays were noted:

- **Applications for economic recovery funds (ERF)**

BDF approved ERF loan applications totaling **Frw 5.16 Bn** with delays ranging between **73 days** and **269 days.** This was contrary to Article 5 of the MoU agreement signed between 2020 BDF and MINECOFIN that requires BDF to assess the application and provide responses within 10 days from receipt.

- **Applications for SACCOs refinancing:**

  BDF approved loan applications for SACCOs refinancing totaling **Frw 3.59 Bn** with delays ranging between **67** and **309 days**. This was contrary to the 30 days turn around target in BDF service charter.

- **Applications for leasing and micro leasing:**

  BDF approved loan applications for leasing and micro leasing totaling **Frw 79 Mn** with delays ranging between **112 days** and **1,176 days**. This was contrary to 30 days required in the BDF service charter.

- **Applications for agribusiness loans:**

  BDF approved loan applications for Agribusiness totaling **Frw 132 Mn** with delays ranging between **102 days** and **1,186 days**. This was contrary to 30 days required in the BDF service charter.

  Delays in approval of loan applications adversely affects the implementation of beneficiaries' projects.

- **Applications for credit guarantee**

  Out of a sample of 378 guarantee applications, BDF approved 114 applications (30%) with delays ranging from **30** to **237** days. These delays may affect the implementation of clients' projects and achievement of the set credit guarantee targets.

We recommended BDF to enhance its projects analysis and approval process to minimize the delays.

5.8.1.4. Gaps in management of equipment financing leases

- **Failure to repossess leased assets after default:**
  BDF failed to repossess leased assets from **twenty (20)** beneficiaries whose arrears exceeded 3 months and had total outstanding loan balance of **Frw 296 Mn**. This was contrary to BDF Leasing Policy that requires BDF to repossess leased equipment as soon as arrears exceed 3 months except in extenuating circumstances.

- **Failure to register leased equipment with the Registrar General's office**
  BDF failed to register leased equipment worth **Frw 871 Mn** with the Office of the Registrar General. This was contrary to Article 14 of the law N° 41 bis/2014 of 17/01/2015 governing finance lease operations in Rwanda

  BDF is exposed to the loss of revolving funds which it could use to finance other BDF activities.
  We recommended BDF to register leased equipment to protect its interests.

5.8.1.5. Lack of an integrated loan management system

The core mandate of BDF is to give loans to Micro Small and Medium Enterprises (MSMEs). However, the audit noted BDF did not have an integrated loan management system to streamline the management of all their lending processes. Therefore, BDF manages its loans products manually.

In the absence of an integrated loan management system, omissions and errors could occur in loan application, approval, disbursements, recovery, recording and reporting without management notice.

5.8.1.6. Under achievement of credit guarantees targets

In its five-year strategic plan, BDF planned to provide credit guarantees to **2,733 projects** each year from 2020 to 2024. Hence, by the end of 2023, the total guarantees were planned to have reached **10,932** projects.

However, by the end of 2023, BDF had provided credit guarantees to only **5,418 projects (49.6%)**.

This can be partially attributed to inadequate engagement and monitoring of Participating Financial Institutions (PFIs). For instance, from 2020 to 2023, out of **453** PFIs that signed participation agreements with BDF to support MSMEs through credit guarantees:

- **106** PFIs (23%) did not submit guarantee applications for BDF approval.
- **185** PFIs (41%) had less than 10 guarantees approved by BDF.

We recommended BDF to enhance the engagement and monitoring of the agreements with Participating Financial Institutions to increase the uptake of guarantees by MSMEs.

5.8.2. Government Business Enterprises (GBEs) facing financial difficulties

The following GBEs were facing financial difficulties, which were hindering their operations.

5.8.2.1. Bella Flowers Ltd

As highlighted in the previous year's report, Bella Flowers Ltd was still experiencing poor financial performance. The company reported a loss of **Frw 1.98 Bn** for the year ended 30 June 2023 **(2022: Frw 2.15 Bn** loss**)** and accumulated loss of **Frw 8.26 Bn**.

This year's audit noted that the company's performance and operations had worsened further, as detailed below:

(i) Inability to export flowers

In September 2023, the company failed to pay the supplier of packaging materials. As a result, the supplier refused to deliver additional packaging materials. This halted export of flowers from 17

September 2023 to the time of issuing the company's audit report in October 2023. It is worth noting that exports make up to 78.5% of the company's total revenue.

(ii) **Negative working capital that cannot sustain the company business**

As at 30 June 2023, the company had accumulated current liabilities totalling **Frw 3.17 Bn** against current assets totalling **Frw 800 Mn**. This implies that the company did not have enough resources to settle its liabilities without the Government support.

(iii) Inability to repay bank loan

The company had a bank loan of **Frw 1.86 Bn** as at 30 June 2023. However, it defaulted to pay the monthly loan instalments amounting **Frw 437 Mn** from June 2023 up to the time of the audit in October 2023. Consequently, the company risks to lose the loan collateral.

The company should develop turnaround strategies to reduce its operational costs and increase revenue so as to operate profitably.

5.8.2.2. Kivu Marina Bay Ltd (KMB)

The principal activities of KMB Ltd is to provide hotel services. Kivu Marina Bay Ltd is a subsidiary of Prime Holdings Ltd (PHL), a company wholly owned by the Government of Rwanda. PHL owns 97% of shareholding in Kivu Marina Bay Ltd. The following were noted:

- **Negative profitability that cannot sustain the company:**
  The company has been making losses since it started operations four years ago. During the year ended 30 June 2023, the company made a loss of **Frw 7.59 Bn** and had accumulated losses amounting to **Frw 20.6 Bn.** This has led to a negative shareholder's equity.

- **Challenges in servicing loans:**
  KMB obtained a loan of Frw 4.37 Bn from BRD in June 2013 to finance the hotel construction. The loan repayment was due within 10 years.

However, over the years the loan has been restructured several times with the latest restructuring occurring in September 2023 reinstating the maturity period to June 2035.The company has continuously incurred high loan interests with an accumulated loan interest balance of **Frw 3.27**

Bn as at 30 June 2023.This made it harder to pay off the principal loan balance and increased losses.

- **Continuous increase of loans from the parent company:**
  Due to the inability of the Hotel to generate enough sales, the Hotel continues to accumulate loans from the parent (Prime Holding Ltd). During the year ended 30 June 2023, KMB received **Frw 1.50 Bn** loan bringing the accumulated loans from the parent to **Frw 4.2 Bn** as at 30 June 2023.

- **Inability to meet the rooms' occupancy rate to boost hotel revenue**
  The hotel occupancy rate was only **30%** against a target of **60.5%** for the year ended 30 June 2023. Hence a shortfall of **Frw 3.07 Bn** from the planned revenue**.**

- **Negative working capital that cannot sustain KMB's business**
  KMB is experiencing shortage of liquidity. Current liabilities were 3 times the current assets (i.e.: a best ratio is 1:1). The ratio indicates that KMB is currently unable to fully pay its current obligations. The current liabilities balance as at 30 June 2023 was **Frw 4.8 Bn** while current assets balance was **Frw 1.53 Bn.**

We recommended the parent to address the financial difficulties facing KMB.

5.8.2.3. Muhabura Multi Choice Company Ltd (MMC Ltd)

(i) Continuous concerns in the execution of the mandate of MMC Ltd:

The previous report highlighted governance and operational challenges which limited the company effectiveness.

The current year's audit still noted that MMC ltd was still facing the following challenges in its operations:

- **Operational issues in the working relationship with Rwanda Correction Services (RCS):**

  - ✓ ***Internal competition:*** RCS undertakes similar activities as those undertaken by MMC Ltd such as agriculture, carpentry, welding, yet one of the objectives of setting up MMC Ltd was to provide RCS with quality and affordable products and services. This implies that they compete for customers and labour.

  - ✓ ***Untimely provision of labour force by RCS and unlimited number of inmates*** in the production activities of MMC Ltd. Inmates were usually made available to MMC Ltd in small numbers and for limited hours after they have completed RCS production activities. Agriculture labour is availed toward the end of season when it is too late to carry out agricultural activities. This led to poor production output as a result of delayed weeding and application of fertilizers and pesticides.

  - ✓ ***MMC Ltd supply RCS through competition:*** The audit noted that almost all the agricultural produce is sold to outsiders rather than RCS as expected. Only **15%** of total revenue earned by MMC Ltd during the year ended 30 June 2023 was from RCS while 85% were received from other clients.

  - ✓ ***MMC* Ltd was unable to service and repay Zigama CSS loan** due to the above mentioned challenges. As a result, Zigama CSS found it difficult to extend to MMC Ltd credit lines and bid and performance securities. The loan balance as at 30 June wo23 was **Frw 413 Mn**.

  - ✓ Some land and other assets previously handed over to MMC Ltd were taken back by RCS in an unofficial way.

(ii) Lack of sufficient operating funds:

From 2017 to 2023, MMC Ltd, only received **Frw 1.5 Bn** yet its business plan had projected to get **Frw 9.9 Bn.** The lack of needed finances negatively affected some of the targeted investments as well as working capital required to run existing projects.

Management of MMC indicated that the company main challenges were lack of sufficient working capital and poor working relationship between the company and RCS. To mitigate the cash flow challenges, Management took a bank loan which further strained its performance.

We recommended the company and its stakeholders to find lasting solutions to the highlighted challenges.


LOCAL GOVERNMENT

5.9. LOCAL GOVERNMENT SECTOR

5.9.1. Ministry of Local Government

5.9.1.1. Group settlement sites

Rwanda's strategic initiative to develop group settlement sites, as outlined in the National Strategy for Transformation, was driven by the goal of increasing the proportion of households residing in planned settlements from **61.7%** to **80%** by the year 2024. The GoR adopted a human settlement policy in 2009.

Group settlement sites were established through land readjustment to consolidate human settlements in both rural and urban areas. This consolidation sought to optimize land management and provide improved access to essential services such as water, healthcare, electricity, and roads. Importantly, this approach also aimed at safeguarding the lives of citizens residing in high-risk zones.

An audit was carried out to assess whether MINALOC, City of Kigali (CoK) and districts were managing group settlement sites efficiently to ensure that their development contributes to sustainable livelihoods of the citizens. The following were noted:

(i) Lack of policy implementation strategies to measure the progress of the group settlements

There was no policy implementation strategies and measurable indicators to evaluate the development of group settlement sites. In addition, the urbanisation and rural settlement sector strategic plan of 2018-2024 did not clearly outline the contribution of group settlement sites towards achieving the NST1 target.

We recommended MINALOC to put in place performance metrics and a time plan to measure the progress of the group settlements.

(ii) Failure to engage institutions responsible for basic utilities

There was inadequate involvement of utility institutions (WASAC and REG) in the development of group settlement sites in the City of Kigali and districts. This led to slow progress in infrastructure provision. Consequently, from 11 visited sites, 8 sites lacked upgraded water and electricity connections according to approved plans.

(iii) Inadequate monitoring and inspection of group settlement sites

The responsible authorities: CoK or districts and RHA did not conduct adequate inspections of group settlement sites to ensure compliance with public health, safety, general welfare, environmental protection and the compliance with urban planning requirements.

Consequently, this resulted into different gaps including:

- Non-compliance to building plans;
- Environment degradation;
- Deviations from standardized roads;
- Erosion issues within the sites; and
- Lack of infrastructure spatial coordination.

This was mainly attributed to lack of clearly defined responsibilities related to the governance and coordination of group settlement sites among the key institutions. This led to overlapping functions, resulting in ineffective governance and a lack of ownership of group settlement activities at the central level.

MINALOC and MININFRA should formulate a comprehensive governance framework clearly defining roles of each institution and establish a national-level joint coordination team for ensuring efficient management of group settlement sites. This should involve utility providers, CoK and districts.

5.9.2. Districts and City of Kigali

5.9.2.1. Matured loan balances from VUP 3rd scheme not timely recovered

VUP loans totaling **Frw 5,279,110,712** that had reached maturity were yet to be recovered from the concerned beneficiaries in all the districts and City of Kigali. Indeed, out of **Frw 22,707,517,564** matured loans as at September 2023, only **Frw 17,428,406,852** (representing **77%** of total matured loans) had been recovered as at 25 September 2023.

This is mainly attributed to beneficiaries' businesses that were affected by economic down turn and other socio-economic issues. This will affect funds disbursement to other beneficiaries.

We recommended Districts and LODA management to take appropriate measures to improve recovery of matured VUP loans.

5.9.2.2. Concerns noted over implementation of Kigali Infrastructure Project (KIP)

As highlighted in the previous year's report, on 5 May 2020, the City of Kigali entered into a ten-year pre-financing agreement worth **USD 404,725,673** (equivalent to **Frw 387.72 Bn**). The KIP was for the construction of **215.5 km** of roads in the CoK. The project was in six phases to be completed in four years to 25 April 2025.

The follow up audit noted the following:

(i) Slow project implementation pace

The project's overall progress is slow, as at the time of audit in March 2024, the overall progress was at **21.3%** of completion. As a result of slow progress, on 15 January 2023, CoK Executive committee meeting resolved that only activities of phase one and two of KIP be completed before starting any new phase due to a funding challenge.

(ii) Shortage of raised funds by developer

As at the time of audit March 2024, the KIP execution period had reached **74.8%** of its planned four-year period, but only **USD 150,000,000**, equivalent to **37%** of the total budget of **USD 404 Mn** had been raised. The shortage of funds will delay the completion of the project.

(iii) Failure to recover advance payment to the Contractor

Despite approving an advance payment to the contractor of **USD 20,000,000** equivalent to **Frw 20.23 Bn**, there has been a persistent failure to recover these funds. It should be noted that up to the time of audit in March 2024, total invoices approved were **Frw 142.33Bn.** Unrecovered advance raises doubt on its recovery.

(iv) Unclear management of construction equipment

There was uncertainty surrounding the management of construction machinery and vehicles worth **Frw 12.82 Bn** provided by the City of Kigali to the contractor, which could lead to inflated contract prices and overpayment.

(v) High finance costs

The project has significant finance costs totaling **USD 36,375,517** (Frw 39.77Bn), constituting 24% of the KIP funding of **USD 150,000,000**. Delays in completing phases 1 & 2 contributed to high finance costs, potentially leading to increased project expenses and adverse effects on the project implementation.

5.9.2.3. Stalled works for the development of affordable houses facilities located in Nyarugenge District

On 02 November 2018, the City of Kigali and the contractor signed development agreement worth **Frw 1.67 Bn** for **33 Ha** land located in Nyarugenge district, Nyamirambo sector and Rugarama Cell on the subsidized cost of **Frw 5,056 per square meter**. The agreement was to develop 2,700 affordable houses in 7 years. However, the following were noted:

- **Stalled project not resumed:**
  On 19 March 2019, the City of Kigali transferred the ownership of land. However, the project was abandoned soon after the work started, and was yet to be resumed. ***See photo on next page for current project status:***

Stalled works of development affordable houses and not being used for the intended purpose: Photo taken by OAG on 23 March 2024.

- **Transfer of land ownership before payment:**

  There was no payment made to the City of Kigali by the time of audit in March 2024, yet the ownership had been transferred in March 2019. The agreement stated that the payment were to be done in instalments and the amount to be paid on each phase was be determined and agreed upon by both parties.

  We recommended City of Kigali to follow up to ensure the land is developed for the benefits of citizen and get agreed compensation for land.

5.9.2.4. Persistent unhealthy financial position of the City of Kigali

The City of Kigali financial statements for the year ended 30 June 2023 showed a continuous significant current liabilities exceeding the current assets **Frw 84.73 Bn**, yet the latter should settle the liabilities. The shortfall implies that City of Kigali may not be able to settle its liabilities. This has been persistent increasing as shown in the previous audits. ***See details in the table below***:

Table 18: Unhealthy financial position of the City of Kigali

Description	Current assets Frw	Current liabilities Frw	Working capital Frw	Working capital ratio
	A	B	C=A-B	D=A/B
Financial year ended 30 June 2023	44,274,509,286	129,003,989,581	(84,729,480,295)	0.3
Financial year ended 30 June 2022	23,083,618,153	61,003,626,784	(37,920,008,631)	0.4
Financial year ended 30 June 2021	14,748,712,872	35,322,469,362	(20,573,756,490)	0.4

This is was mainly due to the City of Kigali preparing budgets with deficits.

We recommended the City of Kigali to prepare a credible budget in order to ensure its financial sustainability.

5.9.2.5. Management of rain, storm and wastewater in the City of Kigali (CoK)

The Guidelines for rain water harvesting and management provide that every building shall have adequate and safe means of rain water harvesting and no person shall be allowed to use individual soak pits. As per the National Strategy for Transformation (NST1), semi-centralised sewerage systems were supposed to be constructed in all planned and grouped settlements by 2024.

An environmental audit was conducted to assess how the CoK manages storm rain water, and wastewater to ensure environmental protection and sustainable settlement for the citizens.

The following were noted:

(i) Concern over the use of soak pits to harvest rain water and contain wastewater

Residents in the CoK use soak pits for rain water harvesting and wastewater containment. This is due to weakness observed in issuance of building permits and lack of semi-centralised sewerage systems. On a sample basis, the review of 87 building permits' application files issued between July 2020 and December 2023, **12.6%** indicated the use of soak pits for rainwater harvesting while **70.1%** did not indicate any means. In addition, **87.4%** indicated the use of soak pits for wastewater containment while **8%** did not indicate any means.

The CoK did neither plan for alternative environment friendly models for rain and wastewater management nor mobilise residents for collective arrangements.

Therefore, the use of soak pits may lead to landslides, transfer of humidity to neighboring properties and eventually leading to structural failure or collapse of buildings.

(ii) Gaps in planning and implementation of storm water infrastructure

To ensure an effective storm water management, the Rwanda building code provides that every road shall be accompanied by properly dimensioned storm water channels to mitigate against flood risks.

The review of studies and physical plans on development of group settlement sites indicated that their designs lack storm water drainage channels. In addition, the ravines technical design reports indicated cases where their designs considered runoff coefficients that do not reflect the catchment being studied. Hence, this exposes the lives of residents at group settlements and properties to flooding due to increased storm water run-off.

There is need for the CoK to improve the management of storm rain water, and wastewater in the city in order to mitigate the adverse environmental impacts that may put at risk the lives of the citizens.

ENVIRONMENT PROTECTION AND NATURAL RESSOURCES

5.10. ENVIRONMENT PROTECTION AND NATURAL RESOURCES SECTOR

5.10.1. National Land Authority (NLA)

NLA is a public institution responsible for managing and administering land in Rwanda.

The National Land Policy 2019 and Law N° 27/2021 of 10/06/2021 governing land guide the land management and use in Rwanda. In addition, a National Land Use and Development Master Plan (NLUDMP) 2020 – 2050 was established to guide in implementing and designing the spatial structure and settlements in Rwanda.

An audit was carried to evaluate how land has been managed and used in Rwanda from 01 January 2021 to 31 January 2024. The following was noted:

5.10.1.1. Districts without land use master plans

The National Land Policy guides the development, monitoring and implementation of land use plans. To implement the policy, districts/ CoK are required to develop land use plans.

Fourteen (**14**) had not developed land use plans whereas eight (**8**) districts had completed land use plans but were yet to be approved. Only the City of Kigali and five **(5**) districts had approved land use plans, as indicated in the table below:

Table N° 19: Existence of land use master plans in City of Kigali and districts

#	Description	Name of the district/City of Kigali
1	Approved land use plans	City of Kigali
		Gicumbi, Gisagara, Muhanga, Nyagatare and Huye
2	Completed land use plans but not approved	Gakenke, Kirehe, Musanze, Ngoma, Nyaruguru, Rubavu, Rulindo and Rwamagana
3	Districts without land use plans	Bugesera, Kayonza, Karongi, Rusizi, Kamonyi, Ruhango, Gatsibo, Nyamagabe, Rutsiro, Nyanza, Burera, Nyamasheke, Nyabihu and Ngororero

Failure to have approved land use plans leads to increased land disputes between landowners and the districts. For example, the audit noted that there was encroachment on ecotourism, forest plantation zones and national park buffer zones.

5.10.1.2. Gaps in the land register maintained by NLA for registered plots

As highlighted in the previous audit report, the land register still had inaccurate information. For example, **161,474** registered plots had abnormal area. Some of them had **Zero (0)** square meters and **2** square meters.

5.10.1.3. Delays in completing the land related transaction process

On sample basis, the audit noted delays to complete eight categories of land related transactions in Land Administration Information System (LAIS). The delay was up to **345 days**, **as detailed in the table below:**

Table 19: Delays in completing different land transactions in LAIS system

Description of the transaction	Expected completion period as per the charter	Number of transactions with delays	Range of delays
Land transactions relating to transfers by voluntary sale	5 days	6,612 applications	7 to 345 days
Completing the land related transaction process	25 days	5,302 applicants	15 to 325 days
Merging parcels	30 days	117 applicants	24 to 309 days
Rectification of parcel boundaries	25 days	1,628 applicants	15 to 325 days
Compliance with master plans	13 days	421 applicants	14 to 336 days
Conversion of right from old to new tenure	13 days	70 applicants	14 to 330 days
Transfer of rights on a parcel by succession	13 days	463 applicants	13 to 337 days
Restriction of rights on a parcel by caveat	5 days	1,453 applicants	10 to 343 days

We recommended NLA to conduct a follow-up to ensure that all districts have approved plans guiding land use and that land is timely registered.

CROSS-CUTTING ISSUES

6. CROSS-CUTTING ISSUES

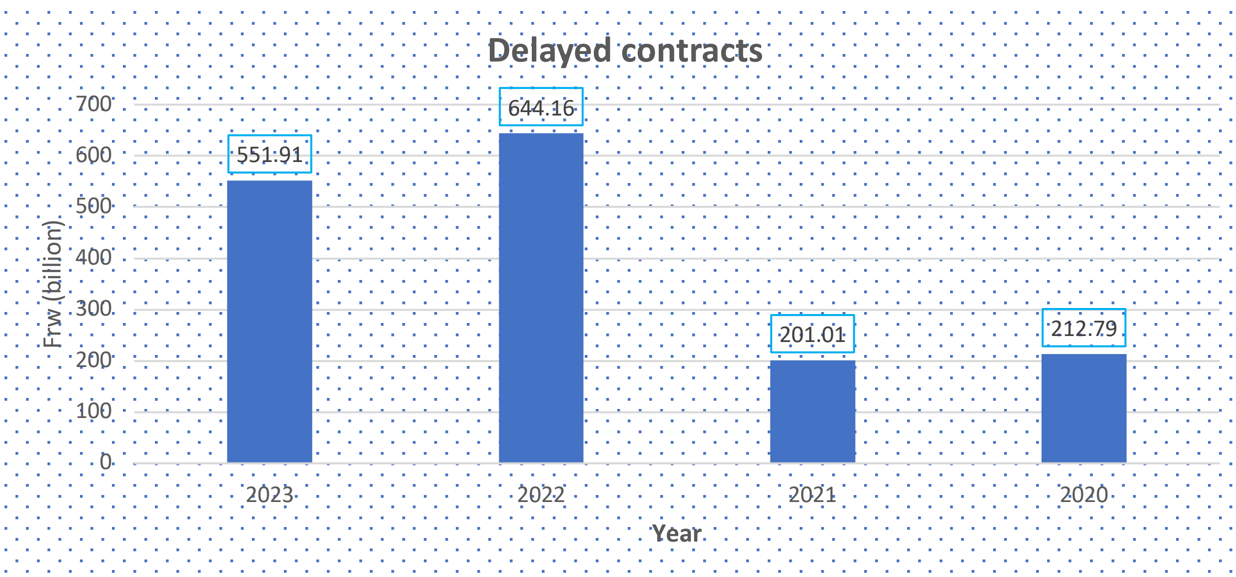
6.1. Gaps in contract management

To deliver to their mandate, public institutions signed contracts for the execution of projects. However, the audit noted different material gaps in execution of contracts, as detailed below:

6.1.1. Persistent delayed contracts

Our audits continued to note cases of delayed contracts. During the year, delayed contracts were amounting to **Frw 551.91 Bn**. These comprised of: forty four **(44)** contracts worth **Frw 199.56 Bn** identified during the year under audit, and twenty two **(22)** contracts worth **Frw 352.35 Bn** from previous audits. **See the trend in the graph below:**

Graph 3: Delayed contracts



The delays ranged between **49** days and **5** years. The completion of these projects can greatly improve the lives of citizens through improved infrastructure and services.

6.1.2. Stalled construction works and supplies/services not yet resumed

Our audits continued to observe cases of construction projects whose contracts were terminated due to budget constraints or the contractors not complying with contract terms.

During the year, public institutions had twelve (12) stopped contracts worth **Frw 38.25 Bn** (2022: **Frw 100.47 Bn**) that were not yet resumed at the time of audit. These comprised of six (6) contracts of **Frw 23.30 Bn** noted during the year and six (6) contracts worth **Frw 14.95 Bn** from the previous years. Although, this is a good trend, management should avoid stoppage of contracts, going forward.

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

Contract periods for five **(5)** supervising contracts were extended at a cost of **Frw 6.26 Bn (**2022: **Frw 2.72 Bn),** after the contract periods with the primary contractors were extended.

The delay in implementation of projects was as a result of unavailability of funds for expropriation of affected properties.

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

6.1.4. Failure to renew contracts

Our audits noted that three public institutions failed to extend **four (4)** contracts amounting to **Frw 77,751,624,990** before their expiry. As a result, contractors were working without valid contracts or the work were suspended. In either case, this can delay service delivery or lead to litigations.

Management should extend contracts when they are still valid to avoid the risk of litigations.

6.1.5. Failure to obtain guarantees for advances given to contractors

Article 141 of Law N° 031/2022 of 21/11/2022 governing public procurement provides that the advance given to the supplier shall be a hundred percent secured. However, the audit noted **five**

(5) cases of advances worth **Frw 616,353,265** paid without valid advance guarantees due to either expiry or management failed to request them.

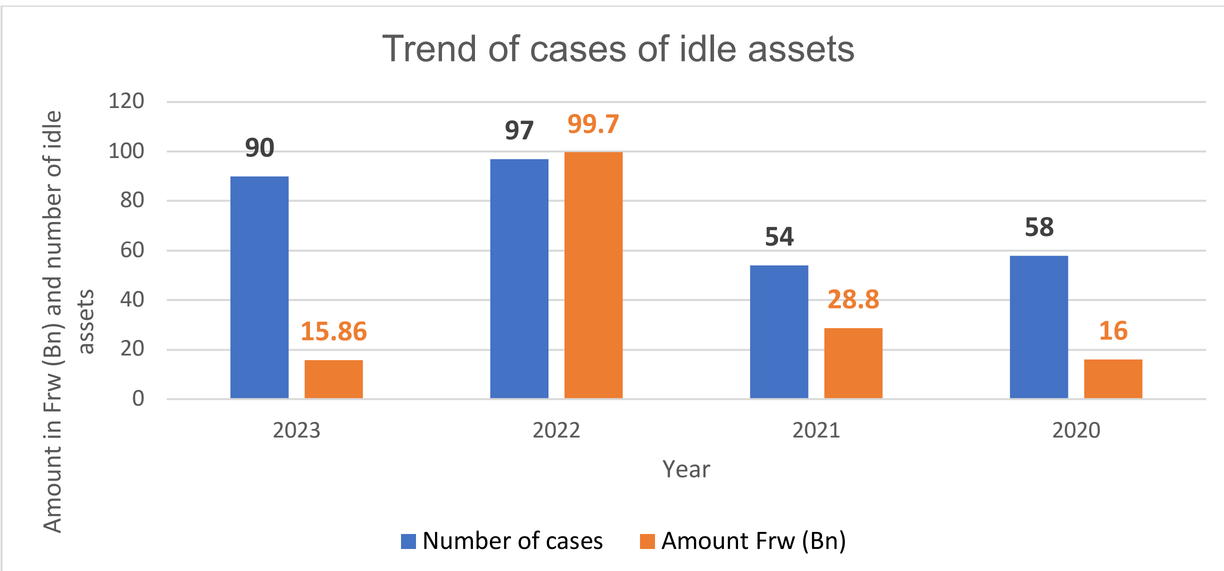
This could lead to loss of public funds in case suppliers defaulted. We recommended management to have valid advance guarantees for advances given to suppliers.

6.2. Idle assets

The Government invests in different infrastructure projects to promote economic growth, enhance public safety, and improve the livelihood of citizens. However, our audit continued noting cases of idle assets.

During the year, 22 Public institutions did not put to use **ninety (90)** assets worth **Frw 15.86 Bn** (2022: **Frw 124.12 Bn)**. These comprised of **fifty nine (59)** new cases worth **Frw 7.57 Bn** and **thirty one (31)** cases worth **Frw 8.29 Bn** noted in our last year's audits.

Graph 4: Idle assets



There is a need for public entities to use the above assets to improve the lives of the citizens.

6.3. Cross-cutting issues in project management

6.3.1. Persistent slow pace in implementing government projects

Last year, we reported nine (9) projects funded by development partners that were delayed. This year, we noted that different public institutions delayed to implement eight (8) projects worth **Frw 563,990,937,016**. The initial project duration had either expired or was about to expire, yet the disbursement rates were still low. This puts the projects at the risk of forfeiting part of their funding.

Some projects are financed by loans. As per development requirements, undrawn balances attract commitment charges. During the year under review, the Government paid **Frw 885 Mn** commitment charges on two projects that had been delayed: RSWSSP and RIF. Part of the commitment charges would have been avoid.

These gaps were partially attributed to long procurement process and lack of project readiness at commencement. There is a need to speed up the projects to minimize commitment charges and to achieve the intended project objectives.

6.4. Fair compensation not paid to expropriated property owners

At the time of audit, **ten (10)** public institutions had not yet paid fair compensation to expropriated property owners amounting to **Frw 12.68 Bn**. The delay ranged between **17 days** and **2,536 days (7 years)** above the expected 120 days as per article 36 of the law on expropriation No 32/2015 of 11/06/2015. ***See details in the table below:***

Table 24: Expropriated property owners not yet paid

Nº	Entity	Amount	Delay range in days	
		Frw	From	To
1.	MINICOM	3,050,636,076	237	276
2.	Muvumba Multipurpose Water Development Plan	2,333,150,662	75	197
3.	EAQIP	208,225,785	17	311
4.	RUEAP	73,783,892	27	1479

Nº	Entity	Amount	Delay range in days	
		Frw	From	To
5.	EDCL	46,393,495	84	1563
6.	NELSAP	56,211,575	18	543
7.	RRFP EDCL	22,018,742	49	753
8.	Burera	647,618,330	107	180
9.	RDB	196,316,358	287	2,536
10.	City of Kigali	6,051,119,186	284	557
	Total	**12,685,474,101**		

In addition, eight districts paid compensation for expropriation amounting to **Frw 1,007,585,928** with delays ranging between 10 to 957 days. These districts were Burera, Rubavu, Muhanga, Kayonza, Nyanza, Rulindo, Musanze and Kirehe.

Table 25: Expropriated property owners paid with delays

Nº	Entity	Amount	Delay range in days	
		Frw		
			From	To
1.	Burera	338,430,656	107	180 days
2.	Rubavu	167,246,953	39	350 days
3.	Muhanga	12,756,736	41	364 days
4.	Kayonza	191,972,784	19	179 days
5.	Nyanza	81,310,753	33	245 days
6.	Rulindo	5,616,009	741	957 days
7.	Musanze	188,391,664	10	138 days
8.	Kirehe	21,860,373	94	465 days
	Total	**1,007,585,928**		

Delay in payment of fair compensation to owners of expropriated properties negatively affects their livelihood.

Management attributed this to budget constraint.

We recommended them to work closely with the MINECOFIN address delays in compensating expropriated property owners.

6.5. Taxes

6.5.1. Accumulated taxes not remitted to RRA

Our current year's audits noted that 31 public entities failed to remit taxes amounting to Frw **88.02 Bn.**

Similarly, included in the State consolidated financial statements are filed taxes that are not yet paid to RRA amounting to **Frw 665.72 Bn** (2022: **Frw 553.14 Bn).** Some of these outstanding taxes were owed by public institutions.

Subsequent to the year under review, the Cabinet decision of 15 January 2024 waived **Frw 230 Bn** owed by public institutions. The subsequent audit will assess the true picture after implementing of this decision.

Management indicated that mechanisms had been put in place to recover tax arrears from the private sector. We recommended to RRA management to enhance tax enforcement measures.

6.6. Delay to settle suppliers' invoices

The audit noted that forty (40) public entities delayed to settle suppliers' invoices amounting to **Frw 46.05 Bn**. The delays were up **2,041** days (6 years). As a result, delayed payment of suppliers' invoices may negatively affect service delivery. The concerned public institutions should make payments on time, going forward.

7. GOVERNANCE AND INTERNAL CONTROL ISSUES

7.1. Entities without Board of Directors or lacking quorum

The current audit continued noting cases of twelve (12) public institutions without Board of Directors or their boards lacked quorum to hold board meetings. The institutions are WASAC, REB, Bella Flowers Ltd, RNIT, RAC, MMC, PSC, HEC, RTB, NIDA, NCDA and RwandAir.

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

7.2. Staff holding acting positions for long periods

The audit of human resources noted cases of staff acting for a period ranging from 14 to 60 months (five years) yet they are not in categories of staff provided by the Law N° 017/2020 of 07/10/2020 establishing the general statute governing public servants who could serve in acting positions for more than 12 months. These entities include the following:

Table 26: Staff in acting positions for long periods

N°	Entities	Number of staff	Range of months in acting capacity
1.	RSB	7	24 to 60 months
2.	RFL	8	34 to 37 months
3.	Rwanda Law Reform Commission (RLRC)	13	18 months
4.	Office of Government Spokesperson (OGS)	1	19 months
5.	RTDA	2	33 months
6.	EUCL	9	14 to 16 months
7.	RDB	2	17 and 18 months
8.	RURA	5	15 to 27 months
9.	MINECOFIN	7	12 to 25 months

Serving on acting for long period may affect the staff morale and performance.

7.3. Lack of risk management frameworks

Given the dynamics in operating environment, risks are likely to occur in public institutions. Public institutions needs to be able to respond effectively to minimize interruptions.

MINECOFIN issued risk management guidelines in May 2019 requiring every public institution to put in place risk management mechanisms to manage uncertainties that could impede the achievement of the institution's objectives.

However, through the review of internal control system noted eighteen (18) public institutions without risk management policies or risk management framework and risk register of their principal risks and risk management plans to mitigate them. These were NIDA, RSB, Ministry of Youth and Arts, MIFOTRA, MIGEPROF, RDRC, RISA, HEC, FONERWA, NRS, EDCL, RAC, REB, CMA, GMO, OGS, PSC and Rwanda Methodology Agency.

The lack of an effective risk management system may expose public institutions to uncertainties that could impede the attainment of its mandate.

We recommended the concerned institutions to put in place the risk frameworks.

7.4. Material contingent cases

The current year's audit noted that nineteen (19) public entities were in disputes with third parties and had contingent liabilities estimated at **Frw 48.27 Bn.** The outcomes of the disputes were yet to be determined at the time of this report.

The concerned entities should exercise due care to avoid or minimize financial losses of public funds.

ABBREVIATIONS AND ACRONYMS

Abbreviation	Description
AG	Auditor General
AfDB	African Development Bank
BDF	Business Development Fund
BK	Bank of Kigali
BNR	National Bank of Rwanda
BRD	Development Bank of Rwanda
CBHI	Community Based Health Insurance
CEBE	Center of Excellence in Bio-Medical Engineering and E-health sciences
CHENO	Chancellery for Heroes, National Orders and Decorations of Honour
CHUK	University Teaching Hospital of Kigali
CHOGM	Commonwealth Heads of Government Meeting
CMA	Capital Market Authority
CoK	City of Kigali
DLI	Disbursement Linked Indicators
EAQIP	Energy Access and Quality Improvement Project
EBM	Electronic Billing Machine
ECD	Early Childhood Development
EDCL	Energy Development Corporation Limited
EUCL	Energy Utility Corporation Limited
ERF	Economic Recovery Funds
FBF	Fortified Blended Food
FONERWA	Rwanda Green Fund
GBEs	Government Business Enterprises
GF	Global Fund
GMO	Gender Monitoring Office
GoR	Government of Rwanda
HEC	Higher Education Council
HMI	Hospitality Management Institute
ICASA	International Conference on AIDS and Sexually Transmitted Infections in Africa
ICT	Information Communication Technology
ICPCs	Integrated Crafts Production Centres
ID	Identity Card

IFMIS	Integrated Financial Management Information System
INTOSAI	International Organisation of Supreme Audit Institutions
IPPIS	Integrated Personnel and Payroll Information System
IS	Information System
ISSAIs	International Standards of Supreme Audit Institutions
KCP	Kinazi Cassava Plant Ltd
KIP	Kigali Infrastructure Project
KMB	Kivu Marina Bay Ltd
LAIS	Land Administration Information System
LODA	Local Administrative Entities Development Agency
LGTLMS	Local Government Taxes Management System
LKIWTP	Lake Kivu Inland Water Transport Project
LTSS	Long-Term Savings Scheme
LVTP	Lake Victoria Transport Program
MEIS	Monitoring and Evaluation Information System
MIGEPROF	Ministry of Gender and Family Promotion
MIFOTRA	Ministry of Public Service and Labour
MINAGRI	Ministry of Agriculture and Animal Resources
MINAFFET	Ministry of Foreign Affairs and International Cooperation
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINICOM	Ministry of Trade and Industry
MINICT	Ministry of Information and Communication Technology
MINIJUST	Ministry of Justice
MININFRA	Ministry of Infrastructure
MININVEST	Ministry of Investment
MINISANTE	Ministry of Health
MINISPORTS	Ministry of Sports
MMC	Muhabura Multichoice Company
NAEB	National Agricultural Export Development Board
NELSAP	Nile Equatorial Lakes Subsidiary Action Program
NAIS	National Agriculture Insurance Scheme
NCDA	National Child Development Agency
NGN	Nigerian naira
NLA	National Land Authority

NIDA	National Identification Agency
NIRDA	National Industrial Research and Development Agency
NLUDMP	National Land Use and Development Master Plan
NPPA	National Public Prosecution Authority
NPL	Non-Performing Loans
NRS	National Rehabilitation Services
NRW	Non-Revenue Water
NSDS	Nutrition Sensitive Direct Support
NST1	National Strategy for Transformation
OAG	Office of the Auditor General of State Finances
OGS	Office of Government Spokesperson
PAC	Public Accounts Committee
PAYE	Pay As You Earn
PFM	Public Financial Management
PHHSTF	Postharvest Handling and Storage Task Force
PHL	Prime Holdings Ltd
PSC	Public Service Commission
PSDAG	Private Sector Driven Agricultural Growth
RAB	Rwanda Agricultural Board
RAC	Rwanda Airport Company
RBA	Rwanda Broadcasting Agency
RBC	Rwanda Biomedical Centre
RCA	Rwanda Cooperative Agency
RCS	Rwanda Correctional Services
RDB	Rwanda Development Board
RDRC	Rwanda Demobilisation and Reintegration Commission
REB	Rwanda Education Board
REG	Rwanda Energy Group Limited
RESSP	Rwanda Electricity Sector Strengthening Project
RFL	Rwanda Forensic Laboratory
RFRDP	Rwanda Feeder Roads Development Project
RHA	Rwanda Housing Authority
RMF	Road Maintenance Fund
RMH	Rwanda Military Hospital
RMS	Rwanda Medical Supply

RLRC	Rwanda Law Reform Commission
RNIT	Rwanda National Investment Trust Ltd
RNP	Rwanda National Police
RP	Rwanda Polytechnic
RQBEP	Rwanda Quality Basic Education for the Human Capital Development Project
RRA	Rwanda Revenue Authority
RRFHP	Regional Rusumo Falls Hydroelectric Project
RSB	Rwanda Standards Board
RSSB	Rwanda Social Security Board
RSWSSP	Rwanda Sustainable Water Supply and Sanitation Program
RTB	Rwanda TVET Board
RFDA	Rwanda Food and Drugs Authority
RTDA	Rwanda Transport Development Agency
RURA	Rwanda Utility Regulatory Authority
RUDP	Rwanda Urban Development Project
RWB	Rwanda Water Board
RICA	Rwanda Inspectorate, Competition and Consumer Protection Authority
RIF	Rwanda Innovation Fund (RIF)
RISA	Rwanda Information Society Authority
RUGC	Rwanda Ultimate Golf Course Ltd
SACCO	Savings and Credits Cooperatives
SEAP	Scaling Up Energy Access Project
SEIRHCP	Social Economic Inclusion of Refugees and Host Communities in Rwanda Project
SPTP	Social Protection Transformation Project
RUEAP	Rwanda Universal Energy Access Project (RUEAP)
TASCO	Tapioca Starch Processing Company Ltd
TSRLMCP	Transmission System Reinforcement And Last Mile Connectivity Project (TSRLMCP)
TVET	Technical and Vocational Education and Training
UDL	Ultimate Developers Ltd
UR	University of Rwanda
VAT	Value Added Tax
VUP	Vision Umurenge Program
WASAC	Water and Sanitation Corporation
WTP	Water Treatment Plants

Office of the Auditor General of State Finances

Year Ended 30 June 2023

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