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ABBREVIATIONS AND ACRONYMS

AFD	Agence Française de Développement
AFROSAI-E	African Organization of Supreme Audit Institutions-English speaking
AGI	Adolescent Girls Initiative
BNR	National Bank of Rwanda
BRD	Banque Rwandaise de Dévelopement
CHUK	University Teaching Hospital- Kigali
CNLG	National Commission For The Fight Against Genocide
CSRP	Civil Service Reform Project
CTAMS	Mutual Health Technical Support Cell
EAAPAC	East Africa Association of Public Accounts Committees
EAPHLN	East Africa Public Health Laboratory Networking Project
EARP	Electricity Access Rollout Program
EASSDP	Electricity Access Scale-Up and Sector Wide Approach Development Project
EATTFP	East Africa Trade and Transport Facilitation Project
EDPRS	Economic Development and Poverty Reduction Strategy
EIF	Enhanced Integrated Framework
EWSA	Energy, Water and Sanitation Authority
FARG	Genocide Survivors Fund
FER	Fond d’Entretien Routier (Road Maintenance Fund)
GBEs	Government Business Enterprises
GMO	Gender Monitoring Office
GoR	Government of Rwanda
ICPAR	Institute of Certified Public Accountants of Rwanda
IDF	Institutional Development Fund
IFMIS	Integrated Financial Management Information System
INTOSAI	International Organisation of Supreme Audit Institutions
IPPIS	Integrated Personnel and Payroll Information System
KWAMP	Kirehe Community Based Watershed Management Project
LEVEMP	Lake Victoria Environmental Management Project
LODA	Local Administrative Entities Development Agency
LWH	Land Husbandry Water harvesting and Hillside Irrigation
MDTF	Multi Donor Trust Fund
MHC	Media High Council
MIDIMAR	Ministry of Disaster Management and Refugee Affairs
MIFOTRA	Ministry of Labour and Skills Development
MINADEF	Ministry of Defense
MINAFFET	Ministry of Foreign Affairs
MINAGRI	Ministry of Agriculture
MINALOC	Ministry of Local Government

MINEAC	Ministry of East African Community
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINICOM	Ministry of Trade and Industry
MINIFOM	Ministry of Forestry and Mines
MINIJUST	Ministry of Justice
MININFRA	Ministry of Infrastructure
MININTER	Ministry of Internal Affairs
MINIRENA	Ministry of Natural Resources
MINISANTE	Ministry of Health
MINISPOC	Ministry of Sports and Culture
MINIYOUTH	Ministry of Youth, Culture and Sports
NBA	Non Budget Agency
NDIS	National Decentralization Implementation Secretariat
NEC	National Electoral Commission
NHRC	National Human Rights Commission
NIDA	National Identification Agency
NIMR	National Institute of Museums of Rwanda
NISR	National Institute of Statistics
NPPA	National Public Prosecution Authority
NURC	National Unity and Reconciliation Commission
OAG	Office of the Auditor General of State Finances
ONATRACOM	Rwanda Public Transport Authority
OP	Payment Order
ORINFOR	National Office for Information
OTR	Ordonnateur Trésorier du Rwanda (Central Treasury of Rwanda)
PAC	Public Accounts Committee
PADAB	Bugesera Agricultural Development Support Project
PAPSTA	Support Project to the Strategic Plan for the Agriculture Transformation
PAYE	Pay As You Earn
PFM	Public Financial Management Reform Basket Fund
PHHS TF	Post Harvest Handling and Storage Task Force
PPF (LISP)	Project Preparation Facility of the Livestock Infrastructure Support Programme
PPPMER	Rural Small And Micro Enterprises Project
PRIMATURE	Prime Minister's Office
PSCBP	Public Sector Capacity Building Project
PSGG	Project for Strengthening Institutional Framework for Good Governance
RAB	Rwanda Agricultural Board
RBA	Rwanda Broadcasting Agency
RBC	Rwanda Biomedical Board
RCA	Rwanda Cooperative Agency
RCAA	Rwanda Civil Aviation Authority
RCIPRW	Regional Communication Infrastructure Program – Rwanda Project

RCS	Rwanda Correctional Services
RDB	Rwanda Development Board
RDRP	Rwanda Demobilization and Reintegration Programme
REB	Rwanda Education Board
REMA	Rwanda Environment Management Authority
RHA	Rwanda Housing Authority
RNP	Rwanda National Police
RNRA	Rwanda Natural Resources Authority
RPPA	Rwanda Public Procurement Authority
RRA	Rwanda Revenue Authority
RSSB	Rwanda Social Security Board
RSSP III	Rural Sector Support Project Phase III
RTDA	Rwanda Transport Development Agency
RURA	Rwanda Utilities Regulatory Agency
SADCOPACs	Southern Africa Development Community Organisation of Public Accounts Committees
SEDP	Sustainable Energy Development Project
SDP	Skills Development Project
SFAR	Student Financing Agency of Rwanda
SONARWA	Société Nouvelle d'Assurances du Rwanda
TSDP	Transport Sector Development Project
UAF	Universal Access Fund
UBPR	Union des Banques Populaires du Rwanda
UNAIDS	United Nations Programme on HIV/AIDS
USPLS	Public Sector Umbrella in Fight Against Aids
VUP	Vision Umurenge program
WDA	Work Force Development
SMTO	Small, Medium Taxpayers Office
LTO	Large Taxpayers Office

FOREWORD BY THE AUDITOR GENERAL

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

Accordingly, I now submit to Parliament a report on the audits conducted during the period from June 2015 to 30 April 2016. The audits covered state consolidated financial statements; expenditure incurred by Government entities for the year ended 30 June 2015 and operations of Government Business Enterprises. This report presents cross cutting and other key issues of national impact noted during financial audits and performance audits. Individual reports containing the audit opinion and details of all findings have been issued for each audited entity.

This report also covers other activities of the Auditor General's office for the year ended 30 June 2015 and key achievements realized during the year.

OAG AUDIT FOCUS IN THIS AUDIT CYCLE

Government Business Enterprises (GBEs) and Government Boards continue to be risky public enterprises while at the same time are at the forefront of implementing key Government programmes. As such, there was increased focus on these entities during the year with audits covering RRA, RSSB, EWSA, REB, RAB, RDB, RGB, RSB, RBC and NAEB. In addition, the OAG audited former public universities and colleges that were merged to form University of Rwanda. Some of these entities' activities are not part of the state consolidated financial statements. The OAG also conducted thirteen (13) performance and special audits.

The office continues to support Government decentralized policy through full coverage of Local Governments and to audit all Government Projects receiving funding from the World Bank and the entire grant from Global Fund for HIV and Malaria Programmes in Rwanda. The audits also covered the two Chambers of Parliament as oversight institutions and all supervising ministries and entities of different Government programmes in various sectors of the economy.

NUMBER OF ENTITIES AUDITED

In terms of number of entities audited, the audits covered state consolidated financial statements and **157 public entities and projects** compared to **131 public entities and projects** in my previous annual report, resulting in issue of **159 audit reports** compared to **157 audit reports** in my previous annual report.

AUDIT COVERAGE

The expenditure incurred by entities audited during the period June 2015 to 30 April 2016 represents **82%** of the reported Government Expenditure for the year ended 30 June 2015, compared to **81%** for the year ended 30 June 2014. The total Government expenditure reported in State consolidated financial statements for the year ended 30 June 2015 amounted to **Frw 1,826,772,990,826** compared to **Frw 1,762,021,652,552** for the previous year ended 30 June 2014. This coverage is in line with PFM target of 82% of expenditure incurred by Government during the year ended 30 June 2015.

The above coverage was achieved, alongside audit of State consolidated financial statements, audit of nine (9) former public universities and colleges that were merged to form University of Rwanda and two affiliated companies of KISTCO and KHBID, EWSA, RSSB and RRA revenue collection system. The OAG also chaired the Audit Commission for the East African Community for the year ended 30 June 2015 with full time involvement of four (4) OAG senior audit staff for two and half months, as well as involvement and participation in PAC activities especially during the months of July and August 2015.

VALUE FOR MONEY AUDITS

The office conducted **13 performance and special audits** during the year compared to **12 reports** issued in last year annual report. The performance and special audits covered and respective sectors are shown below.

	Performance audit conducted	Sector covered
1	Performance audit on the implementation of City of Kigali Master Plan	Urban Development
2	Performance audit on management of income generating activities program OF FARG	Social Protection
3	Performance audit on Government revenues from Extractive Industries	Finance
4	Performance audit on Municipal solid and liquid (sludge from septic tanks) waste management in City of Kigali	Environment
5	Management of contracts: Case of schools construction	Education
6	Procurement and management of drugs and medical supplies and its impact on health care at University Teaching Hospital-Kigali (UTH-K/CHUK)	Health
7	Review of implementation of Healthy Futures project at Rwanda Biomedical Center	Health
8	Performance audit on strategic management of privatization activities	Finance
9	Audit of revenue collection system at Rwanda Revenue Authority	Finance
10	Performance audit on utilization of ICT tools - Case of document tracking & work flow management system	ICT
11	Integrated payroll and personnel information system (IPPIS) Operations	ICT/Public Service
12	Information Systems/Technology audit at RSSB	ICT/Social Security
13	Information Systems/Technology audit at RRA	ICT/Finance

OVERVIEW OF AUDIT RESULTS

1 Audit Opinions issued on financial statements of public entities and trend

The number of reports with unqualified audit opinion on financial statements increased from **57 reports (36%)** last year to **78 reports (50%)** in this annual report out of the **157** reports issued by 29 April 2016. These reports comprise of **16 reports** for Ministries, **34 for Government projects**; **26 reports** for Central Government entities, **1 report for** a GBE and **1 report for** a Board. The increase in number of entities obtaining unqualified audit opinion on financial statements is an indicator that Government entities are progressively embracing appropriate financial management practices.

Of the **157 reports** issued, **61 reports (39%)** got unqualified opinion on compliance aspects. These included 12 Ministries, 29 Government projects, and 20 Other Central Government entities.

All Government Business Enterprises and Boards (except RRA Budget Agency and Rwanda Standards Board) got qualified audit opinion on financial statements like it was in the previous audits. All the entities in this cluster got qualified opinion on compliance aspects. The improvements in financial management and compliance with laws and regulations in Government Business Enterprises and Government Boards remain dismal despite these entities being in charge of implementing key Government programmes and managing a significant chunk of Government funds. There is need for a concerted effort by the Office of the Accountant General to further support and push Chief Budget Managers of Government Business Enterprises and Government Boards to embrace PFM initiatives towards improving financial management and accountability practices.

Districts

There were improvements noted in some districts and City of Kigali. Gakenke district for the last 3 consecutive years has obtained an except for audit opinion on financial statements. Improvements were also noted in the Districts of Nyaruguru, Kirehe, Nyagatare, Rwamagana which obtained an except for opinion on compliance with laws and regulations. In addition, City of Kigali obtained an except for opinion on both financial statements and compliance issues. This shows that local governments can further improve in management of public funds. I recommend MINECOFIN to further support local government entities in strengthening the internal audit unit by ensuring that it is sufficiently staffed, trained and deployed to support management in addressing the internal control weaknesses highlighted in my audit reports. I also recommend MINECOFIN to further support the finance departments to acquire continuous professional trainings with the aim of ensuring they have a highly skilled finance team.

2 Status of implementation of prior year audit recommendations

Overall, public entities implemented **51%** of the audit recommendations. Government Boards and Business Enterprises continue to perform at the least in implementation of Auditor General’s recommendations having not implemented **59%** of the previous audit recommendations. Among the worst performers in this cluster is RSSB that did not implement 77% of recommendations; EWSA Utility that did not implement 81% of the recommendations; EWSA Development Unit that did not implement 65% of the recommendations; and REB that did not implement 64% of the audit recommendations.

SUMMARY OF KEY ISSUES IDENTIFIED DURING AUDITS

1. **Inappropriate financial reporting framework adopted by public entities:** Some Government entities continue to apply the modified cash basis of accounting yet given the nature of their activities, the resulting financial statements do not reflect the true picture of the financial performance and position. Significant transactions and balances are omitted from financial statements prepared on the basis of modified cash basis of accounting thereby discounting their usability. For instance the financial statements of Rwanda Biomedical Center/MPPD (Former CAMERWA), do not disclose significant balances for fixed assets of **Frw 3,591,378,629** and inventory of **Frw 29,159,477,679.** For the case of RDB, the financial statements do not include investments worth **Frw 4,273,710,000**, preference redeemable Shares in Olleh Network Rwanda worth **Frw 79,010,726,59**2 and Africa Olleh Service worth **Frw 5,090,280,000**, and fixed assets worth **Frw 11,135,796,597** acquired and expensed during the year.

   Omission of significant balances from the books of account and financial statements discounts the usefulness of the reported information.

2. **Persistent cases of delayed contracts and abandoned works:** Weaknesses in contract management are still prevalent in most public entities and have resulted into increased cost of Government projects, significant delays in completion and lack of value for money from many Government projects. There are also various failed or abandoned projects which have denied beneficiaries envisaged facilities and services. The prior year audits identified contracts for **77 projects** worth **Frw 126,052,898,036** that had delayed and were not completed within contract period. The status of these contracts was as follows.

   - Sixteen (16) contracts (21%) involving **Frw 3,581,716,475** were completed and final handover done;
   - Thirty seven (37) contracts (48%) involving **Frw 81,769,961,483** had progressed and provisional handover had been done; and
   - Twenty four (24) contracts (31%) involving **Frw 40,701,220,078** had not been completed as at the time of the current audits.

   Current year contracts delayed or abandoned

   Cases of delayed and abandoned works identified during current audits amounted to **Frw 32,492,344,915** for **70 contracts**. Of these, **12 contracts** worth **Frw 4,370,563,354** were abandoned

3. **Increasing cases of idle assets:** Various public entities continue to hold idle assets in which significant amounts of funds have been invested. Assets worth **Frw 7,920,352,340** were identified as idle. Examples include idle stock of electricity and water materials at EWSA worth **Frw 1,620,926,869**; Cassava factory involving **Frw 768,070,428** for Ngororero district; and Nkombo guest house for Rusizi District worth **Frw 285,667,659** and RSSB assets worth **Frw 978,506,025** not utilised.
4. **Increasing cases of questioned expenditure:** Expenditure to the tune of **Frw 18,965,202,896** was incurred by Government entities on ineligible and irregular expenses. This comprises of unsupported expenditure **(Frw 12,785,406,805)**; partially supported expenditure **(Frw 3,838,478,979)**; wasteful expenditure **(Frw 1,723,841,679)**; ineligible allowances **(Frw 443,736,357)** and fraudulent payments **(Frw 173,469,076)**. These were mainly noted for EWSA, RBC, University of Rwanda colleges and Districts.

   Efforts to recover funds lost in previously reported fraudulent cases have not yielded significant progress. A total of **Frw 1,553,750,866** out of the **Frw 1,627,988,639** reported in fraudulent cases identified from OAG audits since 2011 had not been recovered by the time of the current audits.

5. **Investment management and accounting concerns at Rwanda Social Security Board (RSSB)**
   - **Inappropriate accounting and book keeping arrangement for different funds under RSSB:** RSSB continues to perform the accounting and financial reporting function in one set of books of account for pension and medical schemes and recently added Mutuelle De sante. This has resulted in misallocation of some transactions and balances across schemes and arbitrary allocation of operating expenditure across the schemes that does not reflect the level of consumption of the shared services by the three schemes.

     Maintenance of one set of books of account for the current three schemes under RSSB and arbitrary apportioning of operating costs is likely to result in using funds of one scheme in meeting obligations of the other. Overtime funds of one scheme could as a result be eroded to support activities of the other.
   - **Unreliable accounting records and financial statements:** The RSSB financial statements contain inaccuracies and are therefore not reliable for proper decision making. These mainly arise from errors and inappropriate basis applied in valuing

unquoted/unlisted equity investments with questionable fair value gains of **Frw 9,583,023,901,** overstatement of fair value of quoted/listed equity investments by **Frw 2,101,452,266,** absence of valuation of investment properties and continued reporting of outdated values of investment properties established in June 2012, weaknesses in tracking and accounting for mortgage loans relating to houses located at Gacuriro 2020 Estate with borrowers where balances totalling to **Frw 171,063,283** was reported at 30 June 2015 yet they had fully paid their balances and were issued with clearance certificates, unallocated mortgage repayments amounting to **Frw 490,850,793** reported under liabilities in the financial statements, unsupported creditors of **Frw 950,595,239**, creditors with credit balance of **Frw 4,813,735,245** and debit balance of **Frw 253,088,772** with no individual/itemised listing of creditors.

- **Erosion of investment value hence threatening sustainability of the pension fund:** In the previous annual report, there were sixteen (16) equity investments where RSSB had invested a total amount of **Frw 65,305,671,206** that had not paid any dividend from the time of initial acquisition or establishment. During the year ended 30 June 2015, these same investments still did not generate any return to RSSB. RSSB further injected an amount of **Frw 16,660,891,275** to three of the investments in question thereby increasing total investment in non-performing ventures to **Frw 81,966,562,481**. A common attribute to the sixteen (16) equity investments above is that they were acquired without proper analysis by the investment committee and review and approval by the Board of Directors. Continuing to hold investments where no return is earned has a negative bearing on the long term financial sustainability of the pension scheme.
- **Inadequate monitoring of equity investments:** Persistent gaps were noted in monitoring of equity investments at RSSB. For majority of the equity investments, gaps like not obtaining and reviewing regular management accounts/financial statements, absence of participation in Board meetings of investee companies and RSSB management inaction on none performing investments continue to exist across several equity investments where RSSB has invested an amount to the tune of **Frw 90,579,398,204**. As a result, RSSB has not positioned itself to influence strategic and policy decisions in a manner that ensures prudent management of shareholder funds. The failure to earn a return on majority of the investments held is strongly linked to the aspect of insufficient monitoring.

- **Wasteful and ineligible expenditure at RSSB:** A total of **Frw 470,332,825** was incurred by RSSB in wasteful expenditure. This included payment of **Frw 224,701,510** for non-existing works, **Frw 242,479,347** in fines and penalties for late payment of land tax, and **Frw 3,151,968** paid to staff who were no longer in service.
- **Gaps in database of beneficiaries:** Information maintained by RSSB on medical and pension registered beneficiaries is inaccurate and unreliable. For instance the affiliate's data for pension and medical schemes revealed dates of birth that are after the date of affiliation. This loosely implies that these members were affiliated into the respective schemes before they were born. The gaps in the beneficiaries' database is a significant weakness that presents planning and administration challenges for the social security business. The beneficiaries' database with inaccuracies could also result in ineligible attribution of benefits.

6. **Accounting and financial management issues at University of Rwanda:** The higher institutions of learning merged to form University of Rwanda still face significant weaknesses in accounting and financial management. All the entities under UR got qualified audit opinion on both financial statements and compliance aspects. The accounting issues included:
   - **Long outstanding receivables** amounting to **Frw 1,616,633,429** for between one (1) to twenty (20) years;
   - **Unallocated bank deposits/receipts** to the tune of **Frw 502,502,440** with UR- Huye campus accounting for 83% of this amount;
   - **Unsupported balances in the books of account** including unsupported revenue of **Frw 92,171,600**, unsupported expenditure of **Frw 1,073,317,235**, unsupported debtors of **Frw 246,646,334** and unsupported creditors of **Frw 2,233,142,913**.
7. **Gaps in accounting and financial management at RBC:** The financial statements of RBC were unreliable. There were significant unsupported transactions and balances, a manifestation of failure of RBC to properly account for funds put at its disposal. There were unsupported adjustments of **Frw 405,505,451, Frw 17,540,371** and **Frw 7,809,157** on opening balances of cash and bank, accounts receivable and payable respectively. The value of stock of medicine counted at 30 June 2015 of **Frw 28,595,779,999** was less than stock value per books of account of **Frw 29,309,453,869** by **Frw 713,673,870.**

- **Increasing cases of expired drugs at RBC:** RBC/MPPD continues to experience high levels of expiry of drugs due to failure to set and monitor appropriate stock levels. Drugs and medical consumables worth **Frw 1,213,019,238** of RBC/MPDD own stock expired between 2010 and 2015. In addition, donor stock under the management of RBC/MPDD worth **Frw 2,672,054,413** expired between 2012 and 2015.

8. **Key gaps in RRA revenue collection system:** RRA revenue collection system and revenue reporting system still have significant gaps which need to be addressed in order to improve RRA capacity to effectively deliver on its mandate. This will require improvements in the planning and deployment of IT systems; improvement in capacity of staff to ensure appropriate taxpayer registration and monitoring; revenue collections and revenue accountability. The total collections reported for the year ended 30 June 2015 are supported by underlying cashbooks, but the completeness of revenue collections cannot be confirmed due to gaps identified in the revenue collection processes. These include:
   - **IT systems not integrated to enable appropriate revenue reporting:** Core IT systems used in tax registration, declarations and collections are not integrated to the financial reporting system to enable proper and accurate reporting of revenue collections. As a result, there are unexplained differences between revenue collections in the core IT systems and the amounts in financial statements to the tune of **Frw 191,269,172,727**;

     Revenue collections in core IT systems (SIGTAS/E-TAX and RESW) different from bank notifications for deposits received on RRA Bank accounts (IMDB notifications) and actual collections credited on RRA bank statements by **Frw 161,965,498,355.** No regular reconciliations are undertaken to identify and address differences arising between these two control points in the revenue collection cycle.
   - **High proportion of contested audits and inadequate tracking of recoverable tax amounts:** During the year ended 30 June 2015, RRA received 662 appeal cases with disputed amounts totalling to **Frw 71,740,412,559**. Some of these cases were settled amicably, at appeal level while others were settled by courts of law resulting into waived tax assessments of **Frw 12,619,887,476**. This is an illustration that RRA is struggling with capacity to conduct tax audits.
   - **Taxpayers not audited within the five (5) years as prescribed by the tax law:** Cases were noted of taxpayers that had not been audited since their registration date and others that were audited long time ago. The audit further identified various taxpayers included on the tax audit plan 2014 -2015 that were not audited during the year. Out of the **922** planned audits, **314** (34%) were not carried out.
   - **Taxpayers not traceable in taxpayer databases for domestic taxes:** There are no reconciliations of taxpayer databases to ensure that all registered taxpayers are

captured in respective taxpayer category database. The system does not match taxpayers in all databases to detect any taxpayers that may be eligible for a tax type but are not registered for it. **7,154 taxpayers** did not appear in the appropriate database.

- **Taxpayer databases not updated to reflect follow up made for inactive taxpayers:** The audit identified **27,358 taxpayers** that have never filed any tax return since their registration including individuals and companies. There is no evidence to confirm that RRA monitors registered tax payers to identify those who have not filed any returns since registration. There is no evidence to show that RRA regularly identifies and reviews inactive taxpayers to identify if any of them are eligible for tax payment or for deregistration.
- **Taxpayers who are VAT registered but do not have Electronic Billing Machines (EBM):** Out of **15,607** registered VAT taxpayers as at 31 January 2016, **5,591** taxpayers (**36%)** did not have EBMs. The rollout of the EBM machines is still low with RRA still facing challenges of losing tax revenue due to undeclared sales by tax payers.
- **Challenges in recovering tax arrears:** RRA has various cases of non-filers and had tax arrears totalling **Frw 129,587,227,782** at 30 June 2015. Out of this amount, **Frw 21,633,819,509** has been outstanding for more than four (4) years. Out of this, **Frw 3,871,867,832** has been outstanding for more than 10 years.

9. **Delays in implementation of Regional Information and Communication Technologies for excellence project at RDB:** Though a construction contract worth **Frw 7,399,859,510.78** for the Regional ICT Centre of Excellence-Kigali Campus had been signed, RDB had not extended electricity and enough water necessary for execution of works. RDB had also not officially handed over the site to the contractor. Works were still at site clearing and excavation stage by 31st August 2015 when I conducted a site visit. Only 6.4% of the earmarked funds had been utilised yet the implementation agreement is expected to end on 30 June 2016. Failure to adequately monitor and support implementation of the project will ultimately delay realisation of the envisaged benefits from the project.

10. **Concerns on utilisation of the *Document tracking & work flow management system* (DTWMS) at RDB:** The Government has invested **USD 2,681,112.62** in acquisition of the *Document Tracking and Work-flow Management System (DTWMS).* However, the results of audit revealed that the project is not achieving the intended objectives mainly due to the fact that RDB implemented the system without a concept

document elaborating the objectives of the project, the activities to be undertaken, key performance indicators, stakeholders and their roles and responsibilities. In my opinion, Government is not realising value for money from funds which have been invested in acquiring the system, licenses and maintenance cost of **Frw 125,817,872** that is being paid and will be paid continuously. Since DTWMS is one of 59 projects implemented under NICI III (2011-2015), weaknesses identified in its planning and implementation might be cross-cutting in other NICI III 58 projects.

11. Concerns on strategic management of privatization activities: The audit of strategic management of privatization activities revealed that Government is not realising intended benefits from the privatisation process from some of the companies privatised. The privatisation process has resulted in Government giving away some companies without receipt of any payments from the investors and in some instances, 14 investors have failed to adhere to the investment plans presented at the time of privatisation or failed to operate the companies as agreed in privatisation agreements. The Government has in some cases resorted to repossession of the privatised companies but ended up paying a higher price for repossession than proceeds obtained at privatisation stage. This was mainly attributed to the following factors:

- **Fail to conduct legal and financial audit of companies planned for privatization:** Twenty (20) companies were privatized without legal and financial audit to conclude on the options of privatization, restructuring before privatization, withdrawing and liquidation;
- **Lack of documentation to justify the deviation from required privatisation procedures for some companies:** This was noted in the privatisation of six (6) companies of 6 companies.
- **Failure to recover proceeds from some companies privatised for a period ranging from 6 to 10 years:** Proceeds from privatisation of three (3) companies amounting to **Frw 335,018,757** have not been collected.
- **Loss of money during repossession of a company previously privatised:** Cases were identified where Government repossessed privatised companies due to various reasons, but ended up paying to the investors, amounts significantly higher compared to the proceeds Government obtained at the time of privatisation. In two (2) cases, Government paid **Frw 449,236,908** in excess of the funds initially received from the investors.

- **Inadequate monitoring of privatized companies:** RDB did not obtain quarterly reports from investors as specified in investment agreements to facilitate monitoring of the investors for compliance with the terms of the investment.

12. Accountability and sustainability of services at EWSA and successor entities (REG and WASAC): The audit of EWSA for the year ended 30 June 2014 revealed the following issues that require attention of management of the successor entities to ensure sustainability of the energy and water sectors.

- **Lack of financial accountability for significant operations:** Financial statements for the year ended 30 June 2014 were not reliable due to many errors and omissions. The value of total assets of **Frw 164,134,454,789** reported in financial statements could not be confirmed because of unsupported balances for fixed assets and omitted assets, unreconciled/unsupported balances of completed and ongoing water and electricity projects of **Frw 3,265,179,426**, missing stock items worth **Frw 97,778,986**, and unsupported debtors of Frw **22,828,809,564**. There were adjustments of Frw **1,902,480,127** made on opening balances without justifiable documents and reported sales revenue of **Frw 70,034,480,358** could not be reconciled to the billing systems.
- **High cost of production threatening sustainability of services:** Total revenue for the year ended 30 June 2015 was not sufficient to cover cost of producing water and electricity. Cost of sales exceeded revenue generated by **Frw 15,120,656,416** despite omitting cost of depreciation for power producing power plants from EWSA financial statements. This deficit increased to **Frw 26,170,363,483** after considering distribution costs. Sustainability of services currently significantly depends on Government subsidy to cover some of the operational costs.
- **Delayed completion of key projects:** There were notable delays of over 24 months in completion of Gishoma Peat project. The power plant is funded by a loan from Bank of Kigali of **USD 30,900,000 (Frw 19,500,000,000)** at an interest rate of **15%** per annum. Repayment of this loan was expected to be funded from power sales proceeds from September 2014. This option did not materialise and EWSA was utilising funds from other sources to meet interest and loan repayment obligations. Penalties and fines for delayed loan repayments to the tune of **Frw 200,039,274** by December 2014. Further, Nineteen (19) water projects whose total contract amount was Frw **20,109,813,664** had several issues including delays ranging between 3 months and over 2 years, contractual terms were not complied with leading to defects that cast doubt on the sustainability of the water supply systems. Three (3) of the above 19 projects were relating to

construction of 10 water tanks valued at valued **Frw 1,293,908,104** which were completed but no water supply connected.

- **Power plants operating below installed capacity:** The total power produced for the year ended 30 June 2014 was 71,400,135 KW (an average of 8.17MW per hour throughout the year) for hydropower plants and yet their installed capacity (including local private hydropower plants) was 191,844,000 KWh (21.96 MW per hour). There was hence a power supply deficit for the year of 120,443,865 Kwh (equivalent to 13.79 MW per hour representing 63% of the installed capacity. Only one (1) hydro power plant: Mukungwa I out of the 15 plants operated at more than 50% of the installed capacity. Seven (7) of them did not generate any electricity during the year. These included Rugezi, Nshili1, Nyamyotsi I, Nyamyotsi II, Mutobo, Agatobwe and Nyabahanga.
- **Lack of accountability for high volume of water and electricity produced:** Water losses at 30 June 2014 stood at 41% (the equivalent of 16,376,094 m^3) compared to target of 25% set by EWSA. The value of unbilled water varied between **Frw 3,930,262,560** and **Frw 12,118,309,560**. A total of **120,523,226 KWH** of electricity (22.74% of electricity produced, equivalent to **Frw 16,150,112,284)** was not accounted for in the billings and yet no reconciliation was provided by management to account for these units produced.

13. **Concerns in implementation of the crop intensification program:** Weaknesses continue to exist in the implementation of the crop intensification programme especially failure to ensure that procured seeds reach the intended beneficiaries/farmers. For example in seasons 2015A and 2015B, there were significant shortfalls in deliveries compared to seeds requested by Districts. This was RAB having quantities of seeds it its stores. For example during the year ended 30 June 2015, RAB purchased 611.2 tons of maize seeds worth Frw **238,020,380** that had not been issues out its stores by the time of my audit in April 2016. The inefficiencies in distribution of seeds ultimately affect agricultural productivity in the country.

14. **Continued slow recovery of funds from sale of fertilizers by Post-Harvest and Storage handling Taskforce:** As highlighted in previous annual reports, the pace of recovery of funds from fertilizer sales is still very low and Post-Harvest Handling and Storage Taskforce (PHHSTF) is still struggling to recover these balances from distributors and Agro dealers. Out of the total balance of **Frw 11,650,029,461** outstanding as at 1 July 2014, only **Frw 305,487,965** (2.6%) was recovered during the year ended 30 June 2015.

15. **Concerns in irrigation and mechanisation:** The irrigation system in Nyagatare District covering 200 ha that cost **Frw 2,794,948,262** to establish is currently not in operation due to vandalism of equipment worth **Frw 103,652,682** that has not been replaced by management of the Taskforce. The opportunity cost of keeping the entire irrigations system it idle is high in terms of negative impact on the agricultural activities in the area. Idle stock of equipment worth **Frw 95,952,629** and **USD 93,213** continues to be kept at Kabuye workshop. Agricultural machinery and equipment including tractors and power tillers that broke down have not been repaired.

16. **Persistent weaknesses in implementation of one laptop per child program:** The problem of unutilised laptops highlighted in previous Auditor General's reports has not yet been resolved by REB. A visit to 20 schools during the audit of REB in March 2016 revealed that laptops are still kept in boxes and cupboards in some schools. These cases were noted in Groupe Scolaire Kibali and Groupe Scolaire Kageyo schools in Gicumbi district, Groupe Scolaire Cyambwe in Kirehe district, GS Kabyaza, Centre Scolaire Bigorwe and Ecole Primaire Bigorwe in Nyabihu District, Groupe Scolaire Kinyinya in Gasabo District, GS Gahanga I and GS Busanza in Kicukiro.

17. **Weaknesses in management of school construction contracts:** Various weaknesses and planning challenges were noted in regard to management of contracts for schools construction. They included:

- **Diversion of school construction materials:** Cases were noted where materials from different sites were diverted to infrastructures which were not planned for. These include 2386 iron sheets, 2500 sacks of cement, 138 ridges, 1460 tubes, and 2600 iron bars. For the case of Nyagatare District, 631 iron bars were distributed but the District did not acknowledge of **484 iron bars**.
- **Schools constructed in high risk zones:** The physical verification carried out from 8th to 26th March 2016 identified four schools that were constructed in high risk zones and are exposed to risks such us landslides and flooding. No protection measures have been put in place to mitigate these risks.
- **Uncompleted and abandoned school infrastructure:** Site visits conducted from 24th to 26th February and from 14th to 26th March 2016 identified that construction works at seven (7) schools had not been completed.
- **School infrastructure constructed without water drainage system and retaining walls:** Cases were noted where school infrastructure was constructed without water drainage system and retaining walls. The cases were noted at Nyabihanga secondary

school at Gikundamvura Sector in Rusizi District and teachers' hostel at Saint Nicolas School in Cyanika Sector, Nyamagabe District.

18. **Key concerns from management of FARG income generating activities program (IGA):** The programme implementation has faced and still faces the following challenges.

- **Lack of proper coordination of FARG activities in districts:** There is lack of proper coordination and ownership of the program activities given that FARG considers the implementation of IGA program to be the responsibility of districts while districts at the same time consider FARG as owner of the program. Funds were sent to districts without detailed plans indicating activities and projects to be funded. This resulted in cases, where some of the funds sent to districts did not have target projects/beneficiaries and were not utilized as intended.
- **Income Generating Activities (IGA) program was not prioritized by FARG:** The funds allocated to this program have been decreasing overtime from **13.2%** of FARG budget in 2012 to **0.02 %** and **0.04%** respectively in 2014 and 2015.
- **Weaknesses in monitoring project activities and inadequate accountability for funds disbursed:** There is lack of a clear monitoring & evaluation framework to establish whether the program is making progress and dealing with implementation challenges timely. Districts do not report to FARG regularly while FARG has also not been able to undertake adequate follow ups on funded projects. FARG was not able to provide the status of utilization of funds amounting to **Frw 1,766,150,000** representing cumulative funds disbursed to the districts for the IGA program from 2012 to 2015.

  Some monitoring and evaluation reports from districts and FARG covering 987 projects that received **Frw 970,148,000** during the period 2012-2013, revealed that **260 projects** (**26%** of the 987 projects) had failed and did not realise intended benefits from funds to the tune of **Frw 257,650,000** disbursed to them.

19. **Key concerns in the implementation of City of Kigali Master Plan:** A Performance audit to assess whether the City of Kigali master plan is implemented in accordance with requirements of master plan revealed that the overall excellence target in terms of growth and development of the City of Kigali may not be achieved. City of Kigali did not fully meet the master plan requirements of orderliness and was unable to track and follow up master plan activities. This can be attributed to some of the following key issues:

- **Lack of proper monitoring and unreliable management information systems:** A case was identified where there was alteration of information in master plan to mislead decision makers;
- **Issuing construction permits in wrong zones:** Cases were noted where permits were issued for construction in wrong zones. For example, some permits were issued to build single residential buildings in protected areas, passive recreational area, and commercial areas without proper documentation and authorizing altering the zoning requirements in the master plan;
- **Change of use without permission of the City of Kigali:** There were cases where residents changed use of land from that previously authorised use per zoning in the master plan. For example, cases were noted where plot zoned for residential apartments was changed into commercial units and where a single family residential house was transformed into a factory, without consulting the City of Kigali;
- **Ignoring road expansion and reserves:** The One Stop Centre approved projects for construction of residential buildings in the expected road expansion areas. Issuing permits for new and renovation in roads reserve will cost government huge funds in terms of expropriation.
- **Inadequate inspection of the implementation of City of Kigali Master Plan:** Kigali City and Districts did not have a plan or any other guidance of what and when and where to inspect and ensure consistency during inspections. The Inspection unit does not have a database of all inspections conducted and number of permits issued; hence an increased risk of developing substandard projects.

20. **Lack of sustainable management system of solid and liquid waste:** The audit identified that Nduba Landfill has not been developed properly to address the environmental and public health threats. For example, there is no system to receive and treat the sewage emptied from septic tanks from different parts of the City. The sewage is deposited into holes dug at Nduba site without proper disposal system and overflows down from the hill top (where the dumping site is located) into the valleys when it rains. This poses health hazards.

KEY RECOMMENDATIONS

1. **Need for strengthening corporate governance and strategic direction in public entities:** There is need for strong boards of directors especially for Government Business

Enterprises to provide strategic direction and follow up of activities. The Boards of Directors should demand timely accountability from the Chief Budget Managers/Accounting Officers on the utilisation of public funds put at their disposal to implement Government programmes. The Boards and supervisory authorities should guide preparation of strategic plans and annual work plans of public entities to ensure that they are aligned to priorities of each and related sector. This coupled with appropriate follow is envisaged to reduce cases of stalled Government projects. Targets in performance contracts signed by Chief Budget Managers should continue to be aligned to the respective entities and sector priorities.

2. **Strengthen supervision and monitoring of Government programmes and investments:** Chief Budget Managers and supervisory authorities need to strengthen the aspects of monitoring and evaluation of programmes being implemented as part of their fiduciary duty, to ensure that Government programmes realize their intended objectives within the stipulated timeframes. Appropriate supervision and monitoring should facilitate timely corrective measures where necessary. Special attention need to be accorded to contract management to ensure timeliness of completion of projects and realization of value for money.

3. **Improve quality of accounting records in public entities:** There is need for officials in public entities to review accounting records and adhere to Government accounting policies and procedures in order to avoid omission of transactions and balances from the books of account. There is need for public entities to improve on documentation of transactions and filing of supporting documents to avoid cases of unsupported balances, unsupported expenditure and unsupported adjustments in the financial statements.

4. **Strengthening internal control systems:** There is need for strengthening of controls over the management of fixed assets, cash collections, and bank transactions, to minimize risk of loss/misappropriation of these assets.

5. **Strengthen supervision of activities and implementation of audit recommendations by Chief Budget Managers:** The Chief Budget Managers should ensure full implementation of audit recommendations as well strengthen supervision of activities they preside over. This will help in ensuring full compliance with existing laws and regulations to minimize instances of irregular expenditure and fraudulent activities in public entities.

In addition, there is need to enforce recovery of funds misused in public entities, including funds used in fraudulent activities. The Chief Budget Managers need to exercise utmost due care and be more vigilant in execution of duties to avoid instances of committing public entities to actions that result into losses.

ACKNOWLEDGEMENT

I would like to acknowledge support from the Government of Rwanda for the continuous PFM reforms aimed at enhancing public financial management. I also acknowledge Parliament of the Republic of Rwanda for its oversight mandate. The PAC scrutiny of the annual Auditor General‘s report that involves public hearing sessions for Accounting Officers coupled with field visits conducted by PAC members is yielding positive results towards improving management of public funds.

My appreciation also goes to the Auditees management and staff for the cooperation accorded to the audit teams during execution of their duties.

I further extend my appreciation to Development Partners for their continued support to OAG. This has contributed to the increasing OAG capacity to perform its duties.

I wish to express my sincere gratitude to all staff for their commitment, hard work and passion that has enabled OAG to execute its Constitutional mandate.

Obadiah R. BIRARO

AUDITOR GENERAL

KIGALI, ………………………………. 2016

EXECUTIVE SUMMARY

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

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

Article 166 of the Constitution of the Republic of Rwanda of June 2003 revised in 2015 stipulates that the Auditor General shall submit each year to each Chamber 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. Accordingly, I submit the Annual audit report of OAG covering audits of financial statements of public entities for the year ended 30 June 2015 and performance audits conducted during the period.

The report is presented in five (5) volumes:

Volume I: Executive Summary

Volume II: Report on State Consolidated Financial Statements;

Volume III: Key findings from audit of Local Governments (Districts and City of Kigali);

Volume IV, PART 1: Key findings from audit of Ministries, and other Central Administration entities and projects;

Volume IV, PART 2: Key findings from audit of Boards and Government Business Enterprises; and

Volume V: Key findings from Performance audits

SECTION 1

REPORT ON OAG ACTIVITIES DURING THE YEAR

1.1 HISTORICAL BACKGROUND

The Office of the Auditor General was established in 1998. It became the SAI of Rwanda in June 2003. The Office of the Auditor General is vested with legal personality, financial and administrative autonomy.

Its first annual report issued to Parliament in 2000 had 17 entities audited and first produced its performance audit report on maternal health care in November 2007. The annual report for the year ended 30 June 2015 has **159** reports from **157** entities and projects, alongside the audit report on state consolidated financial statements. The annual report also covers 13 performance/special audit reports.

1.2 MANDATE AND FUNCTIONS OF THE AUDITOR GENERAL

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

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

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

In addition, Article 166 of the Constitution of the Republic of Rwanda of 4 June 2003 revised in 2015, stipulates that the Auditor General shall submit each year to each Chamber of

Parliament, prior to the commencement of the session devoted to the examination of the budget of the following year, a complete report on the state financial statements for the previous year. That report must indicate the manner in which the budget was utilized, unnecessary expenditure which was incurred or expenses which were contrary to the law and whether there was wasteful expenditure or misappropriation.

1.3 OAG VISION, MISSION AND CORE VALUES

Vision

"To promote an accountable, honest and effective Government administration".

Mission

"To promote accountability, transparency and best practice in Government operations as a means to good governance".

Core Values

The Auditor General and the staff of the Office of the Auditor General, in executing their responsibilities are committed to live by the office's core values of:

- **Integrity**: Being upright and honest;
- **Objectivity**: to display impartiality and professional judgment;
- **Independence:** from the audited entity and other outside interest groups;
- **Accountability:** by providing assurance that activities were carried out as intended and with due regard for fairness, propriety, and good stewardship;
- **Confidentiality**: respect of the confidentiality of information acquired in the course of work; and
- **In Public Interest**: by making decisions with the public interest in mind.

1.4 OAG STRUCTURE AND STAFFING

The OAG approved organization structure comprises of 150 staff. Current staffing level stands at 150 staff members comprising of 131 audit staff and 19 non audit staff. In the financial year 2015-16, OAG experienced high staff turnover. Nine (9) experienced audit staff members (**2014-15: 5)** and one (1) non audit staff member (**2014-15: 2)** left.

1.5 STRATEGIC PLAN IMPLEMENTATION

OAG has extended its strategic plan from 2015/2016 to 2017/2018, which represents an extension and continuation of OAG's performance improvement programme that was detailed in its Strategic Plan for 2011 – 2016. Recommendations from mid-term review of the strategic plan and institutional review are being implemented to address OAG changing needs.

The main building blocks of this extended Strategic Plan remained the previous five pillars, namely:-

1. Enhancing the independence of OAG;
2. Strengthening institutional capacity in line with its mandate;
3. Building and strengthening professional audit capacity;
4. Strengthening OAG's capacity to engage stakeholders effectively; and
5. Oversight, coordination, implementation and monitoring of the Strategic Plan.

The main objective of these continued reforms is to further strengthen OAG as an acknowledged highly competent Supreme Audit Institution, fully able to deliver its mandate in line with international best practice.

The achievements realized on each pillar are summarized below:

1.5.1 Enhancing the independence of OAG

Following the recommendations from the institutional review, OAG management validated its proposed new organization structure (with job summary, job profile and budget implications yet to be shared with strategic stakeholders of MIFOTRA and MINECOFIN).

Consultations are under way with all strategic stakeholders regarding implementation of the new organization structure.

To further enhance the independence of OAG, a special staff statute was drafted and submitted to the Office of Prime Minister to be tabled before Cabinet.

1.5.2 Strengthening institutional capacity in line with its mandate

As I reported in my previous report, OAG has embarked on full automation of the audit processes using teammate audit software. OAG has rolled out Teammate audit software to all financial and performance audit staff members.

1.5.3 Building and strengthening professional audit capacity

Under this pillar, the Office achieved the following:

a) Graduate recruitment program (GRP)

In line with the Graduate recruitment program, the Office recruited 35 new audit staff. 21 new auditors were recruited in September 2015 while 14 were recruited in March 2016 due to the high staff turnover the office experienced. This program attracts the best Rwandan students in accounting faculties at universities in the country as well as outside the country. An induction training was conducted for the successful applicants before being deployed for audits.

b) Professional Training and development

OAG staff members are sponsored for professional courses. A total of 90 OAG students sat for various professional exams and are now preparing for the June 2016 professional exams, as shown in table below:

Professional course	Number of staff enrolled
ACCA	50
CIPS	1
CPA	37
CISA	1
ICSA	1
	90

As a result of office investment in professional training and development of its staff, OAG has recorded additional qualified audit staff. At present, the office has 19 professional qualified audit staff.

Besides the accounting professional certification courses, the Office has sponsored its staff in various trainings including trainings that are organized outside the country as per the annual training plan.

1.5.4 Strengthening OAG's capacity to engage stakeholders effectively

During the year, OAG engaged with various stakeholders in order to enhance good governance and accountability as envisioned by the Vision 2020 and the EDPRS 2. OAG's engagement with the stakeholders included:

I. Participation in the Public Finance Management working groups

OAG is one of the strategic PFM institutions in Rwanda. It operates under the component of External Oversight and Accountability. During the year, OAG participated actively in all the planned activities by the PFM Secretariat based at MINECOFIN.

II. Engagement in the Accountability fora organized by different stakeholders

a) Prime Minister's Office

The Auditor General addressed Prime Minister's Accountability forum and briefed all Chief Budget Managers and other participants on the key highlights in the Auditor General's audit report for the year ended 30th June 2014. He also briefed participants on strategies of solving issues raised in Auditor General's reports as means of preventing misuse of public funds.

b) MINECOFIN

Auditor General addressed the annual workshop for Chief Budget Managers organized by MINECOFIN on the way of managing the relationship between the Accounting Officers and Auditor General and the outcome. The aim was to provide a deep understanding to Accounting Officers that OAG audits are meant to advice in sound management of public funds and enhance accountability. Fiduciary responsibilities by Accounting Officers and owning the audit process were emphasized.

The Deputy Auditor General participated in the training of district and provincial hospitals Accountants organized by MINECOFIN. Key cross cutting issues in hospitals were shared and how they can be addressed to ensure proper management of public funds.

c) Engagement with the Local Government Authorities Forum

The Auditor General was among the facilitators in the induction of the newly elected local government leaders organized by the Ministry of Local Government. He addressed participants on the role of local government authorities in management of public funds.

d) ICPAR

The Auditor General participated in the 4th Annual Seminar organized by ICPAR under the theme "Accountants in Economic Growth and Development: Professionally Grow Your Entity and the Nation". AG requested the professional accountants to add value in their work and make valuable contribution to the growth of the Rwandan Economy. He reminded them to benchmark from the international practices.

III. INTOSAI and IDI

INTOSAI is an organization of Supreme Audit Institutions (SAIs) of countries who are members of the United Nations. IDI is the training arm of the INTOSAI through which members of INTOSAI share knowledge, skills and information through training. The Office of the Auditor General subscribes to and is a permanent member of INTOSAI.

OAG staff participated in the designing of a framework to conduct audits on externally funded projects in agriculture and food sector using international best practices, specifically the International Standards for Supreme Audit Institution (ISSAIs). The workshop was organised by INTOSAI Development Initiative (IDI) in cooperation with International Fund for Agriculture Development (IFAD) in Zambia and Tanzania.

Lessons learnt workshop is scheduled to be held in Rwanda in the month of February 2017. OAG Rwanda will be instrumental in organizing this important event.

IV. AFROSAI and AFROSAI-E

AFROSAI is a continent wide organization of Supreme Audit Institutions (SAIs) of Africa and a Regional African continental member of INTOSAI. Through participating in the programs and events of AFROSAI, member SAIs share knowledge, information and experiences in audit of public finances. The Office of the Auditor General subscribes to and is a member of AFROSAI.

OAG staff attended different trainings and workshops organized by AFROSAI as follows:

- Two senior audit staff members participated in a training on review of performance reports in South Africa. This has helped to enhance the quality of performance audit reports.
- Two staff participated in trainings organized by AFROSAI-E in the following areas; IT and regularity audit.
- Two Directors of Audit participated as AFROSAI-E training facilitators in quality assurance review in SAI Nigeria.
- The Director of performance audit participated in the 5th annual meeting of working group of AFROSAI on environmental audit in Senegal. The meeting was aimed at facilitating cooperation between SAIs, sharing knowledge and experience among African SAIs in a bid to build capacity of African SAIs in conducting Environmental auditing. OAG has benefited a lot from such arrangements hence contributing to continuous improvements in conducting performance audits.

- Audit Manager attended technical updates forum on regularity audit manual in South Africa. This was meant to share the current changes in the audit environment and their impact on audit practices.

During the year, Director of performance audit attended a workshop on women leadership academy organized by SAI Gabon. The aim was to familiarise with the drivers of change to modern management methods and facilitate within respective SAI, the implementation of SAI reform projects.

V. Other SAIs

One senior staff is attending 2016 international auditors' fellowship program at the United States Government Accountability Office. It is a four 4 months program. Such trainings and exposure increases knowledge to OAG staff, sharpen their skills and help them build confidence. This is in line with the strategic plan Pillar 3: Building and strengthening professional audit capacity.

VI. Audit of East African Community

Rwanda continues to play an important role in the strengthening of the East African Community organs. OAG is a member of the EAC Audit Commission, a body responsible for audit of the East African Community Secretariat and its organs. In this audit cycle, the Auditor General was the Chairperson of the EAC Audit Commission. He was responsible for coordinating all the audits for the year ended 30 June 2015. The Office committed 4 full time senior audit staff including a Director for a period of two and half months to join the other member countries to conduct the audits.

1.6 FINANCIAL MANAGEMENT AT OAG

During the year ended 30th June 2015, OAG submitted, all the required reports to different government authorities. These include: the monthly financial statements reports, the monthly fleet management report, monthly procurement execution reports and the annual financial statements.

The Office executed an annual budget of **Frw 4,184,626,681** (2013/14: **Frw 3,607,662,404)** composed of **Frw 2,228,929,010** of government funding (2013/14: **Frw 2,105,345,205**) and **Frw 1,955,697,671** (2013/14: **Frw 1,502,317,199**) as contribution from development partners. The budget execution is at a rate of 83.7%. OAG's financial statements for the year ended 30th June 2015 were audited by a member firm of ICPAR and received an unqualified (clean) audit opinion. The audit report together with the annual activity report were submitted to Parliament.

SECTION 2
AUDIT COVERAGE AND AUDIT RESULTS

2.1 COVERAGE AND RESULTS FOR FINANCIAL AUDITS

2.1.1 AUDIT COVERAGE FOR FINANCIAL AUDITS OF PUBLIC ENTITIES AND PROJECTS

Indicators	**2014/2015 annual report**	**2013/2014 annual report**
Number of public entities and projects audited	157	131
Audit Reports		
Number of reports from audits covering entities in current year consolidated financial statements	124	142
Number of reports from audits of entities whose expenditure is not part of current year consolidated financial statements	35	15
Total reports from the audits	***159***	***157***
Coverage		
Total Government expenditure (Frw)	1,826,772,990,826	1,762,021,652,552
Percentage of 2014/2015 expenditure audited	82%	81%
Number of reports for GBEs and Boards	11	14
Audit of revenue collection cycle		
RRA revenue collections (Frw)	862,362,298,122	838,667,155,384
RSSB contributions – Pension Scheme (Frw)	61,141,189,287	55,529,814,582
RSSB contributions – Medical Scheme (Frw)	37,305,626,662	33,119,114,078

The expenditure audited by OAG during the period June 2015 to 30 April 2016 represents 82% of the reported Government expenditure for the year ended 30 June 2015, compared to 81% for the year ended 30 June 2014. The total Government expenditure reported in State consolidated financial statements for the year ended 30 June 2015 amounted to Frw **1,826,772,990,826** compared to Frw **1,762,021,652,552** for the previous year ended 30 June 2013. This audit coverage of 82% is in line with PFM target for audit of Government expenditure incurred during the year ended 30 June 2015.

2.1.2 AUDIT OPINIONS ISSUED FOR PUBLIC ENTITIES AND PROJECTS

The annual report for the 2014/2015 period covers **159 reports** out of which **157 reports** were completed and signed by 29th April 2016. The analysis of audit opinion issued on completed audits per cluster is provided in the table below.

Category	**Audit reports completed by 29/04/2016**	**Opinion issued on Financial statements 2014/2015 Annual Report**		**Opinion issued on compliance 2014/2015 Annual Report**		**Opinion issued on regularity audit - 2013/14 annual report**
		Unqualified	**Modified**	**Unqualified**	**Modified**	**Qualified**
Ministries	17	16	1	12	5	5
Government	40	34	6	29	11	27

Category	Audit reports completed by 29/04/2016	Opinion issued on Financial statements 2014/2015 Annual Report		Opinion issued on compliance 2014/2015 Annual Report		Opinion issued on regularity audit - 2013/14 annual report
		Unqualified	Modified	Unqualified	Modified	Qualified
Projects						
Local Governments	31	0	31	0	31	0
Central Government entities	58	26	32	20	38	25
GBEs and Boards	11	2	9	0	11	0
Total reports	**157**	**78**	**79**	**61**	**96**	**57**
As a percentage of reports completed by 29/4/2016		**50%**	**50%**	**39%**	**61%**	**36%**

The number of reports with unqualified audit opinion on financial statements increased from **57 reports (36%)** last year to **78 reports (50%)** in this annual report out of the **157** reports issued by 29 April 2016. These reports comprise of **16 reports** for Ministries, **34 for Government projects**; **26 reports** for Central Government entities, **1 report for** a GBE and **1 report for** a Board. The increase in number of entities obtaining unqualified audit opinion on financial statements is an indicator that Government entities are progressively embracing appropriate financial management practices.

Of the **157 reports** issued, **61 reports (39%)** got unqualified opinion on compliance aspects. These included 12 Ministries, 29 Government projects, and 20 Other Central Government entities.

All Government Business Enterprises and Boards (except RRA Budget Agency and Rwanda Standards Board) got qualified audit opinion on financial statements like it was in the previous audits. All the entities in this cluster got qualified opinion on compliance aspects. The improvements in financial management and compliance with laws and regulations in Government Business Enterprises and Government Boards remain dismal despite these entities being in charge of implementing key Government programmes and managing a significant chunk of Government funds.

There is need for a concerted effort by the Office of the Accountant General to further support and push Chief Budget Managers of Government Business Enterprises and Government Boards to embrace the PFM initiatives towards improving financial management and accountability practices. Improving financial management and accountability in public entities should continue to be a key performance indicator for Chief Budget Managers and prominently included in the performance contracts. This coupled with a focused and efficient performance assessment process is envisaged to result into the much desired improvements in financial management of public entities.

2.1.3 QUESTIONED EXPENDITURE ARISING FROM MISMANAGEMENT OR WASTEFUL EXPENDITURE

Category	**2014/2015 annual report**	**2013/2014 annual report**
	Frw	**Frw**
Unsupported expenditure	12,785,406,805	6,090,714,400
Partially supported expenditure	3,838,748,979	1,019,076,516
Wasteful expenditure	1,723,841,679	3,600,161,647
Ineligible benefits and allowances	443,736,357	436,853,140
Funds diverted or fraudulently utilised	173,469,076	499,755,126
Questioned Expenditure	**18,965,202,896**	**11,646,560,829**

A total of **Frw 18,965,202,896** was incurred by Government entities on Questioned expenditure compared to **Frw 11,646,560,829** in the last annual report. Entities incurred expenditure without sufficient support documents required to justify utilisation of public funds while in other cases, funds were utilised on wasteful expenditure and unauthorised allowances. Entities where majority of the questioned expenditure was noted include EWSA, RBC, Gatsibo District, UR (former KIST), Nyarugenge, Nyabihu District, MINISANTE and District Hospitals.

For fraud cases reported in previous years since 2010/2011 financial year, **Frw 1,553,750,866** had not been recovered as at the time of the current audits, as summarized below:

	Amount of fraudulent payments reported previously (Frw)	**Amount not recovered (Frw)**
Funds withdrawn using forged documents	441,182,064	383,911,803
Funds used for personal gain and not accounted for	222,851,807	215,456,637
Funds and materials diverted and not reaching intended beneficiaries	963,954,768	954,382,426
Total	**1,627,988,639**	**1,553,750,866**

This includes **Frw 346,516,115** at REB, **Frw 294,896,986** at **RNP, Frw 117,337,781** at LODA (former RLDSF), **Frw 84,761,719** at RRA, and **Frw 115,500,000** at EWSA.

Stolen assets reported in last annual report

For cases of stolen assets valued at **Frw 343,428,908** identified during the previous year, **Frw 319,907,041** had not been recovered at the time of the current audits. This amount includes medicine worth **Frw 172,723,533** and wooden boxes worth **Frw 25,010,100** stolen at RBC.

There is need for Chief Budget Managers to be more vigilant in management of public funds at their disposal to ensure they are used only for the intended purpose.

2.2 COVERAGE AND RESULTS FOR PEFORMANCE AND SPECIAL AUDITS

	Performance audit conducted	**Sector covered**
1	Performance audit on the implementation of City of Kigali Master Plan	Urban Development
2	Performance audit on management of income generating activities program OF FARG	Social Protection
3	Performance audit on Government revenues from Extractive Industries	Finance
4	Performance audit on Municipal solid and liquid (sludge from septic tanks) waste management in City of Kigali	Environment
5	Management of contracts: Case of schools construction	Education
6	Procurement and management of drugs and medical supplies and its impact on health care at University Teaching Hospital-Kigali (UTH-K/CHUK)	Health
7	Review of implementation of Healthy Futures project at Rwanda Biomedical Center	Health
8	Performance audit on strategic management of privatization activities	Finance
9	Audit of revenue collection system at Rwanda Revenue Authority	Finance
10	Performance audit on utilization of ICT tools - Case of document tracking & work flow management system	ICT
11	Integrated payroll and personnel information system (IPPIS) Operations	ICT/Public Service
12	Information Systems/Technology audit at RSSB	ICT/Social Security
13	Information Systems/Technology audit at RRA	ICT/Finance

SECTION 3

TRACKING IMPLEMENTATION OF AUDITOR GENERAL's AUDIT RECOMMENDATIONS

3.1 STATUS OF IMPLEMENTATION OF PREVIOUS AUDIT RECOMMENDATIONS

	Total recommendations made in prior year audits	**Fully implemented**	**Partially implemented**	**Not implemented**	**%ge not fully implemented-2014/2015 annual report**	**%ge not fully implemented-2013/2014 annual report**
Ministries	108	75	22	11	31%	46%
Government Projects	155	110	23	22	29%	28%
Local Governments	887	466	177	244	47%	46%
Central Government entities	415	209	59	147	50%	33%
Boards and Government Business enterprises	678	275	144	259	59%	64%
Total	**2,243**	**1,135**	**425**	**683**	**49%**	**42%**

During every audit, the OAG makes an assessment of status of implementation of previous audit recommendations for each public entity in accordance with Article 69 of Organic Law No. 12/2013 of 12/09/2013 on State Finances and Property that require each Chief Budget Manager and Directors of public bodies to implement recommendations of the Auditor General. The audit recommendations are aimed at improving the effective management of finances under their control. The results of the assessments are discussed to seek further management commitment to address the issues raised.

Overall, public entities did not implement **49%** of the audit recommendations. Government Boards and Business Enterprises continue to perform at the least in implementation of Auditor General's recommendations having not implemented **59%** of the previous audit recommendations. Among the worst performers in this cluster is RSSB that did not implement 77% of recommendations; EWSA Utility that did not implement 81% of the recommendations; EWSA Development Unit that did not implement 65% of the recommendations; and REB that did not implement 64% of the audit recommendations.

SECTION 4

KEY FINDINGS IDENTIFIED IN PUBLIC FINANCIAL MANAGEMENT SYSTEM

4.1 GAPS IN ACCOUNTING AND FINANCIAL REPORTING SYSTEMS

4.1.1 ERRORS AND OMISSIONS IN FINANCIAL STATEMENTS OF BUDGET AGENCIES

There are still cases of accounting errors and omissions identified in audits of financial statements of public entities as highlighted in examples below.

- Omitted creditors balances of **Frw 15,569,062,467**
- Omitted receivables of **Frw 4,785,136,358**
- Fifteen (15) omitted bank accounts with debit balances of **Frw 58,606,283** and credit balances of **Frw 2,212,425,929**
- Unsupported adjustments made in the books of account, total credits of **Frw 8,524,528,916** and debits of **Frw 1,219,607,960**
- Unsupported creditors of **Frw 29,889,751,578**
- Unsupported debtors of **Frw 3,844,269,244**
- Debtors and creditors balances amounting to **Frw 27,335,403,764** and **Frw 12,449,917,427** respectively without any detailed breakdown
- Long outstanding debtors of **Frw 17,743,210,882** and

The significant errors and omissions identified during audits of budget agencies are indicators of inadequate review of monthly financial statements submitted by budget agencies to MINECOFIN. There is need for budget agencies to ensure that financial statements are properly reviewed and any errors and omissions corrected before they are submitted to MINECOFIN. The Accountant General's office should provide necessary support and training to staff in budget agencies to improve the reliability of monthly financial statements. The extent of reviews performed on monthly financial statements submitted by Budget agencies should be intensified to minimise errors and omissions in the annual State Consolidated financial statements.

4.1.2 INAPPROPRIATE FINANCIAL REPORTING FRAMEWORK ADOPTED BY PUBLIC ENTITIES

Some Government entities continue to apply the modified cash basis of accounting and yet the nature of their activities requires them to apply accruals basis of accounting. This implies that their current financial statements do not reflect the true picture of the financial performance and position. Significant transactions and balances are omitted from financial statements prepared on the basis of modified cash basis of accounting thereby discounting their usability. Entities where the adopted basis of accounting is not appropriate include:

- Rwanda Biomedical Center/MPPD (Former CAMERWA) where the financial statements prepared by MPPD do not disclose significant balances for fixed assets of **Frw 3,591,378,629** and inventory of **Frw 29,159,477,679.** Furthermore, while the financial statements of MPPD are reported on a modified cash basis of accounting, the underlying books of account are maintained on accrual basis of accounting. This necessitates making various adjustments to derive figures to be consolidated with the rest of RBC. This process distorts and discounts the usefulness of the financial information disclosed in the financial statements.
- Rwanda Development Board (RDB) where the financial statements prepared under the modified cash basis of accounting omitted key financial statement captions including investments worth **Frw 4,273,710,000**, preference redeemable Shares in Olleh Network Rwanda worth **Frw 79,010,726,59**2 and Africa Olleh Service worth **Frw 5,090,280,000**, and fixed assets worth **Frw 11,135,796,597** acquired and expensed during the year.

Omission of significant balances from the books of account and financial statements discounts the usefulness of the reported information. Assets not tracked in the books of account are also liable to misappropriation.

The above entities in particular need to adopt the accruals basis of accounting that will result in according appropriate accounting treatment to the nature of their activities and more relevant and informative financial statements. The accruals basis of accounting will also improve the tracking and accountability for the assets when recorded in the books of account and ultimately reported in the financial statements.

4.2 IDLE ASSETS, DELAYED CONTRACTS AND ABANDONED WORKS AND PROJECTS

4.2.1 WEAKNESSES IN CONTRACT MANAGEMENT, DELAYED PROJECTS AND ABANDONED WORKS

4.2.1.1 Status of completion of delayed contracts reported in previous annual report

	Delayed contracts		Abandoned contracts		Total contracts	
	No.	**Value (Frw)**	**No.**	**Value (Frw)**	**No.**	**Value (Frw)**
Number of contracts which had delayed or been abandoned per last year annual report (no final handover report or abandoned)	63	122,683,951,602	14	3,368,946,434	77	126,052,898,036
Number of contracts subsequently completed and final hand over made to Government entities (after the delay)	12	2,538,534,339	4	1,043,182,136	16	3,581,716,475
Number of contracts with provisional handover but no final handover to Government entities**	37	81,769,961,483	0		37	81,769,961,483
Number of contracts which are not yet completed since my last annual report (no provisional handover)	12	35,531,130,300	0		12	35,531,130,300
Number of delayed contracts which were subsequently abandoned or not subsequently resumed	2	2,844,325,480	5	1,335,765,012	7	4,180,090,492
Number of contracts which were abandoned and management subsequently contracted new contractors but not provisionally handed over	0	0	5	989,999,286	5	989,999,286
%age of contracts where final handover has been made	19%	2%	29%	31%	21%	3%
%age of contracts with provisional handover but no final handover	59%	67%	0%	0%	48%	65%
%age of contracts where no provisional handover has been made	19%	29%	0%	0%	16%	28%
%age of contracts subsequently abandoned/not resumed	3%	2%	36%	40%	9%	3%
%age of contracts which were abandoned and management subsequently contracted new contractors but no provisionally handed over	0%	0%	36%	29%	6%	1%

As reported in the last annual report, there were **77 contracts** involving **Frw 126,052,898,036** which had been delayed or abandoned by contractors. The status of these contracts at the time of current audits is as follows:

- Sixteen (16) contracts (21%) involving **Frw 3,581,716,475** were completed and final handover done;

- Thirty seven (37) contracts (48%) involving **Frw 81,769,961,483** had progressed and provisional handover had been done;
- Twenty four (24) contracts (31%) involving **Frw 40,701,220,078** had not been completed as at the time of the current audits. These outstanding contracts are analysed below:

a) **Twelve (12) contracts** involving **Frw 35,531,130,300** had not been finalised since the last audit but works are still at different stages of contract execution. See table below:

	Institution	**Nature of works/ services**	**Contract Amount (Frw)**
1	EWSA	Execution of contract for supply of water to Bumbogo sector on behalf of Gasabo District	938,746,541
2	EWSA	Completion of works relating to a concrete storage tank at Rebero and a pipeline from Rebero to Nyarurama on Behalf of Ruhango District	416,242,874
3	EWSA	Delays in completion of Gishoma Peat to Power Plant	18,759,453,980
4	SDP/WDA	Construction and rehabilitation works in Ecole Secondaire Technique de Busogo	1,423,738,720
5	Rusizi District	Supply and installation of equipment for public lighting in Rusizi district	636,566,000
6	Rusizi District	construction works of administrative and consultation blocks at Nyakabuye Health Centre	102,565,107
7	Rusizi District	Construction works of administrative block, laundry and fence at Nyakarenzo Health Centre.	83,050,636
8	RBA/ORINFOR	Modification works of OBK building and the supply, installation and commissioning of radio and television studios (Euro 12,160056)	10,563,468,530
9	RHA/Rubavu Project - UN HABITAT	Construction of 20 houses for displaced people in Rubavu district	48,731,000
10	MINISANTE	Construction works of Maternity block in Nyagatare District Hospital	1,338,077,182
11	Huye District	Construction of 40 houses for Genocide Survivors in Mukura Sector	169,717,080
12	Bugesera District	Construction works of the new boarding of Bugesera district	1,050,772,650
		Sub-total	**35,531,130,300**

b) **Seven (7) contracts** involving **Frw 4,180,090,492** were subsequently abandoned or not resumed by contractors. These comprise two (2) contracts previously reported as delayed had subsequently been abandoned by contractors and five (5) contracts previously abandoned and works had not resumed by the time of current audits. See table below:

	Institution	**Nature of works/ services**	**Contract Amount (Frw)**
		Previously abandoned and works not resumed	
1	WDA	Construction of two floor administrative building;	467,239,340
2	WDA	Construction of workshop hall having	385,073,638
3	Rusizi District	construction of roads in cobblestone: Road KABEZA - GIHUNDWE Sector office and Road CYAPA – Primary School GIHUNDWE B.	423,620,884

	Institution	Nature of works/ services	Contract Amount (Frw)
4	Rusizi District	construction of latrines and laundry block at GIHUNDWE health centre in RUSIZI District	34,831,150
5	Rusizi District	construction of park for trucks at KADASHYA	25,000,000
		Abandoned after the previous audits where they had been reported as delayed	
6	Bugesera District	Completion works for constructing "digue routiere" crossing marshland in Migina and 2 connecting roads	700,489,300
7	WDA	Construction of Classroom and External works of GIP; construction of Administration building, Workshops Kitchen Refectory and Latrine at Gishari Integrated Polytechnic Training School	2,143,836,180
			4,180,090,492

c) **Five (5) contracts** involving **Frw 989,999,286** resumed contract execution after management engaged new contractors. Five (5) contracts previously abandoned at LWH, REB, Bugesera, Gakenke and Karongi Districts had resumed. See table below:

	Institution	Audit period	Nature of works/ services	Contractor	Contract Amount (Frw)
			Previously abandoned		
1	LWH	01/07/2013-30/06/2014	Construction of two medium sized storage, one small sized storage, four maize drying areas and one banana collection centre	STANDARD CONSTRUCTION & SUPPLY Ltd	358,626,158
2	REB	01/07/2013-30/06/2014	Construction of laboratory at Groupe Scolaire Gahini	REAL VISION	153,370,948
3	Bugesera District	01/07/2013-30/06/2014	Construction of houses for vulnerable genocide survivors	DIDICOFU ltd enterprises	65,031,500
4	Gakenke District	01/07/2013-30/06/2014	Construction of Minazi Health Center	Smark partners	288,697,780
5	Karongi District	01/07/2013-30/06/2014	Construction of Youth Peace Center	ABICO NET FAIR Ltd	124,272,900
			Total		**989,999,286**

There is need for Chief Budget Managers to intensify efforts dedicated to project conceptualisation, procurement and monitoring of Government programmes to ensure realisation of intended objectives.

4.2.1.2 New cases of delayed contracts, projects and abandoned works

The challenges of contract management in public entities are still persistent. Twenty four (24) contracts (31% of delayed contracts in previous report) involving **Frw 40,701,220,078** had not been completed as at the time of the current audits. There was a total of **58 contracts**

worth Frw 28,121,781,561 of delayed contracts identified during the year and **12 contracts** worth **Frw 4,370,563,354** which were abandoned as shown in table below:

	Number	Amount (Frw)		Number	Amount (Frw)		Number	Amount (Frw)
Districts	38	6,785,596,126		10	3,020,545,717		48	9,806,141,843
GBEs/Boards	7	12,350,009,211		1	651,757,018		8	13,001,766,229
Ministries	5	926,983,762					5	926,983,762
Projects	4	6,635,909,714					4	6,635,909,714
UR	4	1,423,282,748		1	698,260,619		5	2,121,543,367
2014/2015	**58**	**28,121,781,561**		**12**	**4,370,563,354**		**70**	**32,492,344,915**
2013/2014	63	122,683,951,602		14	3,368,946,434		77	126,052,898,036

For the abandoned works, a total of **Frw 2,622,446,048** had been paid to the contractors by the time of abandoning works.

These mainly comprised of poorly managed contracts in Districts (66%) and Government Business Enterprises and Boards (12%). In terms of value, significant delays were noted with water contracts at EWSA which had not been completed after significant periods of delay and at RAB, where there were delays in Construction of RAB central laboratory (phase I) at Rubirizi in Kicukiro District.

Districts

In the case of districts, 38 contracts worth **Frw 6,785,596,126** were delayed and another ten (10) contracts worth **Frw 3,020,545,717** were abandoned. See table below.

	Number	Amount (Frw)		Number	Amount (Frw)		Number	Amount (Frw)
Bugesera	1	25,569,885					1	25,569,885
City of Kigali	2	478,011,413					2	478,011,413
Gakenke District	1	148,654,894					1	148,654,894
Gicumbi District	2	809,499,251		1	8,732,000		3	818,231,251
Gisagara District	1	6,770,000		1	547,437,410		2	554,207,410
Huye District	2	812,098,339					2	812,098,339
Kicukiro District	2	552,642,526					2	552,642,526
Kirehe District	1	371,969,052					1	371,969,052
Muhanga District	1	782,502,370		1	239,858,625		2	1,022,360,995
Nyabihu District	1	325,712,393		2	107,835,372		3	433,547,765
Nyamasheke District	1	238,276,074		1	72,962,400		2	311,238,474
Nyanza District	5	823,006,984					5	823,006,984
Nyaruguru District	5	418,332,030		1	29,510,802		6	447,842,832
Rubavu District	1	38,365,600					1	38,365,600
Ruhango District	1	68,254,905					1	68,254,905

	Number	Amount (Frw)		Number	Amount (Frw)		Number	Amount (Frw)
Rusizi District	1	152,559,955					1	152,559,955
Rutsiro District	9	601,457,615		2	1,226,149,788		11	1,827,607,403
Rwamagana District	1	131,912,840					1	131,912,840
Nyamagabe District				1	788,059,320		1	788,059,320
Districts	**38**	**6,785,596,126**		**10**	**3,020,545,717**		**48**	**9,806,141,843**

4.2.2 CONCERNS OVER PERSISTENT CASES OF IDLE ASSETS AND FAILED PROJECTS

The current audits identified assets purchased/established by Government entities at Frw **7,920,352,319** that were idle. Cases were mainly noted at EWSA, RSSB, MINISANTE, REB and Rusizi District.

Cases of failed projects included the following:

- **Cassava factory involving Frw 768,070,428 for Ngororero district not put to use:** Ngororero District funded the construction of cassava plant in Muhororo Sector. The overall project cost was **Frw 768,070,428** out of which **Frw 718,360,428** had been paid for works and equipment. The project has stalled due to procurement of inappropriate equipment worth **Frw 248,550,000** out of which **Frw 198,840,000** had been paid to the supplier. RSB in their inspection carried out on 2 April 2015 noted that the equipment does not meet food hygiene requirements and has to be replaced. No value for money has been derived from the factory.

- **Absence of plan to utilise the water installation at the failed Kalisimbi Geothermal exploration project:** EWSA installed a water supply system from Karago Lake to Kalisimbi drilling site at a cost of **USD 4,387,293 (Frw 2,741,462,984)** to facilitate Geothermal drilling activities at Kalisimbi. However, management has not devised alternative use for the water supply following failure of the project.

SECTION 5

KEY FINDINGS FROM AUDIT OF GOVERNMENT BUSINESS ENTERPRISES AND BOARDS

5.1 RWANDA SOCIAL SECURITY BOARD (RSSB)

5.1.1 INAPPROPRIATE ACCOUNTING AND BOOK KEEPING ARRANGEMENT FOR DIFFERENT FUNDS UNDER RSSB

Following merging of former Rwanda Medical Insurance (RAMA) and Social Security Fund of Rwanda (CSR) into RSSB, management elected to perform the accounting and financial reporting function in one set of books of account for both schemes. This resulted in misallocation of some transactions and balances across schemes and arbitrary allocation of operating expenditure across the schemes. For instance in apportioning of operating expenses, a 50-50 basis between pension and medical units was applied up to 30 June 2015. In the following year ending 30 June 2016, after transfer of Mutuelle de sante into RSSB; operating expenses are now shared at 40% for Mutuelle de sante while the remaining 60% is shared equally between the medical and pension schemes. This arbitrary apportionment of operating expenses does not reflect the level of consumption of the shared services by the three schemes.

Maintenance of one set of books of account for the current three schemes under RSSB and arbitrary apportioning of operating costs is likely to result in using funds of one scheme in meeting obligations of the other. Overtime funds of one scheme could as a result be eroded to support activities of the other.

Given that the medical scheme, pension scheme and Mutuelle de santé have separate and distinct membership, differently structured benefit outflows and statutory obligations, and different long term sustainability risks, it is paramount that separate books of account are maintained for each scheme to distinctively identify respective assets and liabilities.

For purposes of reporting the financial performance and position of RSSB as a whole, consolidation should be done at the entity level through aggregating separate scheme financial statements.

5.1.2 UNRELIABLE ACCOUNTING RECORDS AND FINANCIAL STATEMENTS

The RSSB financial statements contain inaccuracies and are therefore not reliable for proper decision making. These mainly arise from:

- Errors and inappropriate basis applied in valuing unquoted/unlisted equity investments with questionable fair value gains of **Frw 9,583,023,901**;
- Overstatement of fair value of quoted/listed equity investments by **Frw 2,101,452,266**;
- Absence of valuation of investment properties and continued reporting of outdated values of investment properties established in June 2012. The questioned value of investment properties reported at 30 June 2015 was **96,147,823,036**;
- Weaknesses in tracking and accounting for mortgage loans relating to houses located at Gacuriro 2020 Estate. There were cases of borrowers that still had balances of **Frw 171,063,283** in the books of account as at 30 June 2015 yet they had fully paid their balances and were issued with clearance certificates by RSSB;
- Unallocated mortgage repayments amounting to **Frw 490,850,793** reported under liabilities in the financial statements; and
- Unsupported creditors of **Frw 950,595,239**, and creditors with credit balance of **Frw 4,813,735,245** and debit balance of **Frw 253,088,772** with no individual/itemised listing of creditors.

These errors and omissions misstate the reported financial position of RSSB.

5.1.3 EROSION OF INVESTMENT VALUE THREATENING SUSTAINABILITY OF PENSION FUND

In the previous annual report, there were sixteen (16) equity investments where RSSB had invested a total amount of **Frw 65,305,671,206** that had not paid any dividend from the time of initial acquisition or establishment. During the year ended 30 June 2015, these same investments still did not generate any return to RSSB. RSSB further injected an amount of **Frw 16,660,891,275** to three of the investments in question thereby increasing total investment in non-performing ventures to **Frw 81,966,562,481**.

A common attribute to the sixteen (16) equity investments above is that they were acquired without proper analysis by the investment committee and review and approval by the Board of Directors.

Continuing to hold investments where no return is earned has a negative bearing on the long term financial sustainability of the pension and medical schemes. Making additional payments into such investments with no documented analysis pertaining to the earnings potential of the equity investments in question and any measures management has undertaken to make the ventures profitable further exposes the funding schemes to possible losses.

5.1.4 INADEQUATE MONITORING OF INVESTMENTS

The audit of RSSB for the year ended 30 June 2015 noted persistent gaps in monitoring of equity investments. Monitoring gaps like not obtaining and reviewing regular management accounts/financial statements, absence of participation in Board meetings of investee companies and RSSB management inaction on none performing investments continue to exist across several equity investments where RSSB has invested an amount to the tune of **Frw 90,579,398,204**. As a result, RSSB has not positioned itself to influence strategic and policy decisions in a manner that ensures prudent management of shareholder funds. The failure to earn a return on majority of the investments held is strongly linked to the aspect of insufficient monitoring.

5.1.5 WASTEFUL AND INELIGIBLE EXPENDITURE IN RSSB

On 13th March 2013, RSSB entered into an agreement for **Frw 1,388,759,846** with DNA Design Associates to design and build interiors fit out for RSSB Headquarter building. The audit identified that payments of **Frw 910,454,494** were made to DNA Design Associates before any work was done. Subsequent to the payments, the contract was cancelled but RSSB was only able to recover **Frw 685,752,984** from DNA Design Associates out of **Frw 910,454,494** paid, leaving a balance of **Frw 224,701,510** unrecovered. The unrecovered amount was accounted for in the books of account as an addition to the cost of the RSSB headquarter building, a practice that is fraudulent.

RSSB incurred wasteful expenditure of **Frw 242,479,347** on fines and penalties on late payment of land tax that was payable from 01/08/2010 up to 01/01/2013. An amount of **Frw 3,151,968** was paid to staff who were no longer in service.

This resulted into wasteful expenditure to RSSB that could have been avoided if reasonable care had been taken.

Total wasteful expenditure amounted to **Frw 470,332,825** as shown in the table below.

Particulars	**Amount in Frw**
Payments made to DNA without work done	224,701,510
Penalties on late payment and fines respectively in relation to land tax.	242,479,347
Salaries paid to staff who were no longer in service	3,151,968
Total	**470,332,825**

5.1.6 GAPS IN DATABASE OF BENEFICIARIES

Information maintained by RSSB on medical and pension registered beneficiaries is inaccurate and unreliable. For instance the affiliate's data for pension and medical schemes revealed dates of birth that are after the date of affiliation. This loosely implies that these members were affiliated into the respective schemes before they were born. The gaps in the beneficiaries' database is a significant weakness that presents planning and administration challenges for the social security business. The beneficiaries' database with inaccuracies could also result in ineligible attribution of benefits.

5.2 RWANDA REVENUE AUTHORITY (RRA)

5.2.1 GAPS IN REVENUE COLLECTION AND REPORTING SYSTEMS

5.2.1.1 IT systems not integrated to enable appropriate revenue reporting

- Core IT systems used in tax registration, declarations and collections are not integrated to the financial reporting system to enable proper and accurate reporting of revenue collections. As a result, there are unexplained differences between revenue collections in the core IT systems and the amounts in financial statements to the tune of **Frw 191,269,172,727**.
- Revenue collections in core IT systems (SIGTAS/E-TAX and RESW) different from bank notifications for deposits received on RRA Bank accounts (IMDB notifications) and actual collections credited on RRA bank statements by **Frw 161,965,498,355.** No regular reconciliations are undertaken to identify and address differences arising between these two control points in the revenue collection cycle.

The above differences are indicators that collections reported in the core IT systems as well as the financial statements are not accurate.

5.2.2 GAPS IN RRA TAX AUDITS

5.2.2.1 High proportion of contested audits and inadequate tracking of recoverable tax amounts

During the year ended 30 June 2015, RRA received 662 appeal cases with disputed amounts totalling to **Frw 71,740,412,559**. Some of these cases were settled amicably, at appeal level while others were settled by courts of law resulting into waived tax assessments of **Frw 12,619,887,476**. This is an illustration that RRA is struggling with capacity to conduct tax audits.

5.2.2.2 Taxpayers not audited within the five (5) years as prescribed by the tax law

Cases were noted of taxpayers that had not been audited since their registration date and others that were audited long time ago. The audit further identified various taxpayers included on the tax audit plan 2014 -2015 that were not audited during the year. Out of the **922** planned audits, **314** (34%) were not carried out.

Further, RRA does not have a system in place that enables them to track large, small and medium taxpayers audited and for which period each taxpayer has been audited. The failure to audit the taxpayers within the regulatory period denied Government revenue.

5.2.3 GAPS IN REGISTRY AND FOLLOW UP OF TAXPAYERS

5.2.3.1 Taxpayers not traceable in taxpayer databases for domestic taxes

The audit of RRA identified that there are no reconciliations of taxpayer databases to ensure that all registered taxpayers are captured in respective taxpayer category database. The system does not match taxpayers in all databases to detect any taxpayers that may be eligible for a tax type but are not registered for it. **7,154 taxpayers** did not appear in the appropriate database. See summary table below:

Categories of Taxpayers	**Number not traced in relevant taxpayer databases**
Taxpayers registered for Excise duty but not registered for PIT or CIT	22
Taxpayers owning EBMs could not be traced in the database of RRA registered VAT taxpayers. This is an illustration that the database of VAT taxpayers is not updated and RRA is losing out tax revenue from such taxpayers	398
PIT/CIT taxpayers with turnover above **Frw 20,000,000** are not registered as VAT taxpayers	25
Taxpayers registered for VAT but are not registered as PIT or CIT taxpayers	1,413
Taxpayers registered for Pay As You Earn (PAYE) but not registered as PIT or CIT	2,101
Companies registered for pension contributions in RSSB are not registered for PAYE yet they are registered for other taxes in Rwanda Revenue Authority.	3,195
Total	**7,154**

The database for taxpayers is incomplete leaving some taxpayers outside RRA follow up and loss of uncollected taxes.

5.2.3.2 Taxpayer databases not updated to reflect follow up made for inactive taxpayers

The audit of RRA noted **27,358 taxpayers** who have never filed any tax return since their registration including individuals and companies. However, there is no evidence to confirm that RRA monitors registered tax payers to identify those who have not filed any returns since registration. There is no evidence to show that RRA regularly identifies and reviews inactive taxpayers to identify if any of them are eligible for tax payment or for deregistration. The lack of follow up of inactive taxpayers implies that RRA is not collecting any tax revenue from them.

5.2.3.3 Taxpayers who are VAT registered but do not have Electronic Billing Machines (EBM)

Out of **15,607** registered VAT taxpayers as at 31 January 2016, **5,591** taxpayers (**36%)** do not have EBMs. The rollout of the EBM machines is still low with RRA still facing challenges of losing tax revenue due to undeclared sales by tax payers. There is need to intensify the enforcement efforts to ensure that all tax payers registered for VAT acquire and use EBM machines.

5.2.4 CHALLENGES IN RECOVERING TAX ARREARS

RRA has various cases of non-filers and had tax arrears totalling **Frw 129,587,227,782** at 30 June 2015. Out of this amount, **Frw 21,633,819,509** has been outstanding for more than four (4) years. Out of this, **Frw 3,871,867,832** has been outstanding for more than 10 years as shown below.

Period tax remained unpaid	SMTO	LTO	Total
	Frw	**Frw**	**Frw**
4-9 years	1,732,117,996	16,029,833,681	17,761,951,677
10 years +	364,719,359	3,507,148,473	3,871,867,832
Total	**2,096,837,355**	**19,536,982,154**	**21,633,819,509**

There was no evidence provided to confirm subsequent recovery of the above tax arrears which that had not yet reached 10 years.

5.3 ENERGY, WATER AND SANITATION AUTHORITY (EWSA)

The audit covered the year ended 30 June 2014 and was the last audit of EWSA following promulgation of Law no. 97/2013 of 30/01/2014 under which EWSA was restructured to form two new entities of Rwanda Energy Group Limited (REG Ltd) and Water & Sanitation Corporation Ltd (WASAC Ltd) in line with the Government of Rwanda reforms in the energy and water sector. Addressing the issues highlighted by the audit is the responsibility of management of the successor entities. Key issues included the following.

5.3.1 LACK OF PROPER ACCOUNTABILITY FOR EWSA OPERATIONS

Financial statements for the year ended 30 June 2014 were not reliable due to many errors and omissions. For example, some power plants were omitted from financial statements and majority of debtors and liabilities not properly supported.

- At EWSA, the value of total assets of **Frw 164,134,454,789** reported in financial statements could not be confirmed because of unsupported balances for fixed assets and omitted assets;
- Missing stock items worth **Frw 97,778,986** and idle stock of materials worth **Frw 1,620,926,869**;
- Unsupported debtors of Frw **21,618,423,929**;
- Unsupported creditors of **Frw 15,077,617,513**;
- Omitted loans of **Frw 15,104,435,999** and related interest of **Frw 1,417,573,280**; and
- Unsupported adjustments on opening balances of Frw **1,902,480,127**.

5.3.2 HIGH COST OF PRODUCTION THREATENING SUSTAINABILITY OF SERVICES

Total revenue for the year ended 30 June 2014 was not sufficient to cover cost of producing water and electricity. Cost of sales exceeded revenue generated by **Frw 15,120,656,416** despite omitting cost of depreciation for power producing power plants from EWSA financial statements. This deficit increased to **Frw 26,170,363,483** after considering distribution costs as shown below.

Sales revenue	**Frw**
Sales of water	12,842,564,352
Sales of electricity	57,191,916,006
	70,034,480,358
Cost of sales	

Cost of sales	70,657,541,471
Depreciation for generation, transmission and distribution assets	13,602,705,416
Distribution	11,944,596,954
	97,099,733,728
Excess costs	**(26,170,363,483)**

Fifty nine percent (59%) of the above cost **(Frw 56,650,978,583)** was attributed to the cost of fuel and service charge for the thermal power plants operated during the year.

- It should be noted that EWSA received Government subsidy to meet the cost of fuel used in thermal power plants operated by AGGREKO. A total of **Frw** 25,946,662,327 was incurred by Government on behalf of EWSA during the year. This subsidy represented 37% of cost of sales for the year under review. This implies that without the subsidy, EWSA or successor entities would not be unable to offer the required service to the public on a sustainable basis.

- The cost of thermal Power was estimated at **Frw 155.35 per KWh** (excluding taxes) which is higher than the selling price of electricity of **Frw 134 per KWh** (selling rate used for industries during the year ended 30 June 2014 leading to a loss per KWh of **Frw 21.35** (excluding taxes). The total loss on power procured from Aggreko amounted to **Frw 3,314,982,214** (excluding taxes) considering that Aggreko supplied **155,250,231 KWh** to EWSA during the year ended 30 June 2014. Such negative price variance adversely affects sustainability of power generation if power from alternative energy sources is not injected into the National Grid.

The above factors affect the sustainability of power production and distribution and require a concerted effort by management of the Rwanda Energy Group (REG) that has since succeeded EWSA, and stakeholders within Government. It is recommended and hoped that the new management team at REG and its subsidiaries will champion implementation of Government initiatives to ensure an efficient and sustainable energy sector.

5.3.3 DELAYED COMPLETION OF PROJECTS

5.3.3.1 Gishoma Peat power project

There are notable delays of over 24 months in completion of Gishoma Peat project. Water supply to the power plant is not yet completed. REG has now provided generators for CIMERWA. The power plant is funded by a loan from Bank of Kigali of **USD 30,900,000 (Frw 19,500,000,000)** at interest rate of **15%** per annum. Repayment of this loan was expected to be funded from power sales proceeds from September 2014. This option did not materialise and EWSA was utilising funds from other sources to meet interest and loan repayment obligations. Penalties and fines for delayed loan repayments to the tune of **Frw 200,039,274** were incurred by EWSA up to 31 December 2014.

5.3.3.2 Delayed water projects

Nineteen (19) water projects whose total contract amount was Frw **20,109,813,664** had several issues including delay ranging between 3 months and over 2 years, contractual terms not complied with leading to defects that cast doubt on the sustainability of the water supply systems. Three (3) of the above 19 projects were relating to construction of 10 water tanks valued at valued **Frw 1,293,908,104** which were completed but no water supply connected.

5.3.4 POWER PLANTS OPERATING BELOW INSTALLED CAPACITY

The total power produced for the year ended 30 June 2014 was 71,400,135 KW (an average of 8.17MW per hour throughout the year) for hydropower plants and yet their installed capacity (including local private hydropower plants) was 191,844,000 KWh (21.96 MW per hour). This resulted in power supply deficit for the year of 120,443,865 Kwh (equivalent to 13.79 MW per hour representing 63% of the installed capacity. Only one (1) hydro power plant: Mukungwa I out of the 15 plants operated at more than 50% of the installed capacity. Seven (7) of them did not generate any electricity during the year. These included Rugezi, Nshili1, Nyamyotsi I, Nyamyotsi II, Mutobo, Agatobwe and Nyabahanga.

5.3.5 LACK OF ACCOUNTABILITY FOR HIGH VOLUME OF WATER AND ELECTRICITY PRODUCED

5.3.5.1 High volume of unbilled water

Water losses at 30 June 2014 stood at 41% (the equivalent of 16,376,094 m^3) compared to target of 25% set by EWSA. The value of unbilled water varied between **Frw 3,930,262,560** (if the lowest price per cubic meter of Frw 240 excluding VAT is used) and **Frw 12,118,309,560** (if the highest price per cubic meter of Frw 740 excluding VAT is used).

5.3.5.2 Unexplained difference between electricity production and consumption

A total of **120,523,226 KWH** of electricity (22.74% of electricity produced, equivalent to **Frw 16,150,112,284)** was not accounted for in the billings for the year and yet no reconciliation was provided by management to account for these units produced.

The management of REG and WASAC, the entities that succeeded EWSA following the restructuring in line with the Government of Rwanda reforms in the energy and water sector need to deploy concerted effort in addressing the above issues to ensure efficient and sustainable operations in the energy and water sectors. There is need to improve on planning and accountability for resources put at the disposal of REG and WASAC to drive performance of the energy and water sectors towards targets envisaged in the EDPRS II and other national goals.

5.4 RWANDA AGRICULTURAL BOARD (RAB)

5.4.1 CONCERNS WITH IMPLEMENTATION OF THE CROP INTENSIFICATION PROGRAM

Weaknesses continue to persist in the implementation of the crop intensification programme in respect to failure to ensure that procured seeds reach the intended beneficiaries/farmers. For seasons 2015A and 2015B, there were significant shortfalls in deliveries to farmers. For example in season 2015A, only 0.9% of the requested wheat seeds were issued by RAB to the districts. See details in the table below.

Season	Type of seed	Quantity requested by the districts (tons) (A)	Quantity delivered by RAB and Seeds Companies (tons) (B)	Difference/ shortfall (tons) (C=A-B)	Percentage of quantities delivered compared to quantities requested (D=B/A*100)
2015A	Hybrid maize	2,014.30	835.02	1,179.28	41%
2015A	OPVs maize	3,189.60	453.00	2,736.60	14%
2015A	Soybean	968.84	260.73	708.11	27 %
2015A	Wheat	2,150	21.45	2,128.55	0.9 %
2015B	Hybrid maize	1,449.10	157	1,292.10	11%
2015B	OPVs maize	246.90	20	226.90	8%
2015B	Wheat	1,591.07	155.65	1,435.42	9.7 %

The failure to deliver requested seeds to farmers occurred albeit RAB having quantities of seeds in its stores. For example during the year ended 30 June 2015, RAB purchased 611.2 tons of maize seeds worth Frw **238,020,380** that had not been issued out of its stores by the time of my audit in April 2016. At 30 June 2015, total seeds quantities in RAB stores were as per the table below.

Type of seed	Quantity in RAB stores at 30 June 2015
OPVs maize	1,640.64
Soybean	13.88
Wheat	9.8

Further Agro-dealers were unable to sell seeds to farmers with quantities of seeds not accounted for by the Agro-dealers at the end of the seasons.

The above failures affected farmers access to seeds they needed for planting. This may have adversely affected the yields for seasons 2015A and 2015B.

The inefficiencies in distribution of seeds ultimately affect agricultural productivity and threaten food security in the country. RAB management in liaison with MINAGRI and other strategic stakeholders need to review the current mechanisms of implementing the crop intensification programme to devise means of ensuring that seeds reach the ultimate targeted farmer.

5.4.2 SLOW RECOVERY OF FUNDS FROM SALE OF FERTILIZERS BY POST-HARVEST HANDLING AND STORAGE TASKFORCE

The pace of recovery of funds from fertilizer sales is still very low and Post-Harvest Handling and Storage Taskforce (PHHSTF) is still struggling to recover these balances from distributors and agro dealers. Out of the total balance of **Frw 11,650,029,461** outstanding as at 1 July 2014, only **Frw 305,487,965** (2.6%) was recovered during the year ended 30 June 2015 as shown in the table below:

Particular	Amount (Frw)	Recovery (Frw)	Percentage of recovery
	A	**B**	**C=B/A**
Balance as at 1 July 2014	**11,650,029,461**	**305,487,965**	**2.6%**

The slow rate of recovery of the fertilizer debtors threatens the sustainability of the fertilizer fund. There is need for RAB management in collaboration with MINAGRI to establish a clear roadmap for recovery of the outstanding balances and closely track it to logical implementation. The funds should be utilized as a fertilizer revolving fund to boost agricultural productivity.

5.4.3 CONCERNS IN IRRIGATION AND MECHANISATION

5.4.3.1 Vandalized irrigation system in Musheri Sector, Nyagatare District that has not been repaired

The irrigation system in Nyagatare District covering 200ha (110 ha for sprinkler system and 90 ha for drip irrigation system) that cost **Frw 2,794,948,262** to establish is currently not in operation due to vandalism that has not been addressed by management of the Taskforce. From the field visit conducted on 16/04/2016, it was noted that neither the sprinkler system nor drip irrigation system was working due to equipment worth **Frw 103,652,682** that had been vandalized and stolen. Though management, indicates that the case has been reported to police, it is important that the system is repaired promptly to bring it into operation. The opportunity cost of keeping it idle is high in terms of negative impact on the agricultural activities in the area.

5.4.3.2 Idle stock of agricultural machinery at Kabuye workshop

A follow up visit to Kabuye workshop in April 2016 revealed that agricultural machinery and equipment acquired by the Irrigation and Mechanization Taskforce in previous years had never been used and were still kept in store at Kabuye workshop. See the table below for details:

Description	**Quantity**	**Unit price Frw**	**Total cost Frw**	**Year of acquisition**
Combine harvester	1	48,375,000	48,375,000	2013
Riding type rice transplanters	4	5,482,500	21,930,000	2013
Trailers for power tillers	49	523,421	25,647,629	2011
Total (Frw)			**95,952,629**	
		USD	**USD**	
Walking type rice transplanters	4	3,112	12,448	2010
	3	3,500	10,500	2011
Potato harvesters for power tillers	47	1,495	70,265	2010
Total (USD)			**93,213**	

No value for money has been realized from acquisition of the above machinery.

5.4.3.3 Unrepaired agricultural machinery and equipment

Agricultural machinery and equipment including tractors and power tillers among others that broken down continues to be parked at the workshop compound without being repaired, as summarized in the table below:

Description of item	**Number of broken down and not repaired**
Tractors	28
Power tillers 15 HP	7
Power tillers 12 HP	3
Agricultural mobile workshop van	1

According to 'tractor maintenance cards' maintained by the Head of maintenance, the major mechanical issues to be addressed include defective hydraulic and electrical systems, broken down engines and gear boxes, defective tyres, engine oil leakages, and defective steering systems among others. The time the above machinery had been grounded and estimated cost for repair could not be established because information was not recorded on the maintenance cards for each of the grounded machinery.

Failure to repair the broken down machinery over a long period of time may result into further deterioration leading to increased/expensive cost of repair or total damage. Management should devise means of ensuring that the above machinery is repaired.

5.5 RWANDA BIOMEDICAL CENTRE (RBC)

5.5.1 GAPS IN ACCOUNTING AND FINANCIAL MANAGEMENT AT RBC

5.5.1.1 Unexplained differences in RBC consolidated financial statements

The consolidated financial statements of RBC derived from aggregation of separate RBC head office and MPPD financial statements contained significant differences mainly attributed to the two divisions' use of different accounting software and also relying on different basis of accounting to maintain their accounting records. Due to these incompatibilities, RBC has not been able to prepare reliable consolidated financial statements. Significant differences noted in the consolidated financial statements as shown in the table below.

Particulars of affected components	**Balance as per RBC Head Office Financial statements (A)**	**Balance as per MPDD Financial statements (B)**	**Expected Consolidated balance (C = A + B)**	**Balance as per RBC Consolidated Financial statements (D)**	**Difference (E = C - D)**
	Frw	**Frw**	**Frw**	**Frw**	**Frw**
Other revenue	297,090,178	1,016,026,153	1,313,116,331	1,740,625,988	(427,509,657)
Use of Goods and Services	36,184,546,648	17,121,404,345	53,305,950,993	54,269,808,624	(963,857,631)
Other Expenses	3,839,069,520	1,331,447,608	5,170,517,128	4,618,412,247	552,104,881
Capital Expenditure	8,308,444,099	1,297,119,096	9,605,563,195	9,571,931,695	33,631,500
Accounts Receivable and Advances	831,805,432	6,561,988,770	7,393,794,202	7,198,436,729	195,357,473
Accounts Payable	1,299,196,724	18671752752	19,970,949,476	19,898,518,722	72,430,754

There is need to separate financial reporting of MPPD from the rest of RBC. In addition, RBC management needs to enhance controls over the financial reporting close process to ensure that balances in the books of account are properly reported in the financial statements.

5.5.1.2 Significant unsupported transactions and balances of expenditure, debtors, creditors and omission of bank account

The financial statements of RBC contain significant unsupported transactions and balances, a manifestation of failure of RBC to properly account for funds put at its disposal. Notable balances are summarised in the table below.

Particulars	**Amount Frw**
Expenditure incurred in 2014/2015 not supported by any verifiable documents	3,251,113,184
Expenditure incurred in 2014/2015 that was partially supported	1,443,479,270
Unsupported debtors balances	1,011,680,440
Unsupported creditors balances	2,233,692,660

Bank account omitted from the books of account	16,467,702

In addition, the books of account contained unsupported adjustments of **Frw 405,505,451, Frw 17,540,371** and **Frw 7,809,157** on opening balances of cash and bank, accounts receivable and payable respectively. The value of stock of medicine counted at 30 June 2015 of **Frw 28,595,779,999** was less than stock value per books of account of Frw **29,309,453,869** by **Frw 713,673,870.**

The books of account and financial statements of RBC do not show a true and fair view of its financial affairs and position.

5.5.2 INCREASING CASES OF EXPIRED DRUGS

RBC/MPPD continues to experience high levels of expiry of drugs due to failure to set and monitor appropriate stock levels. Drugs and medical consumables worth **Frw 1,213,019,238** of RBC/MPDD own stock expired between 2010 and 2015. In addition, donor stock under the management of RBC/MPDD worth **Frw 2,672,054,413** expired between 2012 and 2015. Refer to the tables below.

RBC/MPDD own stock	**Value of expired drugs**
Description	**Frw**
Expiries for the year ended 31/12/2010 – MPPD stocks	82,909,311
Expiries for the year ended 31/12/2011 – MPPD stocks	114,796,356
Expiries for the year ended 31/12/2012 – MPPD stocks	156,639,495
Expiries for the year ended 31/12/2013 – MPPD stocks	158,309,268
Expiries for the year ended 30/06/2014 – MPPD stocks	270,796,264
Expiries for the year ended 30/06/2015 – MPPD stocks	429,568,544
Cumulative expiries from 2010 to 30 June 2015	**1,213,019,238**
Donor stock under the management of RBC/MPDD	**Value of expired drugs**
Description	**Frw**
Expiries for the year ended 31/12/2012 – donors' stocks	710,654,452
Expiries for the year ended 31/12/2013 – donors' stocks	509,501,081
Expiries for the year ended 30/06/2014 – donors' stocks	693,162,644
Expiries for the year ended 30/06/2015 – donors' stocks	758,736,236
Cumulative expiries from 01 January 2012 to 30 June 2015	**2,672,054,413**

MPPD management should ensure that mechanisms are put in place to determine appropriate quantities of drugs and other medical supplies to be procured in light of the anticipated usage requirements. Re-order levels for each stock item should be determined and set in the stock management system and strictly observed in procurement of stock items.

Management should ensure strict adherence to minimum shelf-life requirements and these requirements should be clearly stipulated in contracts with suppliers. There should be proper inspection of deliveries and any items found not to comply should be rejected out-rightly.

5.6 RWANDA EDUCATIONAL BOARD (REB)

5.6.1 PERSISTENT WEAKNESSES IN IMPLEMENTATION OF ONE LAPTOP PER CHILD PROGRAM

5.6.1.1 Unused Laptops still packed in boxes and cupboards at the schools

The problem of unutilised laptops highlighted in previous Auditor General's reports has not yet been resolved by REB. A visit to 20 schools during the audit of REB in March 2016 revealed that laptops are still kept in boxes and cupboards in some schools. These cases were noted in Groupe Scolaire Kibali and Groupe Scolaire Kageyo schools in Gicumbi district, Groupe Scolaire Cyambwe in Kirehe district, GS Kabyaza, Centre Scolaire Bigorwe and Ecole Primaire Bigorwe in Nyabihu District, Groupe Scolaire Kinyinya in Gasabo District, GS Gahanga I and GS Busanza in Kicukiro. Some cases are illustrated in the photos below.

Laptops still kept in boxes at GS Kageyo in Gicumbi District

Laptops still kept in cupboard at GS Kinyinya in Gasabo District

The underutilisation is attributed to the following challenges:

- Lease keys (password) provided by REB could not unlock some of the laptops;
- Lack of programs; and
- Lack of training, delayed training or insufficient training hence the teachers are not competent enough to train students.

These cases were noted in schools in Kirehe, Gasabo, Kicukiro, Gicumbi and Nyabihu Districts.

The continued failure to address challenges in implementation of the One Laptop per child programme will ultimately affect realisation of the programme objectives albeit the significant investment by the Government. REB and all stakeholders involved in implementation of the programme should ensure that a clear strategy is established and elaborated to guide management of the programme as recommended in my previous annual report. The strategy should address concerns at REB level as well as those at the lowest beneficiary level at primary schools.

5.6.2 CONCERNS ON MANAGEMENT OF CONTRACTS FOR SCHOOL CONSTRUCTION

5.6.2.1 Diversion of school construction materials

REB transfers school construction materials to different districts according to number of classrooms, latrines, libraries and teachers' hostels to be constructed in each phase. When the materials are received by the districts, they transfer them to schools' sites.

However, the audit identified cases where materials (balances) from different sites were diverted to infrastructures which were not planned for. These include 2386 iron sheets, 2500 sacks of cement, 138 ridges, 1460 tubes, and 2600 iron bars. For the case of Nyagatare District, 631 iron bars were distributed but the District did not acknowledge of **484 iron bars**. Diversion of school construction materials to other school infrastructure that were not planned for may hamper the objective of school construction activities.

5.6.2.2 Excess cement sent to Muganza sector in Rusizi District

The audit identified that Muganza sector received excess of 586 bags of cement worth **Frw 5,860,000** as shown in the table below.

Cement required by Sector	2,650 bags
Cement delivered	3,236 bags
Excess cement delivered	586 bags

The excess bags are in stock and getting damaged. See pictures below:

Damaged 8 bags of cement, at Muganza sector Pictures taken on 16th March 2016

Excess of 586 bags of cement not needed, Pictures taken on 16th March 2016 at Muganza sector

Sending excess bags where they are not requested and needed while other districts received insufficient materials, is an indication that REB and Districts are not planning properly together and they are not in full control of construction materials for school infrastructure. There is a risk of misuse and wastage.

5.6.2.3 Schools constructed in high risk zones

Section 2.5 on new site selection from child friendly school infrastructure standards and guidelines states that the site must be located away or protected from environmental risks and hazards[1] (natural and man-made) i.e. from flooding and landslides. The physical verification carried out from 8th to 26th March 2016 identified four schools that were constructed in high risk zones and are exposed to risks such us landslides and flooding. No protection measures have been put in place to mitigate these risks. The affected schools are shown in the table below accompanied by pictures taken at the time of field visit.

S/N	School	Sector	District	risk
1	Ngara Primary School	Bumbogo	Gasabo	Landslide
2	GS Murira	Muganza	Rusizi	Flooding
3	GS Murico	Gasaka	Nyamagabe	Landslide
4	GS Mugina	Nyamiyaga	Gicumbi	Swamp area

Pictures taken on 25th February 2016 of Ngara Primary School showing front site not protected from environmental risks and hazards

[1] *Child friendly school infrastructure standards and guidelines issued in August 2009 on page 8*

Pictures taken on 25th February 2016 of Ngara Primary School showing back site not protected from environmental risks and hazards

Pictures taken on 16th March 2016 in G.S Murira showing constructed classrooms near the river which started causing flooding

School Dangerous landslide getting close to Murico School, Pictures taken on 19th March 2016

Picture taken on 19th March 2016 at Murico School Dangerous landslide

5.6.2.4 Uncompleted and abandoned school infrastructure

From 2012, REB took over the school construction activities (classrooms, latrines, Libraries, science laboratories, teachers' hostels and other infrastructures). These construction activities are conducted using unconventional methods where REB is supplying part of materials and another part is supplied by schools themselves in collaboration with sectors. Constructions are also conducted in phases starting from the year 2009/2010. At the time of auditing school construction, the activity was in its 7th Phase (2015-2016) and site visits conducted from 24th to 26th February and from 14th to 26th March 2016 identified that construction works at seven (7) had not been completed as shown in the table below accompanied by pictures taken during the site visit.

District	Sector	School name	Type of building	Phase	Status
Gasabo	Rutunga	1. GS Rutunga	Latrines	Phase IV	12 latrines not completes and not in use
		2. EP Gasabo	Latrines	Phase VI	12 latrines not completes and not in use
Rusizi	Gikundamvura	3. G.S Nyabihanga	Classrooms	Phase I	3 classrooms not completed and not in use
Nyamagabe	Cyanika	4. G.S St Nicolas Cyanika	Latrines	Phase IV,V	15 toilets not completed and not in use
			Latrines	Phase IV	11 latrines not completed and not in use some are getting damaged
	Gasaka	5. G.S Murico	Latrines	Phase I, II, IV	18 Latrines not completed and not in use
Nyagatare	Rwimiyaga	6. G.S Gacundezi	Latrines	Phase II	14 latrines not completed and not in use
		7. G.S Shonga	Latrines	Pase IV	13 latrines not completed and not in use

For more details, refer to the some of the pictures below:

Inside of 3 classrooms 'constructed in phase 1 not yet completed and not in use at Nyabihanga Secondary School, Picture taken on 15th March 2016

Uncompleted toilets of phase 4 and getting damaged at GS Gacundezi, Picture taken on 24th March 2016

Uncompleted toilets of phase 4 at ES Shonga, Picture taken on 25th March 2016

Uncompleted school infrastructure in use

Some of the incomplete structures at the schools were already in use. These include classrooms and teachers' hostels shown in the pictures below.

Constructed classrooms in phase I not completed, Pictures taken on 16th March 2016 at Groupe Scolaire Gakenke

Classrooms constructed in phase II not yet completed, Pictures taken on 25th March 2016 at ES Shonga

Pictures taken on 18th March 2016 in GS Saint Nicolas showing teachers' hostel not yet completed

5.6.2.5 School infrastructure constructed without water drainage system and retaining walls

When rainwater falls, water drainage system and retaining walls are very important to protect the walls of buildings from water and landslide. However, cases were noted where school infrastructure was constructed without water drainage system and retaining walls. The cases were noted at Nyabihanga secondary school at Gikundamvura Sector in Rusizi District and teachers' hostel at Saint Nicolas School in Cyanika Sector, Nyamagabe District. See photos below.

Lack of water drainage and retaining wall at Nyabihanga School, Pictures taken on 15th March 2016

Lack of water drainage and retaining wall at Groupe Scolaire Saint Nicolas, Pictures taken on 18th March 2016.

5.7 UNIVERSITY OF RWANDA (UR)

5.7.1 ACCOUNTING AND FINANCIAL MANAGEMENT ISSUES AT UNIVERSITY OF RWANDA

For the year ended 30 June 2014, former entities merged into University of Rwanda undertook financial management and reporting separately. These entities still face significant weaknesses in accounting and financial management. All the entities under UR got qualified audit opinion on both financial statements and compliance aspects as shown in the table below.

	Former institution higher learning merged into University of Rwanda	Audit opinion issued on financial statements	Audit opinion issued on compliance with laws and regulations
1	National University of Rwanda (NUR)	Adverse	Adverse
2	Kigali Institute of Science and Technology (KIST)	Adverse	Adverse
3	KIST Consulting Company Ltd (KISTCO Ltd)	Adverse	Adverse
4	Kigali Health Institute (KHI) - College of Medicines and Health Sciences (UR/CMHS)	Adverse	Adverse
5	KHI Business Development Limited (KHIBD Ltd)	Adverse	Qualified
6	Kigali Institute of Education (KIE) - College of Education (UR/CE)	Adverse	Adverse
7	School of Finance and Banking (SFB) - College of Business and Economics (UR/CBE)	Adverse	Adverse
8	Umutara Polytechnic (UR Nyagatare Campus)	Adverse	Adverse
9	Kavumu College	Adverse	Adverse
10	ISAE - College of Agriculture, Animal Sciences and Veterinary Medicine (UR-CAVM)	Adverse	Adverse
11	Rukara College of Education	Adverse	Adverse

Major accounting and financial management issues at UR include the following:

5.7.1.1 Long outstanding receivables

The assets inherited include long outstanding receivables due from various students which amounted to **Frw 1,616,633,429** at 30 June 2014. These balances have been outstanding between one (1) and twenty (20) years.

	Former institution higher learning merged into University of Rwanda	Accounts receivable Frw	Period in arrears as at 30 June 2014 Frw
1	National University of Rwanda (NUR)	489,269,844	1-20 years
2	Kigali Institute of Science and Technology (KIST)	527,943,213	1-13 years
3	Kigali Health Institute (KHI) - College of Medicines and Health Sciences (UR/CMHS)	160,193,476	3 years
4	Kigali Institute of Education (KIE) - College of Education (UR/CE)	96,820,172	4-9 years
5	School of Finance and Banking (SFB) - College of Business and Economics (UR/CBE)	130,838,874	2-4 years
6	Umutara Polytechnic (UR Nyagatare Campus)	211,567,850	3 years

	Total	**1,616,633,429**	

Some of students owing the above balances completed their studies and were issued clearance certificates and some of the balances are not supported by any verifiable documents. Recoverability of this amount is doubtable.

5.7.1.2 Unallocated bank deposits/receipts

Included in the financial statements under accounts payable of some former public higher learning institutions are unallocated receipts with closing payables balances of **Frw 502,502,440** as at 30 June 2014. UR-Huye Campus accounts for 83% of this amount. Unallocated receipts were mainly due to failure by management to allocate bank deposits to individual student accounts.

	Former institution higher learning merged into University of Rwanda	**Unallocated deposits Frw**
1	National University of Rwanda (NUR)	417,927,484
2	Umutara Polytechnic (UR Nyagatare Campus)	49,118,766
3	College of Agriculture, Animal husbandry and Veterinary Medicine (formerly ISAE)	9,581,774
4	College of Business and Economics (formerly SFB)	10,728,345
5	College of Medicine and Health Sciences (formerly KHI)	15,146,071
	Total	**502,502,440**

5.7.1.3 Unsupported balances in the books of account

Books of account for entities under UR contained significant unsupported balances including unsupported revenue of **Frw 92,171,600**, unsupported expenditure of **Frw 1,073,317,235**, unsupported debtors of **Frw 246,646,334** and unsupported creditors of **Frw 2,233,142,913**. Details are provided in the table below.

	Former institution higher learning merged into University of Rwanda	**Revenue Frw**	**Expenditure Frw**	**Accounts receivable Frw**	**Accounts payable Frw**
1	National University of Rwanda (NUR)	41,200,148	-	51,815,272	277,789,100
2	Kigali Institute of Science and Technology (KIST)	-	911,072,132	140,876,814	527,638,757
3	Kigali Health Institute (KHI)	-	-	53,954,248	336,958,474
4	Kigali Institute of Education (KIE)	50,971,452	80,033,281	-	455,837,643
5	School of Finance and Banking (SFB)	-	78,360,577	-	198,044,870
6	Umutara Polytechnic	-	-	-	435,241,077
7	Kavumu College	-	-	-	1,632,992
8	Rukara College of Education	-	3,851,245	-	
	Total	**92,171,600**	**1,073,317,235**	**246,646,334**	**2,233,142,913**

5.7.1.4 Weaknesses in accounting for internally generated revenue

Cases of recording revenue to the tune of **Frw 992,596,083** in the books of account basing on bank statements without source documents continue to occur. Refer to the table below for details.

Former institution higher learning merged into University of Rwanda	Amount (Frw)
College of Arts and Social Sciences (formerly NUR)	69,889,562
College of Business and Economics (formerly SFB)	494,371,320
Rukara College of Education	160,917,131
Kavumu College of Education	267,418,070
Total	**992,596,083**

At former National University of Rwanda, completeness of consultancy revenue amounting to **Frw 1,095,357,718** could not be confirmed due to the absence of reconciliation of reported revenue to specific contracts.

5.7.2 SLOW IMPLEMENTATION OF AUDIT RECOMMENDATIONS BY UR COLLEGES

Most UR colleges had not implemented majority of my audit recommendations made in audits of former higher institutions of learning that were merged into UR. UR colleges implemented an average of only **38%** of the audit recommendations as shown in the table below.

	Former institution higher learning merged into University of Rwanda	Percentage of audit recommendations implemented
1	National University of Rwanda (NUR)	46.47%
2	Kigali Institute of Science and Technology (KIST)	40%
3	Kigali Health Institute (KHI) - College of Medicines and Health Sciences (UR/CMHS)	35%
4	KHI Business Development Limited (KHIBD Ltd)	55%
5	Kigali Institute of Education (KIE) - College of Education (UR/CE)	35%
6	School of Finance and Banking (SFB) - College of Business and Economics (UR/CBE)	22%
7	Umutara Polytechnic (UR Nyagatare Campus)	14%
8	ISAE - College of Agriculture, Animal Sciences and Veterinary Medicine (UR-CAVM)	42%
9	Rukara College of Education	52%
	Average	**38%**

The persistent weaknesses in UR processes continue to negatively affect its ability to efficiently and effectively manage public finances.

5.8 RWANDA DEVELOPMENT BOARD (RDB)

5.8.1 LOW LEVEL OF IMPLEMENTATION OF REGIONAL INFORMATION AND COMMUNICATION TECHNOLOGIES FOR EXCELLENCE PROJECT AT RDB

On 08th April 2011, the Government of Rwanda signed a loan agreement with African Development Bank for the construction of Regional Information and communication technologies for excellence (RICTCE) worth **UA 8,600,000** (approximately USD 13.2 million) for the construction and furnishing of the school with the necessary equipment. Implementation of the agreement is expected to end on 30 June 2016. By 30 June 2015, only **AU 553,340** (approximately USD 850,000) representing **6.43%** of the approved total budget had been utilised. Though a construction contract for the Regional ICT Centre of Excellence-Kigali Campus was signed with China Civil Engineering Construction Corporation (CCECC) Ltd on 13 May 2015 worth **Frw 7,399,859,510.78**, RDB had not extended electricity and enough water necessary for execution of works. RDB had also not officially handed over the site to the contractor. Works were still at site clearing and excavation stage on 31st August 2015.

Failure to adequately monitor and support implementation of the project will ultimately delay realisation of the envisaged benefits from the project.

5.8.2 CONCERNS ON UTILISATION OF ICT TOOLS: CASE OF DOCUMENT TRACKING & WORK FLOW MANAGEMENT SYSTEM (DTWMS) - E-MBONI AT RDB

The Government of Rwanda has made ICT one of the priority areas and essential for reaching the Vision 2020 goal of transforming Rwanda into a knowledge-based economy. The National ICT Strategy and Plans (NICI) I, II and III were developed to realize the national vision of developing the sector. The third plan, NICI III focused on the development of services by leveraging ICTs to improve service delivery to citizens.

NICI III (2011-2015) had 59 projects which include ‘Document Tracking and Work-flow Management System (DTWMS). This was initiated to cater for government processes being largely paper-based and numerous systems not integrated causing duplication and hindering efficient service delivery.

The Government has invested **USD 2,681,112.62** in acquisition of the *Document Tracking and Work-flow Management System (DTWMS).* However, the results of audit revealed that the project is not achieving the intended objectives mainly due to the fact that RDB implemented the system without a concept document elaborating the objectives of the project, the activities to be undertaken, key performance indicators, stakeholders and their roles and responsibilities.

DTWMS being one of 59 projects implemented under NICI III (2011-2015), weaknesses identified in its planning and implementation might be cross-cutting in other NICI III 58 projects.

Key concerns include:

5.8.2.1 Absence of key performance indicators to check the progress of DTWMS

RDB have not put in place key performance indicators that will be used to trace the progress in the implementation of the project in public institutions. Consequently, when performance indicators are not set, the management will not be able to know whether the project is on the right track for success.

5.8.2.2 Lack of awareness in public institutions before deployment of the system

During the audit I noted that there have not been awareness program in public institutions before launching the system. In addition this was confirmed during the interview with the administrators of the system in 39 sampled institutions, where the main challenges reported was that the institution's top management are not being involved in enforcement and implementation of the project. This affects the use of the system.

5.8.2.3 Delay in implementation of the system by RDB

From the National ICT Strategy and Plan (NICI 2011-2015), one of outcome indicators of the DTWMS was that 50 % of government institutions will be installed with mail management system by 2013. This includes incoming mails and outgoing mails in public institutions.

However during the audit in April 2016, I noted that there was a delay in implementing all components of mail management system. Only incoming mails was launched in public institutions by RDB where internally, within one institution, mails can be shared. The component of outgoing mails was not yet launched in public institutions (sending and receiving documents from and to other institutions). This component would have advantage of saving time and transport cost of delivering mails. Consequently, the objective of improving information sharing in government processes will not be achieved at the planned time and yet all required funding was paid.

5.8.2.4 Low utilization of DTWMS in public institutions

The Document Tracking and Work-flow Management System project was put in place, with the purpose of improving information sharing and management thereby reducing bureaucracy in government processes. RDB as an institution implementing the projects deployed the system in 116 public institutions (ministries, provinces, districts and other public institutions) and procured the user licenses and omniscan licenses to all Ministries and Districts. Other public institutions had to pay the user and omniscan licenses on their own.

However during the physical verification, interviews done in 39 public institutions and review of reports revealed that, 28 institutions out of 116 institutions **(24.1%)** had not acquired licenses, to be able to use the system. In addition I noted that 53 public institutions out of 84, equivalent to (63%) which have installed the system and acquired licenses, but have not or scanned a less number of documents during the period of 3 months. Consequently they are minimally using the system.

In my opinion, Government is not realising value for money from funds which have been invested in acquiring the system, licenses and maintenance cost of **Frw 125,817,872** that is being paid and will be paid continuously.

5.8.3 KEY ISSUES ON STRATEGIC MANAGEMENT OF PRIVATIZATION ACTIVITIES

The audit of strategic management of privatization activities revealed that Government is not realising intended benefits from the privatisation process from some of the companies privatised. The privatisation process has resulted in Government giving away some companies without receipt of any payments from the investors and in some instances, 14 investors have failed to adhere to the investment plans presented at time of privatisation or failed to operate the companies as agreed in privatisation agreements. The Government has in some cases resorted to repossession of the privatised companies but ended up paying a higher price for repossession than proceeds obtained at privatisation stage. Specific cases of concern in management of privatization activities include:

5.8.3.1 Failure to conduct legal and financial audit of companies planned for privatization

According to the Ministerial Order No 007/03/10/MIN of 07/08/2003 determining procedures for the privatization of public services and enterprises and for the selling of government shares in semi- public companies), Article 6 states that financial and legal audit should be carried out at the request of privatization of Privatization Secretariat (RDB) before privatization. However, twenty (20) companies were privatized without legal and financial audit to conclude on the options of privatization, restructuring before privatization, withdrawing and liquidation.

5.8.3.2 Lack of documentation to justify the deviation from required privatisation procedures for some companies.

This was noted in the privatisation of six (6) companies at **Frw 3,121,516,099**. **See the table below:**

No	Year of privatization	Company	Investor	Amount (Frw)
1	2006	CIMERWA	Rwanda Investment Group	2,777,000,000
2	2005	Gite Ituze Cyangugu	Cyangugu Catholic Diocese	22,422,515
3	2006	Gikonko rice	UCORIBU	157,000,000
4	2006	Nshili Kivu tea factory	Group Bugeste (Leasing)	75,093,584
5	2009	Bugarama rice mill	Rwamagana rice society/ICM Rwanda	57,000,000
6	2009	Kabuye rice mill	Rwamagana rice society/ICM Rwanda	33,000,000
				3,121,516,099

5.8.3.3 Companies privatised below reference value

According to the procedures manual guiding privatization, the selling price should be above or equal to the reference value. Government should not accept offers below reference value. However, there are cases where public companies were privatized when the amount offered by the investor was below the reference value. It is not clear why such decisions were taken but ultimately, this implies that the companies were privatised below the minimum selling price. **For details see the table below:**

SN	Name of the Company	Reference value (Frw)	Selling price (Frw)	Difference (Frw)	%

		(A)	(B)	(C)	(D)=(B)*100/(A)
1	Mukamira Maize	52,097,778	20,000,000	(32,097,778)	38%
2	Nkora Coffee Factory	167,668,236	108,862,000	(58,806,236)	65%
3	Gite Ituze (Cyangugu)	33,633,722	22,422,515	(11,211,207)	67%

For the case of Mukamira Maize Mill, RDB cancelled the initial agreement on grounds of failure by investor to implement business plan and handover was conducted on 29/08/2013. After 3 years, RDB is still negotiating with the investor on compensation claims arising from the cancellation of the initial Privatisation agreement. It should be noted that Mukamira Maize Mill secured a loan from the Ministry of Trade and Industry (MINICOM) amounting to Frw 497,092,650 and this had not been settled by the time RDB cancelled the Privatisation contract to take over the business. Any compensation claims need to be considered alongside recovery efforts for this loan from the investor.

5.8.3.4 Failure to recover proceeds from some companies privatised for a period ranging from 6 to 10 years.

This was noted in the privatisation of three (3) companies a**t Frw 335,018,757**. **See details in the table below:**

S/N	Year of privatization	Companies	Shares	Sector	Investor	Delay (years)	Amount due (Frw)
1	2006	Gikonko Rice Factory	100%	Agribusiness	UCORIBU	10	57,000,000
2	2008	IMPRISCO	100%	Industry	Angelique International	8	221,018,757
3	2009	Bugarama rice mill	60%	Agribusiness	Rwamagana Rice Society	6	57,000,000
Total							**335,018,757**

5.8.3.5 Loss of money during repossession of a company previously privatised.

Cases were identified where Government repossessed privatised companies due to various reasons, but ended up paying to the investors significantly higher amounts compared to the proceeds Government had obtained at the time of privatisation. In three (3) cases below, Government paid **Frw 449,236,908** in excess of the funds initially received from the investors, as shown below:

SN	Name of the company	Investor	Date of privatization	Date of repossession	Contract amount Frw	Compensation Value after repossession Frw	Difference Frw	%
					(A)	(B)	(C)=(B)-(A)	(D)=(B)*100)

SN	Name of the company	Investor	Date of privatization	Date of repossession	Contract amount Frw	Compensation Value after repossession Frw	Difference Frw	%
								/(A)
1	Kibuye Guest House	Munyampirwa Pascal	20/09/1999	23/09/2004	75,000,000	174,986,859	99,986,859	233%
2	Lake Ihema Fishery	SOPEM	18/05/2005	25/06/2013	62,000,000	411,250,049	349,250,049	663%
Total					**137,000,000**	**586,236,908**	**449,236,908**	

It should be noted that no clear plan was in place for utilisation of the repossessed properties/companies by Government. As a consequence, some of the properties/companies repossessed have remain non-operational or idle since the time of repossession. This was noted for the case of Kibuye Guest House, where the place is now a bush (12 years after the repossession).

Plot where a former Guest House was located. Photo taken by OAG on 30th March 2016

5.8.3.6 Privatized company without investor's business plan

Business plans facilitate the select of the best equipped investor in terms technical capabilities and this helps RDB to monitor effectively the performance of the investor. However, in the case of Kirehe Rice Mill, RDB sold this enterprise to the investor at **Frw 322,110,000** without any business plan. The investor submitted the investment plan after 7 months of operations. This indicates that technical capacity was not considered in privatization of Kirehe Rice Mill and limited RDB ability to monitor the performance of the investor in the first 7 months of operations.

5.8.3.7 Inadequate monitoring of privatized companies

There is inadequate monitoring of privatized companies mainly attributable to lack of plans or any other guidance to the RDB Privatisation team in aspects of what and when and where to monitor. RDB does not also maintain ongoing consolidated information of all privatization operations and does not have quarterly reports from investors as specified in contract agreements. The number and names of entities covered in the audited period are not known.

SECTION 6

KEY FINDINGS FROM AUDIT OF GOVERNMENT PROGRAMS AND PROJECTS

6.1 HEALTH SECTOR PROGRAMMES AND PROJECTS

6.1.1 ACCOUNTING AND FINANCIAL MANAGEMENT CONCERNS IN DISTRICT HOSPITALS

Most district hospitals continue to experience weaknesses in accounting and management of funds put at their disposal. The hospitals did not maintain proper accounting records resulting in all the eighteen (18) hospitals audited getting qualified audit opinion on their financial statements. Three (3) district hospitals (**Kibilizi, Muhororo and Ruhango**) had a disclaimer of audit opinion while 15 district hospitals obtained an adverse audit opinion.

The gaps noted in the audited financial statements included:

- Omission of transactions from the books of account;
- Unreconciled balances;
- Unjustified suspense accounts;
- Unsupported transactions;
- Lack of preparation of bank reconciliation statements;
- Lack of underlying books of account (general ledger and trial balance);
- Cases of lack of detailed schedules to support the reported balances; and
- Gaps in management of internally generated revenue.

The above gaps are partly attributed to lack of adequate skills on the part of Hospital Administrators who are responsible for the daily management and operation of the hospitals including finance activities. The Hospital Administrators do not have financial management background resulting in poor handling of accounting and financial management activities.

In addition, most of the Boards of Directors had no members with financial management background. This makes executing the oversight role difficult mostly on financial management matters. Specific examples include: Kabaya, Kinihira, Rwinkwavu, Nyanza, and Masaka Hospitals.

The management of the District hospitals should take necessary steps to improve the quality of accounting records and ensure that all hospital operations are properly accounted for and the underlying books of account maintained.

MINECOFIN in collaboration with the district management and MINISANTE should train the District Hospital Directors and Hospital administrators in financial management matters. The qualifications of Hospital administrators should be revisited to match with their responsibilities to ably execute their role in day to day financial affairs of the hospitals and reviewing financial reports prepared by Accountants.

The appointing authority of Board members should also put into consideration members with financial management background.

6.1.2 PROCUREMENT AND MANAGEMENT OF DRUGS AND MEDICAL SUPPLIES AT UNIVERSITY TEACHING HOSPITAL-KIGALI (UTH-K / CHUK)

6.1.2.1 Challenges with provision of medical services arising from chronic stock-out of drugs and medical supplies

The audit identified cases of stock outs for drugs and medical supplies at University Teaching Hospital-Kigali (UTH-K/ CHUK) that are affecting operations of the hospital. The Hospital has experienced stock outs of drugs and medical supplies for periods ranging from 14 to 458 days. This is a very big challenge for clients using mutual health insurance because they are not reimbursed money paid when purchasing drugs in private pharmacies. This affects 80% of UTH-K (CHUK) patients who are mainly from Ubudehe category 1 and 2 using mutual health insurance scheme and who cannot afford to pay for themselves. These challenges are attributed mainly to the following:

- **Delays in submitting requests for replenishments and lengthy procurement process for drugs and medical supplies:** There were delays by the hospital to submit requests to MPPD (CAMERWA) for replenishment of drugs and medical supplies over last 3 years, with delays ranging from 5 to 7 months. These requests were sometimes submitted while there was no stock or the stock available could not serve for at least 6 months (time required for procurement process at MPPD). Further analysis of procurement documents from MPPD revealed that their procurement cycle sometimes exceed 6 months, with delays ranging between **8 and 132 days** in processing tenders of acquiring drugs and medical supplies.

A normal request made by UTH-K and processed promptly by MPPD according to their 6-month procurement cycle would result in overall time lag of 6 months from the date of requesting and delivery. Accordingly, the above delays of 5-7 months at hospital level and 8-132 days at MPPD level resulted in overall delays of providing drugs and medical supplies to patients at UTH-K of between **11.3 months** to **17.4 months** as shown below:

Procurement activities	**Normal delivery process** ***(months)***	**Delivery process with delays** ***(months)***
Time taken between request by Hospital and commencement of MPPD procurement cycle	0	5 to 7 months
Time taken by MPPD to procure and deliver drugs and medical supplies to CHUK	6 months	6.3 to 10.4 months
Overall time taken to request and receive drugs and medical supplies *(time taken for patient to receive drugs requested by CHUK)*	**6 months**	**11.3 to 17.4 months**

Such long delays affect quality of service delivery at the Hospital.

- **Partial deliveries by MPPD for drugs and medical supplies requested by UTH-K**: The above problem was exacerbated by cases where MPPD made partial deliveries to CHUK (UTH-K) and yet the Hospital was waiting for drugs/medical supplies requested for. This resulted in further delays since the hospital could not procure items already ordered for from alternative sources.

  Analysis of annual requests made by UTH-K to MPPD indicated that MPPD availed only 44%, 65% and 33% of the requested items for the year 2012/2013, 2013/2014 and 2014/2015 respectively. This means that 67% of drugs and medical supplies needed in UTH-K for the year 2014-2015 were not availed, resulting in further delays for CHUK to obtain undelivered proportions. In these cases, clients had to purchase in private pharmacies, which is a very big challenge for 80% of UTH-K (CHUK) patients who are mainly from Ubudehe category 1 and 2 using mutual health insurance scheme.

6.1.2.2 Current tariffs charged by UTH-K (CHUK) inadequate to cover the cost of medication and treatment for patients

Analysis of charges paid by patients was made for 20 medical services provided by UTH-K (CHUK) and the results revealed that at the current tariff in use at the Hospital, payments made by 80% of UTH-K clients cover only 37% of actual cost incurred on them (beneficiaries of mutual health scheme). For 14% of beneficiaries under MMI, RSSB and Mutual health schemes of UR, their payments cover 67% of actual cost incurred on providing medical services to them. This ultimately indicates that tariff set are inadequate to cover the cost of providing medical services at the Hospital. The tariff in use by UTH-K was last updated in 2009. When determining the tariff to be used from 2012, the Ministry of Health arbitrarily added 20% from the tariff which was in use in 2009. There is need for a proper review of the tariff and adjustments to match the tariff with the cost of providing medical care.

6.2 KEY CONCERNS FROM MANAGEMENT OF INCOME GENERATING ACTIVITIES (IGA) PROGRAM OF FARG

6.2.1 LACK OF PROPER COORDINATION OF FARG ACTIVITIES IN DISTRICTS

Implementation of FARG activities related to Income Generation for beneficiaries is done through district structures in line with decentralisation policy. However, there is lack of proper coordination and ownership of the program activities given that FARG considers the implementation of IGA program to be the responsibility of districts while districts at the same time consider FARG as owner of the program. Funds were sent to districts without detailed plans indicating activities and projects to be funded. This resulted in cases, where some of the funds sent to districts did not have target projects/beneficiaries and were not utilized as intended. FARG later on requested districts to re-allocate the funds to direct support and construction of shelters.

6.2.2 INCOME GENERATING ACTIVITIES (IGAs) NOT PRIORITIZED BY FARG

Income generating activities program is one of the major programs intended to enable vulnerable genocide survivors to integrate into existing national programs of self-development and progressively phase out all FARG specific assistance programs. However, FARG management has ranked this program number five (5) in priority among the five programs under FARG. The funds allocated to this program have been decreasing overtime from **13.2%** of FARG budget in 2012 to **0.02 %** and **0.04%** respectively in 2014 and 2015 as shown below:

Year	**Total FAR expenditure (Frw)**	**IGA Program expenditure (Frw)**	**%**
2012/2013	13,298,760,091	1,755,220,000	13.20%
2013/2014	16,693,402,111	2,930,000	0.02%
2014/2015	19,190,979,761	8,000,000	0.04%
Total	**49,183,141,963**	**1,766,150,000**	**3.59%**

While allocation of funds to other pillars of FARG activities is necessary at the moment, sustainability of FARG support needs to be anchored on a vision of self- reliance of beneficiaries. This requires better strategy and resource allocation to support beneficiaries with IGAs to increase their household incomes and enable them to become self- reliant.

6.2.3 WEAKNESSES IN MONITORING PROJECT ACTIVITIES AND INADEQUATE ACCOUNTABILITY FOR FUNDS DISBURSED

- **Weak monitoring framework:** There is lack of a clear monitoring & evaluation framework to establish whether the program is making progress and dealing with implementation challenges timely. Districts do not report to FARG regularly while FARG has also not been able to undertake adequate follow ups on funded projects. Ultimately, intended outcomes from this programme may not be realised.

- **Weak accountability system:** FARG was not able to provide the status of utilization of funds amounting to **Frw 1,766,150,000** representing cumulative funds disbursed to the districts for the IGA program from 2012 to 2015. There is no report that shows funds used for projects, funds still in the custody of districts or sectors, and funds re-allocated to other FARG programs. This has made it difficult for FARG to ascertain whether all project funds were used for the intended purposes.
- **Some projects have failed:** Some monitoring and evaluation reports from districts and FARG covering 987 projects that received **Frw 970,148,000** during the period 2012-2013, revealed that **260 projects** (**26%** of the 987 projects) had failed and did not realise intended benefits from the **Frw 257,650,000** disbursed to them. Some beneficiaries shared money and diverted it to other purposes instead of investing it in the designated projects while some livestock were abandoned or died.

  The above situation of failed projects had not improved by the time of the audits in March 2016. Out of **63** projects visited during the audit, only **35%** of the projects were working, **27%** had failed while **38%** are currently heading towards failure. This rate of project activities failure will ultimately curtail attainment of project objectives.

6.3 KEY CONCERS FROM AUDIT OF IMPLEMENTATION OF CITY OF KIGALI MASTER PLAN

A Performance audit to assess whether the City of Kigali master plan is implemented in accordance with requirements of master plan revealed that the overall excellence target in terms of growth and development of the City of Kigali may not be achieved. During the period from 1st October 2013 to 30th November 2015, the City of Kigali did not fully meet the master plan requirements of orderliness and was unable to track and follow up master plan activities. This was attributed by some of the following key issues:

- **Lack of proper monitoring and unreliable management information systems:** A case was identified where there was alteration of information in master plan to mislead decision makers;
- **Issuing construction permits in wrong zones:** Cases were noted where permits were issued for construction in wrong zones. For example, some permits were issued to build single residential buildings in protected areas, passive recreational area, and commercial areas without proper documentation authorizing altering the zoning requirements in the master plan;
- **Change of use without permission of the City of Kigali:** There were cases where residents changed use of land from that previously authorised use per zoning in the master plan. For example, cases were noted where plot zoned for residential apartments was changed into commercial units and where a single family residential house was transformed into a factory, without consulting the City of Kigali;
- **Ignoring road expansion and reserves:** The One Stop Centre approved projects for construction of residential buildings in the expected road expansion areas. Issuing permits for new and renovation in roads reserve will cost government huge funds in terms of expropriation.
- **Inadequate inspection of the implementation of City of Kigali Master Plan:** Kigali City and Districts did not have a plan or any other guidance of what and when and where to inspect and ensure consistency during inspections. The Inspection unit does not have a database of all inspections conducted and number of permits issued; hence an increased risk of developing substandard projects.

The City of Kigali needs to take action and put in place appropriate measures to address gaps identified in the implementation of the Master plan in order to realize the overall excellence target in terms of growth and development of the City of Kigali.

6.4 KEY CONCERNS FROM PERFORMANCE AUDIT ON MUNICIPAL SOLID AND LIQUID (SEWAGE) WASTE MANAGEMENT IN CITY OF KIGALI

6.4.1 LACK OF SUSTAINABLE MANAGEMENT SYSTEM OF SOLID AND LIQUID WASTE

For more than 30 years, all the collected waste in Kigali was being dumped in an open dumpsite at Nyanza in Kigarama Sector, Kicukiro District. The site had started becoming a threat to the environment and public health and a decision was taken to relocate it from Nyanza in December 2011. A temporary site at Nduba unsanitary Landfill was selected to be developed and serve as a transitional landfill for the CoK while waiting for the completion of a modern landfill.

However, the audit identified that Nduba unsanitary Landfill has not been developed to address the environmental and public health threats that caused the re-location from Nyanza. The method of waste disposal at Nduba unsanitary Landfill is still the same as that used at Nyanza and hence pausing the same risks to the population. For example, there is no system to receive and treat the sewage emptied from septic tanks from different parts of the City. This sewage is deposited into pits dug at Nduba site without proper disposal system with a high likelihood of overflowing down from the hill top (where the unsanitary landfill is located) into the valley if it rains heavily.

Liquid waste deposited at Nduba unsanitary landfill: Photo taken by OAG on 25/01/2016

A site visit to Nduba unsanitary landfill also revealed that solid waste is not segregated, as shown in the picture below:

Unsegregated waste at Nduba unsanitary landfill. Photo taken by OAG on 25/01/2016

Lack of solid and liquid waste management plan

There is no waste management plan outlining how the City of Kigali plans to manage, and dispose off solid and liquid waste transported to the Nduba unsanitary Landfill, to avoid creating environmental and public health problems. This waste management plan is necessary alongside a proper environmental management plan to cater for all possible health, social, economic and environmental hazards.

6.4.2 ENVIRONMENTAL HAZARDS AND PUBLIC HEALTH CONCERNS FOR RESIDENTS NEAR THE UNSANITARY LANDFILL AND THOSE DOWNSTREAM WHERE LEACHATE OVERFLOWS

- **Residents within 400 metres of the unsanitary landfill:** According to REMA guidelines, a distance of 400 meters should be left between the landfill location and dwelling places. The population not fitting within that standard must be expropriated. There were 344 plots that should have been expropriated before the establishment of Nduba unsanitary landfill site from Taba Village and Muremure Cell. However, expropriation has been done for only 138 plots (40%) and the remaining occupants of the plots are still exposed to environmental and health risks.

- **Residents on the hill exposed to environmental and health threats as a result of the unsanitary landfill:** There are 29 households from Rebero village, Gatunga Cell that are not yet expropriated and exposed to environmental and health threats as a result of the unsanitary landfill. They are using source water contaminated by Nduba unsanitary landfill site especially when it rains. The population in this area is at risk of contracting diseases due to unsafe water from contaminated source. However, there is no plan to expropriate them. Photos below show one of the water sources contaminated by leachate on the hillside.

Water source downside the unsanitary landfill where residents from Rebero village, Gatunga Cell get water. Photo taken by OAG on 01/03/2016.

Solid waste disposed of on the hill downside below the unsanitary landfill. Photo taken by OAG on 25/01/2016.

SECTION 7

KEY FINDINGS FROM AUDIT OF LOCAL GOVERNMENTS

7.1 CONCERNS OVER ACCOUNTABILITY IN NON-BUDGET AGENCIES (NBAS)

7.1.1 LACK OF PROPER FOLLOW UP AND REVIEW OF NBA FINANCIAL TRANSACTIONS

According to government financial management procedures, NBAs are required to prepare accountability reports and submit them to the Districts. However, there was no evidence of adequate follow up done to verify the accountability reports submitted to Districts by Non-Budget Agencies and to follow up activities reported by NBAs. As noted in my previous audit reports, adjustments passed on the opening balances of some NBAs were not documented to justify their rationale. This was noted in Ruhango, Bugesera, Rutsiro, Gicumbi, Gisagara, Muhanga, Nyagatare, Nyamasheke, Nyanza, Nyaruguru, Rwamagana and Nyarugenge Districts.

Further, unexplained differences were noted between amounts reported in the disclosure note for NBAs appended to the districts' financial statements and individual financial reports of NBAs. This was noted in Ruhango, Rutsiro, Kirehe, Kayonza and Nyarugenge Districts. Some NBAs did not prepare monthly bank reconciliation statements as noted in Rutsiro, Muhanga, Nyabihu, Rulindo and Rwamagana Districts.

Funds at the disposal of NBAs are prone to misuse due to absence of follow up by the districts.

7.1.2 CONTINUED WEAKNSESSES IN ACCOUNTING FOR NON-BUDGET AGENCIES (NBAs)

The problem of failing to consolidate transactions and balances of NBAs in the financial statements of Districts still persists. The Ministry of Finance only requires Districts to compile a separate report of balances of NBAs for information purposes **as a disclosure note in the financial statements**. The reported balances for Districts still do not include transactions and balances of NBAs as they are not consolidated in balances reported in the financial statements.

A consolidated listing of transactions and balances of NBAs in all Districts compiled by the Ministry of Finance shows that NBAs had opening balance of F**rw 39,601,807,165,** total funds of **Frw 234,034,291,562** at their disposal during the year ended 30 June 2015 and incurred expenditure of **Frw 233,806,585,802**, leaving unutilized balance of **Frw 39,601,807,165** at 30 June 2015, as shown below:

Name of subsidiary entity	Opening Balance at 1 July 2014	Revenues	Expenses	Fund balance at 30 June 2015
	Frw	**Frw**	**Frw**	**Frw**
Summary				
District pharmacy	6,026,880,412	13,296,669,404	12,956,340,260	6,367,209,556
District Mutuelle de santé	(1,561,453,409)	14,730,374,457	19,688,931,934	(6,520,010,886)
Sectors	3,793,181,413	27,527,481,080	25,150,420,635	6,170,241,858
Primary Schools	724,514,043	7,569,286,979	7,387,488,603	906,312,419
Secondary Schools	3,058,316,640	35,695,269,923	34,949,465,397	3,804,121,166
District Hospitals	8,490,122,122	53,904,524,920	51,868,273,764	10,526,373,278
Health Centers	8,985,835,917	51,621,621,365	49,783,766,464	10,823,690,819
Mutual Health- Section level	3,996,595,726	19,896,127,178	22,930,094,492	962,628,412
Vision Umurenge Programs	6,087,814,301	9,792,936,256	9,091,804,253	6,788,946,304
Total	**39,601,807,165**	**234,034,291,562**	**233,806,585,802**	**39,829,512,925**

The fund balance of **Frw 39,829,512,925 at 30 June 2015** comprises of bank balances, outstanding receivables and payables as shown in the table below:

NBA	Cash and bank	Receivables	Payables	Total
	Frw	**Frw**	**Frw**	**Frw**
District pharmacy	3,382,923,725	4,356,199,248	(1,371,913,417)	6,367,209,556
District Mutuelle de santé	504,164,538	308,446,510	(7,332,621,934)	(6,520,010,886)
Sectors	6,713,705,427	1,094,010,812	(1,637,474,381)	6,170,241,858
Primary Schools	1,208,557,633	155,573,193	(457,818,407)	906,312,419
Secondary Schools	4,696,099,071	1,100,418,971	(1,992,396,876)	3,804,121,166
District Hospitals	5,312,932,419	10,532,470,820	(5,319,029,961)	10,526,373,278
Health Centers	7,310,092,469	6,383,620,428	(2,870,022,079)	10,823,690,819
Mutual Health- Section level	3,855,503,799	203,572,122	(3,096,447,509)	962,628,412
Vision Umurenge Programs	4,309,542,684	2,520,504,100	(41,100,480)	6,788,946,304
Total	**37,293,521,765**	**26,654,816,204**	**(24,118,825,044)**	**39,829,512,925**

The concern of omitting balances of NBAs has been highlighted over the past four years. However, consolidation of these balances in financial statements of the Districts has not been done and ultimately State Consolidated financial statements are incomplete.

Review of information presented in District financial statements for NBAs shows that balances at District level are different from those included in the state consolidated financial statements as shown in the table below:

NBA	**Amounts disclosed in State Consolidated financial statements**	**Amounts disclosed in Districts financial statements**	**Difference**
	Frw	**Frw**	**Frw**
Opening balance	39,601,807,165	40,440,790,957	838,983,792
Revenue	234,034,291,562	237,425,144,687	3,390,853,125
Expenses	(233,806,585,802)	(237,375,691,641)	(3,569,105,839)
Fund balance	**39,829,512,925**	**44,143,733,656**	**660,731,078**
Represented by			
Bank and cash balances	37,293,521,765	39,342,922,183	2,049,400,418
Receivables	26,654,816,204	28,211,328,110	1,556,511,906
Payables	(24,118,825,044)	(26,559,288,524)	(2,440,463,480)
Total	**39,829,512,925**	**40,994,961,769**	**1,165,448,844**

The above differences further illustrate the problem of inadequate monitoring and accountability for activities of NBAs.

It should be noted that the revenue disclosed in the district financial statements includes internally generated revenue of **Frw 148,871,125,972.** This amount is omitted in District financial statements and ultimately in the State consolidated financial statements.

7.2 GAPS NOTED IN REVENUE COLLECTION BY LOCAL GOVERNMENTS

Most of the Districts did not realize budgeted tax revenue from internal sources to facilitate implementation of planned activities. This challenge was mainly noted in Karongi, Rubavu, Kirehe, Nyamagabe, Rusizi, Nyabihu, Rutsiro, and Gakenke. The Districts are not able to adequately track tax payers due to the following challenges.

- **Incomplete taxpayer databases:** The tax databases maintained by the districts were incomplete. In most cases they were not updated to include all eligible tax payers, lacked important information such as location, tax payable, amount paid and outstanding amount. There was no proper system in place to track tax payers who had fully paid their tax dues, and those with outstanding balances to facilitate follow up of tax defaulters. This hampered tax collection efforts especially in the districts of Rulindo, Gasabo, Nyabihu, Rwamagana, Muhanga and Nyabihu.

- **Lack of database for land owners:** Some districts did not have databases of people with land rights and as a result, efforts to forecast and later on collect land tax were scattered and poorly coordinated. This was mainly the case in Huye, Rulindo and Ngoma.

There is need for the districts to make sure that tax payers databases are regularly updated with all the necessary information. This will facilitate informed forecasting and later on realising tax collections. Proper tracking mechanism of tax collections and tax defaulters should be established to facilitate follow up and recovery of taxes due.

7.3 GAPS NOTED IN VUP FINANCIAL SERVICES COMPONENT

7.3.1 LOW RATE OF RECOVERY OF VUP LOANS

There are still challenges in the recovery of loans given to beneficiaries of Vision Umurenge Program (VUP) in districts as highlighted in previous reports. A report of LODA on loan recoveries shows that out of the **Frw 19,719,254,541** disbursed from 2010 to 30 June 2014, only **Frw 10,642,670,298** had been recovered by 30 June 2015. This represents **54%** recovery rate which is still low and is likely to hamper Government's efforts to realize the intended objectives. Refer to the table below:

Financial year	**Loans disbursed from 2010 to 2014 Frw**	**Amount repaid from 2010 up to 30 June 2015 30-Jun-15 Frw**
Year ended 30 June 2015	-	285,451,753
Year ended 30 June 2014	3,480,295,672	371,796,033
Year ended 30 June 2013	3,665,676,186	1,285,414,366
Year ended 30 June 2012	4,158,035,910	2,382,239,989
Year ended 30 June 2011	4,126,816,876	2,963,040,741
Year ended 30 June 2010	4,288,429,897	3,354,727,416
Total	**19,719,254,541**	**10,642,670,298**

There is need to put effort in addressing loan recovery challenges to ensure that loans disbursed through VUP offices are recovered to enable realization of program objectives and sustainability.

7.3.2 NONEXISTENCE OF PROJECTS MEANT TO BE ESTABLISHED USING VUP LOANS

The physical verification carried out in some districts revealed that some of the projects that were to be established by beneficiaries of financial services (VUP loans) were not in existence. For example enquires made to beneficiaries revealed that loans to the tune of **Frw 150,518,240** granted to 86 groups in the districts of Gicumbi (21 groups), Nyamasheke (24 groups), Kicukiro (30 groups), Rusizi (10 groups), Nyarugenge (1 group) and Ngoma (1 group) were shared amongst group members while in some instances; the projects that were established failed. There were also instances of ghost groups that were formed. Accordingly, the overall objective of uplifting the welfare of the beneficiaries was not achieved and the recoverability of outstanding loans is remote.