



Analysis of the Auditor General's reports of the decentralized entities for the fiscal year that ended  $30^{th}$  June 2018

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# Analysis of the Auditor General's Reports of the Decentralised Entities for the Fiscal Year that Ended 30<sup>th</sup> June 2018

## Acknowledgement

The GoR is fully committed to gradually enhance the rational use of state finances to enabling better service delivery and developing instruments that fruitfully and strategically allocate available resources for sustainable national economic growth and development.

The GoR welcomes all stakeholders whose contributions strengthening the public financial management (PFM) in public entities to achieve 80% of clean audit for FY 2023-2024 against 60% achieved for fiscal year 2015/2016.

Since 2012, TI- RW under the support of GIZ' Good Governance and Decentralization Programme has conducted the analysis of the Auditor General's reports of the decentralized entities. This scrutiny of PFM is aligned to the Government of Rwanda aspirations but also responds to mission of "Contributing to the fight against corruption and promoting good governance through enhancing integrity values in the Rwandan society". In addition, the results of the analysis contribute to GIZ's results tracking namely:

- Monitoring the baseline data for the Decentralization and Good Governance Program and
- Evidence based information for the steering committee of the fiscal decentralization component of the Good Governance Program

Since TI-RW started this analysis, tremendous improvements have been noticed in various levels due to great consideration of the findings and recommendations of Auditor General Reports. As per previous editions, the completion of the analysis of the Auditor General's reports for the decentralized entities for the FY 2017 -2018 is a result of multi-stakeholders contributions due to existing mutual trusts and team work with TI-RW.

I would like to express my sincere gratitude to all institutions and individuals who made this analysis possible. Among them are GIZ who provided the necessary funding through GOPA, MINALOC, Office of Auditor General, and MINECOFIN and districts' staff who helped us to access the required data. Last but not least, I want also to thank TI-RW team who professionally conduct this analysis and deliver such informative product of quality.

Building systems and sustaining them is journey which requires endurance, resilience, and partnership. I am confident that together, we will achieve our common goal of institutionalizing a trusted, effective, and efficient PFM system in Rwanda.

Ingabire Marie Immaculée, Chairperson, Board of Directors Transparency International Rwanda





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## **Executive Summary**

Transparency International Rwanda (TI-RW) considers the monitoring of public financial management (PFM) closely associated to its mission to prevent corrupt behavior, practices and improve horizontal and vertical accountability amongst the institutions in Rwanda. In this standpoint, TI-RW affords an analysis of the Office of Auditor General's (OAG) audit reports of all the Rwandan districts and the City of Kigali. This edition is the seventh of its kind and considers the audit reports of the fiscal year (FY) 2017-18. It is aimed at serving a broad audience including the Rwandan community and numerous stakeholders of public finance as well as local government.

As the core parts of the analysis, all reported weaknesses identified by the auditors as audit findings are categorized as either expenditure related (unsupported, wasteful, fraudulent, and overstated expenditures as well as payments made to non-existent staff) or non-expenditure related (non-respect of laws and procedures, poor bookkeeping and posting errors). Since 2015-16's edition, TI-RW also aggregates and consolidates data on idle funds and assets reported by the OAG auditors.

Additionally, all reported weaknesses are classified into thematic category to allow precision in indicating programmes, sectors, types of infrastructures etc. that are most affected by PFM weaknesses. Furthermore, the analysis includes a detailed analysis of recommendations issued in the previous fiscal year according to their implementation status and according to their difficulty level and their link to weakness categories. The quantitative data compiled is complemented by primary data collected through ten focus group discussions (FGDs) at District level and City of Kigali.

For this fiscal year, the total amount of financial and non-financial weaknesses of the decentralised entities as identified by the OAG has slightly decreased to FRW 231.6 billion from to FRW 244 billion in the previous fiscal year, issues regarding idle funds and idle assets not included. This is an inflation-adjusted decrease of 5.4% compared to the previous FY and 112.5% compared to the FY 2015-16.

Only 1.6% of these weaknesses are related to expenditures, such as unsupported, wasteful, fraudulent, or overstated expenditures. The remaining 98.4% are made up of non-expenditure related weaknesses, mostly poor bookkeeping, posting errors and the non-respect of laws and procedures.

Furthermore, a number of cross-cutting issues that effected districts 'FM in various weakness categories were identified: Irregularities in public procurement including delayed or abandoned construction works of public projects amount to more than FRW 96.4 billion. Furthermore, the Issues related to districts 'investments in provincial investment corporations and other private ventures has significantly decreased from FRW 42 billion in 2016-17 to FRW 4.5 billion for FY 2017-18. There is still a significant delay in transfers to beneficiary households of VUP Direct Support, which puts vulnerable citizens at risk of decent into extreme poverty. Delays in transfers of capitation and school feeding grants to schools undermine efforts to strengthen the quality of education and might be source of health problems for children.





In the FY 2017-18, 52% of all expenditures of the 30 districts and the City of Kigali have been found by the auditors with PFM's weaknesses.

There are some evidence suggesting that decentralized entities that have managed to implement a higher proportion of audit recommendations are effectively more likely to witness less increase in the number of weaknesses.

TI-RW recommends all districts and City of Kigali to consider below key recommendations enlightened by analysis findings in order to address identified PFM's challenges.

Spending funds based on realistic planning and correct and comprehensive feasibility studies to avoid idle assets and unprofitable investments. Districts must closely work together with concerned partners to make regular and predictable cash transfers to VUP Direct support beneficiaries and timely disburse capitation and school feeding grants. Districts need to improve the level of compliance with laws and procedures governing PFM (procurement laws, tax law, financial guidelines, VUP-guidelines value for money). LODA should consider having a dedicated staff to VUP-financial services to assist in motoring financed projects and in recovery of loans otherwise to add this component to other existing tasks of sector accountant or anyone else with heavier workload it will negative affect the performance. Among other things, cases of procurement processes with various irregularities should be examined closely as well as Districts and RPPA must enhance the mechanisms such as upgrading E-procurement system to accommodate contract management and provides more information that can allow to do deep due diligence in awarding contracts to bidders to avoid high rate of delayed/abandoned contracts in execution.



#### 1. Background and Context

Since the year of 2000, the Government of Rwanda has made impressive progress through adoption of long-term development programmes such Vision 2020 and very recently, Vision 2050 that is ready to supplement vision 2020 throughout the bridge of National Strategy for Transformation" (NST-1). Despite the effects of COVID-19 on the economy, the implementation of NST1 will allow Rwanda to become an upper middle-income country by 2035 and a high-income country by 2050. The implementation of NST-1 is through three pillars:

- Economic Transformation,
- Social Transformation, and
- Transformational Governance.

The participatory planning, monitoring and evaluation is strongly encouraged under the pillar of Transformational Governance's priorities. The governance based on bottom up approach is expected to be enhanced and mainstreamed at all levels in all government entities. It is expected that the citizens centered governance will help to hold accountable service providers across the entire servise delivery chain. Additionally, multi-stakeholders'involvement will strengthen the public financial management (PFM) implementation to achieve that 80% of clean audit for the scope to be audited by FY 2023-2024 from 60% for fiscal year 2015/2016.

As the efficient and effective public financial management is the cornerstone for sustainable development (World Bank, 2019), Rwanda plans to efficiently levearage resources and use them in an accountable and transparent way to achieve its long term development aspirations. Rwanda has made significant efforts towards state finances management to improve its budget reliability and track the use of funds for serving citizens through transparent and accountabible budget execution as well increased professionalization of the public finance officials. The next two subsections provide details on the PFM initiatives.

#### 1.1 PFM Institutional Framework

The Government of Rwanda is determined to ensure the resourceful use of public financial management in Rwanda. The PFM in Rwanda has a pool of institutions that systematically oversee the use of state finances. In the articles 61, and 165 of the 2003 Constitution of Rwanda as revised in 2015, the PFM institutional context is including:

■ The Parliament: The constitution of Rwanda stipulates the Parliament with chamber of Deputies and Senate have main functions of passing laws and monitoring government' activities. Both chamber of Deputies and Senate consider PFM in their responsibilities. The chamber of Deputies is in charge of i) reflecting on the relevance of the State finance bill and adopts the State finance law; ii) approval of external borrowings by the central Government as well as setting limits of borrowings; and iii) Through the Public Accounts Committee, the Chamber of Deputies examines the inefficient use public funds in all public institutions and report all related queries for deep investigation and prosecution for further actions. The





Senate plays the crucial role for PFM, apart from voting the Organic Law of State Finances and Property, it approves the appointments, of the both the Ombudsman and the Auditor General of State Finances among other appointed high officials. It Expresses its opinion on the State Finance Bill before the adoption of State budget by the Chamber of Deputies. The Cabinet, through the Minister retains the overall financial accountability.

- The Office of the Ombudsman: The office of Ombudsman as an independent public institution has the mandate to carry out many responsibilities mainly including: prevention of and fight against injustice, corruption and other related offences in public and private administration as well as receive declaration of assets of the President of the Republic and the other dignitaries as well as other public authorities entrusted with the management of state finances and property.
- Office of the Auditor General: Its mandate originates from the article 165 of the Constitution that provides for the Office of Auditor General to ensure transparent and accountable use of the state finances. Additionally, the article 166 of the constitution calls for the Auditor General to submit an annual audited financial report to Parliament before the end of the same fiscal year. The report should clearly present how the state finances were utilized towards the improvements of citizens' living conditions. The report mainly is framed under the four key elements: Presentation of financial statements, compliance with laws and regulations, value for money and implementation of previous received Auditor General's recommendations. The same office is required at the same time to submit a copy of the report to the President of the Republic, Cabinet, the President of the Supreme Court, and the Prosecutor General of the Republic.
- Rwanda Public Procurement Authority: It has been established to ensure that the entire procurement process for all public entities achieve the highest value for money under competition, economy, transparency, fairness, efficiency, accountability and zero tolerance to corruption in all public procurement activities.
- Board of directors and councils: Each Public institution a has a board of Directors to strategically advice the institution and each decentralized entity has a council to perform advisory and approval functions. The Ministerial order No 002/09/10/GPIA by ministry of finance and economic planning was passed on 12/02/2009 to set out operational guide for Internal Control and Internal Audit in Government institutions. The same ministerial order established the functioning of audit committees to reinforce the rational use of funds in government entities.

# 1.2 PFM Legal Framework in Rwanda

The Government of Rwanda has put in place laws and regulations to enforce an effective and functional PFM system in all central and decentralized public institutions. The following are key laws and regulations in use.

• The 2003 Rwanda Constitution as revised in 2015 is the key legal instrument which provides the basis on how the PFM is crusial for the Government of Rwanda.





- Speciffically, articles 162,163,,164,165,166 and 167 are dedicated to the public finnacial management.
- Organic Law N° 12/2013/OL of 2013 is enlightened by the constitution and is the key law on the management of state finances in Rwanda. As per article 13 of this law, the enforcerment of the Organic law on State Finances and Property falls under the responsibility of Minister in charge of finance including prescribed standards of accounting practices and uniform classification systems, in central and local Government administrative entities.
- Ministerial order  $N^0$  001/16/10/TC of 26/01/2016 relating to the Financial Regulation. It provides more details for the smooth implementation of the Organic Law on State Finances and Property of 2013.
- Laws and regulations on public procurement: The public procurement in Rwanda is governed by the law N°62/2018 of 25/08/2018 to ensure that all procurement procedures are clearly prescribed and well implemented. Additionally, there is Ministerial Order N° 002/20/10/TC of 19/05/2020 establishing regulations on public procurement in public institutions in Rwanda that provides standard procedures of procurement plan up to the conclusion of the contracts.
- Ministerial Instruction No 001/11/10/TC of 24/01/2011 establishing the professional code of ethics governing public agents involvement in public procurement.
- National Investment policy: It came in to provide guidance to how investments from central and local institutions should be done to respond to country's strategic gaols. Among the key elements of this policy include: i) Prioritisation of investments aligned with national strategic goals and prioritization assists long-term budgeting and debt-management; ii) The investment project should be done under transparency and accountability over the investment cycle to enable budget agencies at central and local level to plan and effectively. Additionally, this policy recommends to iii) improve the implementation basing on execution feedback as well as iv) engaging the private sector and leveraging alternative sources of financing by ensuring credible pipeline of projects and systematically investing in strategic investments. State finances should be and only allocated to those projects that will respond to citizens's or national needs. Another key point provided by this policy is that each investment project should be implemented after the approval of feasibility studies (GoR, 2017).

#### 1.3 PFM Reform in Rwanda

The implementation of NST1 and Vision 2050, will require the Government of Rwanda to mobilize enough resources to implement all planned programmes. It is important for the GoR to gradually enhance the rational use of state finances to enabling better service delivery and developing instruments that fruitfully and strategically allocate available resources. The Government established the PFM Sector Strategic Plan (2018-2024) that is aligned to NST-1 and Vision 2050 and it is focusing on fiscal decentralization, accounting reform, capacity development, performance-based budgeting, procurement, and operating through FMIS, to





mention few. PFM's reforms rely on the following main components such as PFM IT Systems, Accounting and financial reporting, Performance Based Budgeting and Medium-Term Budgeting and PFM Capacity Development.

- (1) The PFM IT systems are characterized by financial management integrated system (FMIS) and E-procurement- (www.umucyo.gov.rw). The two systems are being implemented from the central level to the decentralized entities. The two ICT tools are expected to enhance transparency and accountability throughout the entire process of utilizing the state finances. The IFMIS is expected to facilitating quick payments through automated link between the IFMIS and the Online Banking System created by Central Bank, it will facilitate data sharing between the entities and allowing regular bank reconciliations.
- (2) Accounting and financial reporting: The Country is moving to the accrual IPSAS1system and all requirements are almost in place. The transfer to standards compliant with IPSAS will: help to improve the quality of financial statements, allowing better management of public assets; provide greater transparency and facilitate better understanding of the Government's financial position, efficiency in budget execution, to improve the quality of strategic planning, management of public finances and development of economic policy, allow comparability of national financial statements with ones of other countries.
- (3) Performance Based Budgeting and Medium-Term Budgeting: This component helps the Government of Rwanda to strengthen multi-year budgeting and support development/revision of program based budgeting methodology, including strengthening links between budgeting and sector strategic plans. Currently, elements of medium-term expenditure framework (MTEF) are in place and program classification exists in Rwanda. The MTEF is a tool that helps to match planning and budget to meet long term development aspirations.
- (4) Professionalization of PFM Staff: This component focuses on capacity development in the areas of the project accounting, audit, budgeting, and procurement. PFM reforms in terms of capacity development is implemented through workshops, conferences, study tours and professional training supported by Institute of Certified Public Accountants of Rwanda (ICPAR). Professional accountants will assist in implementation of IPSAS.

Despite the tremendous efforts invested in improving PFM at all levels, the report of Auditor General (AG) continued to query several challenges related to PFM in central government, Government Business entities, projects as well as in the decentralised budget entities. As it has been noted in the report of OAG( 2018,p115-120), VUP-financial services, idles funds, long outstanding receivables, gaps in Corporate governance of district hospital, High rate of non-operating biogas plants in local government, delay in transferring funds under School feeding and capitation grants to schools were reported among audit findings.

<sup>&</sup>lt;sup>1</sup> International Public Sector Accounting Standards



# 2. Objectives

Transparency International Rwanda (TI-RW) under financial support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and its Decentralisation and Good Governance (DGG) programme has been regularly analysing AG's annual report to scrutinize audit queries related to expenditure- and non-expenditure-related weaknesses of PFM of decentralised entities.

The current assignment was funded by GOPA through DGG and intends to collect qualitative data from concerned stakeholders, aggregate and scrutinize data for 31 OAG audit reports of decentralised entities for the FY that ended June 2018, and make findings available to the general public. The outcomes of this scrutiny are beneficial for:

- Serving as a basis to increase the understandability and transparency of the OAG's reports towards the public as well as Local Government officials.
- Providing evidence-based information for the steering of activities of all key stakeholders of local PFM.
- Bringing to concerned stakeholders' key causes of unfruitful investments that result in idle assets for curative actions.
- Providing reliable information to DGG's monitoring system.
- Preparing DGG for policy uptake discussions with relevant stakeholders with active participation of TI-RW.

# 3. Methodological Approach

Categorized and aggregated secondary data obtained from the OAG's audit reports of the 30 Districts and the City of Kigali serve as the main source of information of this analysis. Primary qualitative data was collected from concerned stakeholders through focus group discussions and interviews.

#### 3.1 Data

The first step of the analysis was a tabulation of complaints in expenditure- and nonexpenditure-related weaknesses from the 31 decentralized entities, as described in the respective narratives of the audit reports. Table 1 below presents the categories used for the categorisation of audit complaints.





Table 1: Weakness category definitions

Expend	litura	wolate	d woo	Irmaggag
				KILESSES

Unsupported Absence of supporting documents to justify the expenditure

expenditure

Expenditures which could have been avoided including Wasteful expenditure

expenditure for unplanned and unnecessary activities such as

fines, penalties, etc.

Overstated Expenditures where the amount is erroneously recorded, expenditure

exceeding the amount due. This could be a transposition error of sums or any other record resulting in a registered amount

exceeding the amount spent.

In the context of this analysis, 'fraudulent expenditure' involves Fraudulent expenditure unlawful transfer of the ownership of District assets to one's own

personal use and benefit

**Payment** Payment of wages and salaries to ghost employees to

existent staff

# Non-expenditure related weaknesses

Non-respect of laws Remarks on non-compliance with existing laws and procedures of and procedures public financial management

Poor bookkeeping Accounting errors that refer to no entry of financial data,

inconsistent usage of accounting method, lack of reconciliation of books with bank statements, incomplete or lack of inventor, lack of accurate records and poor filing system; failure to make taxes payable entries to the books of accounts, yet taxes has been duly

deducted.

**Posting errors** Accounting errors that refer to entries from books of

original/prime entry to wrong accounts in the ledger and

sometimes to wrong sides of the accounts.

#### Idle assets/funds

Assets/funds that are not being used/utilised, severely underused or used for a purpose other than the intended one.

#### **Recurrence of Audit query**

There is recurrence of audit query to a district /CoK if it has received it more than 1during last 3 fiscal years

# **Inconsistent implementation**

A district/CoK is with inconsistent implementation if it has repeatedly reported with the audit query that it has cleared during the previous fiscal year. This might mean that no consistent or appropriate measures to avoid such audit query.

In addition, each weakness identified was also categorized thematically and according to the related subsidiary entity or programme.

Furthermore, the review of audit reports provides a tabulation of all audit recommendations made by OAG auditors in their reports of the previous year with their current implementation status, the category of complaint that the recommendation refers to and an assessment of the difficulty of the implementation of the recommendation.





The purpose of the categorization is to determine the likeliness of different types of recommendations to lead to immediate PFM improvements of the decentralised entities. A resulting table that indicates the level of implementation of recommendations of different categories for each decentralized entity is compared with the performance in each weakness category for the respective decentralised entity. This allows to identify relationships between implementation of recommendations and performance for different thematic types of recommendations.

The categorization of recommendations by difficulty allows a better understanding of the decentralised units' different levels of implementation. This is achieved by comparison of the decentralised entities' respective levels of implementation of recommendations and the overall difficulty of the recommendations issued.

The difficulty level for implementing a recommendation was selected based on criteria such as staffing, the extent to which the recommendation is under the district's control, required technical skills and resources as described in Table 2.

Table 2: Definitions of the difficulty level of recommendations implementation

Difficulty	Requirement for selection of difficulty level to implement a recommendation				
Very	Implementation only requires the management's and the staff's commitment.				
easy	No additional staff, technical skills, resources needed. It is entirely under the district's control.				
Easy	Low input of additional staff, technical skills or capacity building needed. It is entirely under the district's control				
Moderate	Implementation requires moderate inputs of staff, technical skills, resources. It is entirely under the district's control.				
Difficult	Implementation requires significant inputs of staff, skills, and resources. It is partially under the district's control.				
Very	Implementation requires very significant inputs of staff, skills, and resources. It				
difficult	is beyond the district's control or cannot realistically be implemented within a period of one year.				

#### 3.2 Primary Data

In addition to the quantitative categorization of financial and non-financial weaknesses consolidated from desk review, this study uses primary data obtained through qualitative data collection techniques including focus group discussions (FGD) and key informant interviews (KII) conducted at the level of decentralised entities as well as at national level.

The collection of primary data has involved 5FGD sessions to 8 districts including: Gisagara, Karongi, Musanze, Rwamagana and City of Kigali together with Gasabo, Kicukiro and Nyarugenge. To effectively collect first-hands data reflecting real context, 10 participants closely deal with public financial management and related activities were required to participate in FGDs. Necessarily, respondents would include: Executive Secretaries/ Corporate services Division Managers, Directors of Finance, Directors of Planning, Directors





Chairman of audit Committee, Accountants, Budget Officers, Internal Auditors, Logistics Officers and Procurement Officers.

The criteria to choose a district for FGD were as follow:

- 1. Implementation status of previous FY audit recommendations per province (lowest and best performers), and
- 2. Geographical setting (urban and rural).

Key informants for interviews were selected according to their familiarity, expertise, and experience with the Public Financial Management (PFM) at national level. In addition, the president of audit committee for all selected districts has been interviewed to learn about their experience related to PFM they get from their side.

#### 4. Presentation of Findings

Findings are classified into 5 main categories related to: Expenditure related weaknesses, non- expenditure weakness, findings related to the transfers to NBAs, Investment performance and status of recommendations.

## 4.1 Grants and Transfers to Subsidiary Entities

Chief Budget Manager of each decentralised entity is requested to ensure that reports of all subsidiary entities (non-budget agencies, NBA) under his/her supervision are summarized and attached to the main report of the decentralized entity as an annex in accordance with the format prearranged by the office of the Accountant General as per article 113 of the Ministerial Order no 001/16/10/TC of 26/01/2016. Then the entire report should be submitted to the Ministry of Finance and Economic Planning on due deadlines as per article 66 Organic Law on state finances and property N° 12/2013/OL of 12/09/2013.

Financial reports submitted by the NBAs to the district must be internally reviewed by the accountant in charge of overseeing subsidiary entities in each district. Once the accountant is convinced by the quality of submitted report, he/she prepares a summarized report for each category of subsidiary entity. The summary should include opening balances, transfers from decentralized entities, other revenues, total expenses, surplus or deficit, bank and cash balances, accounts receivables and accounts payables.

The above-mentioned summary is the one to be annexed to the district annual financial statements and reported figures from NBAs should be reconciled with some of those in district financial statement to avoid discrepancies though table 3 indicates that there are still discrepancies between the grants and transfers between disclosed notes by NBAs and according to the District's financial statements in all Districts. A total number of 25 districts out of 30, have received audit query of discrepancies of the amount transferred to NBAs and disclosed amount by NBAs for FY 2017-18.

Additionally, all districts with audit finding related to discrepancies in transfers to NBAs for the fiscal year in row got the same audit query during the fiscal year 2016-17. The thing to be worried about for this financial operation is the inconstancy that exists in resolving the issue of variation in transfers. Some districts have improved while others have reported big discrepancies than in previous fiscal year of 2016-17 as you can get it in previous AG's reports as well as in scrutinises of TI-RW.





Furthermore, the question that continued to be in mind is why majority districts repeatedly reported with poor reconciliation between district's reports and information from NBAs while most of financial operations are being electronically done and specifically districts are using IFMIS, E-procurement and most of staff have ICT skills to allow them to operate through software in order to reduce errors. The table 3 presents districts with discrepancies.

Table 3 Discrepancies in grants and transfers from Districts to subsidiary entities

No	District	Grants and transfers to NBA according to District in RWF for FY 2017-18 (A)	Grants and transfers as disclosed by NBA in RWF for FY 2017-18 (B)	Difference (A-B) for	%
1	Bugesera	1,061,251,743	1,020,686,228	40,565,515	3.8%
2	Burera	1,029,869,546	973,721,502	56,148,044	5.5%
3	Gakenke	1,043,880,174	657,710,122	386,170,052	37.0%
4	Gasabo	2,643,304,218	2,598,236,995	45,067,223	1.7%
5	Gatsibo	1,566,688,588	1,495,535,178	71,153,410	4.5%
6	Gisagara	1,117,429,489	825,165,335	292,264,154	26.2%
7	Huye	1,241,529,323	1,235,316,073	6,213,250	0.5%
8	Kamonyi	1,601,668,061	1,597,767,893	3,900,168	0.2%
9	Kayonza	1,252,939,881	1,189,565,917	63,373,964	5.1%
10	Kicukiro	1,343,990,840	967,393,582	376,597,258	28.0%
11	Kirehe	1,158,764,380	998,905,968	159,858,412	13.8%
12	Muhanga	1,268,697,634	1,138,697,634	130,000,000	10.2%
13 14	Musanze	1,476,836,545	1,320,540,916 1,013,195,494	156,295,629 63,218,974	10.6% 5.9%
15	Ngoma Ngororero	1,076,414,468 1,352,458,697	1,348,989,486	3,469,211	0.3%
16	Nyamagabe	1,526,016,653	1,056,445,664	469,570,989	30.8%
17	Nyamasheke	1,303,889,008	1,086,418,839	217,470,169	16.7%
18	Nyanza	1,140,891,264	1,068,756,743	72,134,521	6.3%
19	Nyarugenge	1,661,723,484	1,484,559,159	177,164,325	10.7%
20	Nyaruguru	1,191,945,621	991,918,867	200,026,754	16.8%
21	Rubavu	1,460,298,019	1,338,910,286	121,387,733	8.3%
22	Ruhango	1,377,697,051	1,344,533,140	33,163,911	2.4%
23	Rusizi	1,554,130,346	1,500,224,267	53,906,079	3.5%
24	Rutsiro	1,322,684,560	1,069,575,056	253,109,504	19.1%
25	Rwamagana	1,215,222,063	1,120,179,369	95,042,694	7.8%
	General Total	33,990,221,656	30,442,949,713	3,547,271,943	10.4%

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2017-18)

This analysis cannot overlook significant efforts made by the 5 districts mentioned in table 4, to completely offset the variations between transfers from the district and the amount reported by NBAs as received from these districts. This deserves encouragements as for the FY 2016-17 they have not received the audit query related to transfers to NBAs as you can see it in last column of below table 4. All five districts free from discrepancies in transfers to NBAs (Gicumbi, Rulindo, Karongi, Nyabihu and Nyagatare) are from Northern, Eastern and Western Province.



Furthermore, the big difference in districts from the same province indicates that may be district are not appropriately sharing best practices under PFM peer learning and peer review that was initiated by MINALOC and became popular in nowadays in local administration.

During the FGDs with staff who directly deal with PFM in districts, they have said that variations in transfers to NBAs is due to lack of strong financial systems and limited financial management skills for largest number of NBAs and the most stated cluster is primary schools. In terms of strategies that can enable districts to genuinely track all transfers to NBAs and reconcile reports from both sides accordingly include establishment of systems such as IFMIS and E-Procurement on the side of infrastructure. Regarding strategies to tackle the issues of limited financial management skills, majority of consulted districts'staff suggested to have at least one staff at each NBA with secondary education level in accountancy to sustainably overcome PFM weaknesses appearing in NBAs. They added that it will be easier to train such staff with minimum knowledge in finance instead of training people with different education background.

Table 4 District with no discrepancies in grants and transfers from Districts to subsidiary entities FY2017-18

No	District	Grants and transfers to NBA according to District in RWF (A) for FY2017-18	Grants and transfers as disclosed by NBA in RWF (B) for 2017- 18	Difference(A-B) for 2017-18	%	Reported Difference in RWF for FY 2016-17
1	Gicumbi	1,258,894,795	1,258,894,795	0	0%	-80,062,090
2	Karongi	1,135,293,005	1,135,293,005	0	0%	111,603,777
3	Nyabihu	1,257,575,870	1,257,575,870	0	0%	-38,004,723
4	Nyagatare	1,396,561,096	1,396,561,096	0	0%	-203,768,604
5	Rulindo	1,002,383,905	1,002,383,905	0	0%	-141,991,035
	General	6,050,708,671	6,050,708,671			
	Total					

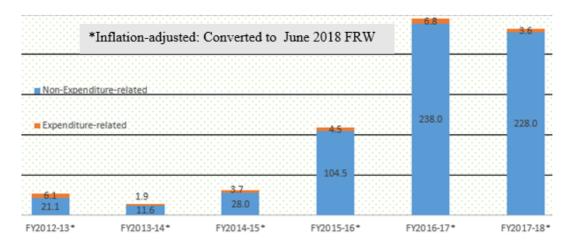
<sup>\*</sup>Negative (-) discrepancy means that NBAs disclosed big amount than recognized transfers by District

# 4.2 Analysis of the Financial and Non-Financial Weaknesses of Decentralised Entities for the FY 2017-18

The current analysis revealed that both total amount for expenditure and non-expenditure weaknesses of decentralised entities have decreased compared to the previous amounts during the FY 2016-17. The decreasing trend should be maintained as for last four fiscal years where the trend was positive as you can see it in below figure 1. This scrutiny indicates that expenditure related weaknesses have considerably decreased from FRW 6.8 billion to FRW 3.6 billion while non-expenditure related weaknesses declined to FRW 228 billion from FRW 238.0 billion. The table 5 below indicates how both expenditure and non-expenditure related weaknesses have been changed compared to previous findings. Further details are provided in the following subsections on expenditure-related PFM weaknesses of the decentralised budget entities.



Figure 1: Amount of PFM weaknesses (in billion RWF) per FY



Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2013-18)

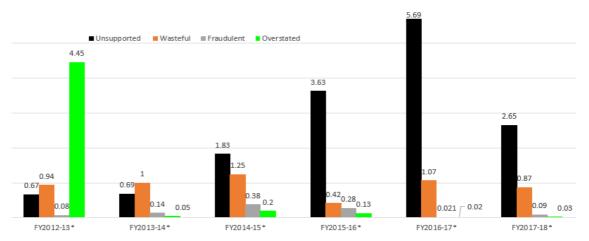
# 4.2.1 Expenditure-Related Weaknesses

Expenditure-related weaknesses have decreased by 46% for all 31 decentralized entities including CoK during the fiscal year of 2017-18 compared to the increase of 52% reported in previous fiscal year. This decrease is a fact to be acknowledged and appreciated as the total amount for expenditure-related weaknesses has decreased from FRW 6.8 billion in previous. FY2016-17 to FRW 3.6 billion during FY2017-18. Results revealed that unsupported expenditures (FRW1.96bn) and wasteful (FRW 0.20bn) as well as procurement (FRW 0.834bn) weaknesses have contributed at 54% and 23% to the total expenditure related weaknesses, respectively.

Another important finding to note is that fraudulent and overstated expenditure related weaknesses have increased compared to the previous fiscal year. For the analysed fiscal year in row, fraud in capitation grants and school feeding by including on the list ghost students; and ineligible beneficiaries in Girinka Program have been found as major fraudulent expenditures while overstated expenditure were made of paying twice suppliers by procuring entity. The district of Nyarugenge and Rutsiro are the ones most affected by fraudulent expenditure for capitation grants and school feeding; while Gatsibo district is the one affected by fraudulent expenditure in Girinka program. Arithmetically, wasteful, fraudulent, and overstated expenditures are small compared to other type of expenditure related weaknesses, it would be a mistake to overlooking them due to their low share as they may have more severe implications on the well-being of the citizens. For example, the overstating one payment or conducting fraudulent transaction, the impact is either suspending another planned activity or cause the government to take loan which is always accompanied by costs.

The unsupported expenditure category is found with the biggest share of expenditure-related weaknesses for the last four fiscal years (see Figure 2).

Figure 2: Amount of expenditure-related weaknesses per FY (in billion RWF)



Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2013-18)

While the amount of wasteful expenditure has remained more or less constant around FRW 1 billion over the years (with the exception of FY 2015-16), the amount of unsupported expenditure has significantly decreased compared to the two previous fiscal years though it is the major component of expenditure weaknesses for all district and City of Kigali.

Inclusively, 0.8% of the total amount of actual expenditure for 30 Districts and the City of Kigali have been identified by the auditors as unsupported, wasteful, fraudulent, overstated during the fiscal year FY 2017-18. The proportion of expenditure related weakness to the total actual expenditure for FY2017-18 is twice less than the same share for previous fiscal year (1.61%).

Table 5: Change in amount of expenditure-related weaknesses per District

District	Amount of exprelated weaknesses FY 2017-18 (FRW)	Amount of exprelated weaknesses FY 2016-17 (FRW)	Amount of exprelated weaknesses FY 2015-16 (FRW)	% change2016- 17 to 2017- 18	% of actual District expenditure
Bugesera	50,117,929	21,172,232	385,264,414	137%	0.29%
Burera	210,739,329	354,443,926	12,603,057	-41%	1.77%
City of Kigali	18,365,673	198,053,311	86,832,691	-91%	0.07%
Gakenke	-	64,490,051	103,596,250	-100%	0.00%
Gasabo	20,579,679	33,183,259	9,247,028	-38%	0.09%
Gatsibo	261,578,902	46,200,000	201,650,809	466%	1.88%
Gicumbi	235,552,359	138,473,624	316,045,571	70%	1.70%
Gisagara	-	728,804,288	0	-100%	0.00%
Huye	56,771,484	121,618,608	0	-53%	0.38%
Kamonyi	-	6,961,500	39,551,562	-100%	0.00%
Karongi	245,960,150	901,766,052	95,668,368	-73%	1.85%
Kayonza	10,848,000	3,500,300	79,744,015	210%	0.10%

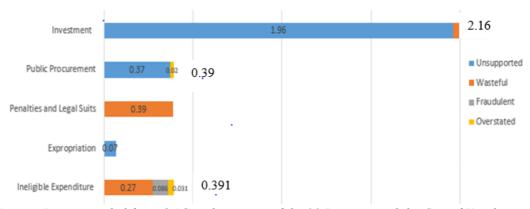


	3,642,021,798	6,800,064,573	4,094,120,894		
Total				-46%	0.8%
Rwamagana	6,570,000	0	5,370,000		0.06%
Rutsiro	188,275,852	673,428,273	2,244,399	-72%	1.47%
Rusizi	355,000,000	17,680,000	870,925,559	1908%	1.91%
Rulindo	-	0	317,030,682		0.00%
Ruhango	69,437,220	0	93,726,867		0.54%
Rubavu	365,014,400	665,325,664	542,059,153	-45%	2.16%
Nyaruguru	20,119,040	0	0		0.14%
Nyarugenge	9,279,250	77,234,149	209,816,324	-88%	0.06%
Nyanza	36,480,000	0	64,063,555		0.30%
Nyamasheke	355,000,000	1,062,935,509	60,052,768	-67%	2.14%
Nyamagabe	131,305,587	186,576,000	149,688,849	-30%	0.97%
Nyagatare	138,286,003	0	3,759,128		0.91%
Nyabihu	373,556,500	760,000,000	72,943,425	-51%	3.11%
Ngororero	350,000,000	701,427,680	28,162,100	-50%	2.58%
Ngoma	3,569,550	0	29,335,120		0.03%
Musanze	77,442,188	0	220,368,126		0.51%
Muhanga	-	5,462,500	73,180,174	-100%	0.00%
Kirehe	12,587,349	0	0		0.12%
Kicukiro	39,585,354	31,327,647	21,190,900	26%	0.29%

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2014-18)

# 4.2.2 Unsupported Expenditure

Figure 3: Expenditure-related weaknesses by thematic subcategory (in billion RWF)



Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali

Unsupported expenditure amounts to 2.65 billion RWF and thus accounts for roughly 73.6% of all expenditure-related weakness. While the amount of unsupported expenditures decreased by 53% compared to the previous fiscal year as per table 6, the number of districts affected by unsupported weaknesses increased to 12 during the fiscal year 2017-18 from 10 in the earlier fiscal year of 2016-17 and most affected districts are concentrated in Western Province(6) and Southern Province(3) as per table 6.



Table 6: Amount of unsupported expenditure per District

No	District	Amount of unsupported exp.	Amount of unsupported exp.	Amount of unsupported exp. FY
		FY 2017-18 (RWF)	FY 2016-17 (RWF)	2015-16 (RWF)
1	Bugesera		-	345,332,614
2	Burera		-	5,484,447
3	City of Kigali			
4	Gakenke		-	53,709,000
5	Gasabo			
6	Gatsibo		-	201,650,809
7	Gicumbi	217,007,359	138,473,624	312,478,915
8	Gisagara	· · · ·	716,540,000	-
9	Huye	50,000,000	121,618,608	-
10	Kamonyi		-	29,430,000
11	Karongi	237,010,000	721,394,264	-
12	Kayonza		-	15,000,000
13	Kicukiro			
14	Kirehe			
15	Muhanga		-	66,970,030
16	Musanze	36,000,000	-	156,618,218
17	Ngoma			
18	Ngororero	350,000,000	686,034,600	28,162,100
19	Nyabihu	368,750,000	760,000,000	72,943,425
20	Nyagatare			
21	Nyamagabe	117,582,347	186,576,000	136,273,740
22	Nyamasheke	355,000,000	1,062,935,509	-
23	Nyanza		-	530,040
24	Nyarugenge		-	147,836,375
25	Nyarugenge			
26	Rubavu	355,000,000	650,000,000	542,059,153
27	Ruhango	69,437,220	-	25,787,818
28	Rulindo		-	300,922,082
29	Rusizi	355,000,000	-	870,925,559
30	Rutsiro	145,995,687	642,857,143	-
31	Rwamagana		-	-
	Total	2,656,782,613	5,686,429,748	3,312,114,325

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

Auditors found that Districts in the Western Province except Karongi are still unable to properly support their investments' shares in Western Province Investment Corporation as it was previously queried too. Other unsupported expenditure is related to the weaknesses in the processes and payments in the domain of public procurement (see also 0) that lack proper documentation. Most notably, Gisagara District failed to provide any documentation on awarded tenders (717 million RWF) of the year 2017 at the time of the audit in March 2018.

## 4.2.3 Wasteful Expenditure

The amount of wasteful expenditure has decreased from FRW 1 billion to more than FRW 867million in FY 2017-18. This report tracks a trend for three last fiscal years as it appears in table 7, it is clear that there are 8 districts (Bugesera, Burera, Gasabo, Karongi, Kayonza, Kicukiro, Nyaruguru) and City of Kigali which have been reported to incurring wasteful expenditures for last three fiscal years. Additionally, districts including Gatsibo, Gicumbi, Gakenke, Gisagara, Kirehe, Musanze, Nyabihu, Nyagatare, Nyamagabe, Nyanza, Rubavu, Rutsiro and Rwamagana have been characterized by inconsistency to exclude weaknesses related to wasteful expenditure while Kamonyi ,Muhanga, Nyamasheke, Nyarugenge, Ruhango, Rulindo and Rusizi have kept a declining trend to overcome issues related to wasteful expenditures for three past years. It is worthwhile to acknowledge commendable and consistent efforts made by district of Huye, Nyarugenge and Rusizi to avoid wasteful expenditures for all in last three fiscal years.

Table 7: Amount of wasteful expenditure per District

No	District	Amount of wasteful exp. FY 2017-18 (RWF)	Amount of wasteful exp. FY 2016-17 (RWF)	Amount of wasteful exp. FY 2015-16 (RWF)
1	Bugesera	25,569,729	21,172,232	8,436,470
2	Burera	210,739,329	351,077,074	5,188,902
3	City of Kigali	18,365,673	198,053,311	86,832,691
4	Gakenke		47,196,560	-
5	Gasabo	20,579,679	33,183,259	9,247,028
6	Gatsibo	226,885,212	46,200,000	-
7	Gicumbi	18,545,000		
8	Gisagara		12,264,288	-
9	Huye			
10	Kamonyi		-	2,474,122
11	Karongi	8,950,150	179,720,050	7,000,000
12	Kayonza	10,848,000	3,500,300	10,058,049
13	Kicukiro	39,585,354	31,327,647	21,190,900
14	Kirehe	12,587,349		
15	Muhanga		5,462,500	6,210,144
16	Musanze	41,442,188	-	16,186,600
17	Ngoma	3,569,550	-	29,335,120
18	Ngororero		15,393,080	-
19	Nyabihu	4,806,500		
20	Nyagatare	138,286,003		
21	Nyamagabe	13,723,240	-	12,811,109
22	Nyamasheke		-	58,025,678
23	Nyanza	36,480,000	-	1,039,312
24	Nyarugenge			
25	Nyaruguru	20,119,040	77,234,149	25,507,667
26	Rubavu	10,014,400	15,325,664	-
27	Ruhango		-	67,939,049
28	Rulindo		-	15,220,628



29	Rusizi			
30	Rutsiro		30,571,130	-
31	Rwamagana	6,570,000	-	5,370,000
	Total	867,666,396	1,067,681,244	388,073,469

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

The largest part (FRW 390 million) of wasteful expenditure consists in costs of legal suits and penalty payments of the Districts. Legal suits payments were often due to the loss of court cases where this cost amounts FRW 212 million (54%) of the total wasteful expenditure. Kicukiro and Musanze have incurred more wasteful expenditure related to the loss of court cases than other districts as per table 7.

Lost court cases result in unnecessary costs for the Districts, but they may have an even larger impact on the society and on individual citizens. Many lost court cases are due to the fact that the District has infringed the rights of dismissed staff. For example, Nyaruguru District incurred wasteful expenditure related to the legal fees related to the loss of court cases related to unlawful suspension of its staff and failure to pay supplier of cows. Bugesera District incurred wasteful expenditure being compensation to different plaintiffs, arising from lost court cases and fines and interests for failure to declare and remit to RSSB. Other identified wasteful expenditures are related to investment with no due diligence and feasibility studies and lack supporting documents as well.

The district with high wasteful expenditures related to investment are Burera with FRW 203 million while the district of Gatsibo incurred a high wasteful expenditure than other districts related to the delay in recovering advance payments on cancelled contracts of FRW 226 million.

#### 4.2.4 Fraudulent Expenditure

Cases of fraudulent expenditure were limited to the failure of recovering FRW 23.6 million of invoice paid twice to the supplier in FY 2017-18. Additionally, capitation grants of FRW 42 million and FRW 9.2million were paid to the ghost students in Rutsiro and Nyarugenge districts, respectively. One must consider, however, that fraudulent expenditure in District may not always be properly detected or may be hidden behind irregularities and cases of noncompliance with law and procedures, e.g. in public procurement. The real amount of fraudulent expenditure may thus be much larger. A typical example was reported in Gastibo district where cows worth to FRW 11,085,690 were given to ineligible beneficiaries. Analysts may not only relate such audit finding to fraud but also to corrupt practices as this transaction lack transparency until to the extent of distributing cows to disallowed beneficiaries.





Table 8: Amount of fraudulent expenditure per District

No	District	Amount of fraudulent exp. FY 2017-18 (RWF)	Amount of fraudulent exp. FY 2016-17 (RWF)	Amount of fraudulent exp. FY 2015-16 (RWF)
1	Gakenke		-	49,887,250
2	Gatsibo	34,693,690		
3	Karongi		-	48,764,832
4	Kayonza		-	54,685,966
5	Nyamagabe		-	604,000
6	Nyanza		-	61,662,050
7	Nyarugenge	9,279,250	-	36,472,282
8	Kamonyi		6,961,500	6,961,500
9	Rusizi		17,680,000	-
10	Rutsiro	42,280,165		
	Total	86,253,105	24,641,500	259,037,880

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

#### 4.2.4 Overstated Expenditure

Auditor General's report noted only two cases of overstated expenditure in FY 2017-18 as it was previously reported but with amount little higher than the previous reported amount as per table 9. Huye district overpaid and underpaid an amount of FRW 6.7 million for performance incentives made to community health workers 'cooperatives while Bugesera district's account was debited twice erroneously by BNR and during the audit, the amount of FRW 24,548,200 was not recovered from supplier.

Table 9: Amount of overstated expenditure per District

No	District	Amount of overstated exp. FY 2017-18 (RWF)	Amount of overstated exp. FY 2016-17 (RWF)	Amount of overstated exp. FY 2015-16 (RWF)
1	Bugesera	24,548,200	0	31,495,330
2	Burera		3,366,852	1,929,708
3	Gakenke		17,293,491	0
4	Huye	6,771,484	0	0
5	Kamonyi		0	685,940
6	Karongi		0	39,903,536
7	Musanze		0	47,563,308
8	Nyanza		0	423,060
	Total	31,319,684	20,660,343	122,000,882

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

# 4.2.5 Payment to Non-Existent Staff

During the fiscal year of 2017-18, none of all district and City of Kigali have received the audit query of payment to ghost staff as it used to happen in previous years.





## 4.3 Non-Expenditure-Related Weaknesses

Non-Expenditure-related weaknesses have decreased by 8% compared to the previous FY 2016-17. They amount to 220.1 billion RWF (idle assets and idle funds excluded) accounting for almost 98% of the total amount of weaknesses. Referring to the figure 4, the largest part of the increase is due to growing weaknesses of the category "Non-Respect of Laws and Procedures and poor bookkeeping". Moreover, the current report indicates that posting errors have drastically increased by 70 times compared to the previously reported figure of FRW 0.01 billion.

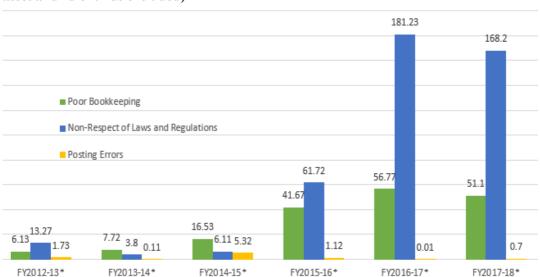


Figure 4: Amount of non-expenditure-related weaknesses per FY (in billion RWF, Idle asset and Idle funds excluded)

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2016-17)

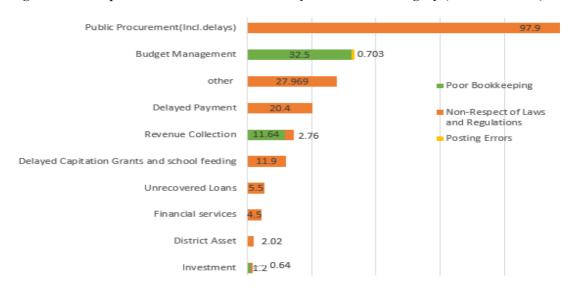
For this FY in the non-expenditure-related weaknesses, weaknesses in public procurement such as delays of execution of contracts, lack of supporting documents for acquired goods and services counts for 24.3% of total expenditure related weaknesses while procurement transactions that suffered from non-compliance with laws and procedures counts 44% of total non-expenditure weaknesses. Overall, audit queries related to the procurement issues count 41.8% of the total of expenditure and non-expenditure weaknesses. The second audit query that has largely affected decentralized entities during the fiscal year 2017-18 is the inefficiency in managing budget as issues related to the budget management has a portion of 14.5% of total non-expenditure weaknesses.

In the same category of non- compliance with laws and procedures, delays in payment and transfer of capitation grants and school feeding as well as direct support transfers have been largely queried by auditors for the fiscal year of 2017-18.

Additionally, the revenue collection, low rate of unrecovered loans, VUP Financial Services and non-compliance with tax laws have been queried as well. The figure 5, reports all queries related to the non-expenditure related weaknesses by subcategory.



Figure 5: Non-expenditure-related weaknesses by thematic subcategory (in billion RWF)



Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2017-18)

Though, geographical comparison of distribution of non-expenditure-related weaknesses across the country might not be reliable due to different number of districts in all 4 provinces and City of Kigali, audit findings revealed that all districts and City of Kigali were affected by non-expenditure weaknesses as per table 10.

During the focus group discussions, districts staff said that the fact that procurement issues take biggest share of non-expenditure related weaknesses is due to the high rate of delays and abandoned projects. They have added that the issues of getting a successful bidder is still complicated, especially in terms of financial capacity, e.g. one company may genuinely prove that has a financial capacity of FRW50 million in one district and when this company gets other 3 contracts in the same period, the real financial capacity will not serve all 4 contracts in the same period. The company is likely to delay or abandon some contracts. Another major cause of delays of projects that was mentioned by districts staff is delay of payment to the projects financed by districts own revenues as districts own revenues seem to be seasonally collected.

Table 10: Change in amount of non-expenditure-related weaknesses per District

No	District	Amount of non-exp related weaknesses FY 2017-18 (FRW)	Amount of non-exp related weaknesses FY 2016-17 (RWF)	Amount of non- exprelated weaknesses FY 2015-16 (RWF)	% change FY2016-17 to FY 2017-18
1	Bugesera	6,975,443,482	3,776,330,809	2,678,071,983	85%
2	Burera	12,951,298,401	6,994,946,631	1,243,459,402	85%
3	City of Kigali	38,698,403,646	37,643,302,717	690,012,518	3%
4	Gakenke	3,647,091,218	19,133,336,956	905,015,804	-81%
5	Gasabo	1,605,373,187	3,888,170,336	6,821,956,812	-59%
6	Gatsibo	3,282,199,895	4,979,739,772	1,806,702,630	-34%
7	Gicumbi	4,169,659,192	3,476,991,338	5,819,127,441	20%
8	Gisagara	5,764,131,768	4,666,162,226	2,090,149,664	24%
9	Huye	2,362,020,495	4,353,084,163	2,518,748,909	-46%
10	Kamonyi	11,892,073,881	2,959,079,826	2,258,702,155	302%
11	Karongi	5,098,724,042	8,580,564,559	7,660,909,762	-41%
12	Kayonza	3,173,774,583	31,477,637,068	6,990,303,115	-90%
13	Kicukiro	8,076,901,918	8,317,218,731	606,331,461	-3%
14	Kirehe	3,885,902,442	4,522,501,000	2,775,759,614	-14%
15	Muhanga	4,063,363,329	5,846,490,732	1,596,584,929	-30%
16	Musanze	8,109,695,436	2,842,689,921	1,677,426,835	185%
17	Ngoma	6,590,013,485	4,310,574,622	1,103,118,121	53%
18	Ngororero	784,310,043	4,532,098,347	6,758,580,919	-83%
19	Nyabihu	2,825,495,768	4,131,412,054	3,845,900,462	-32%
20	Nyagatare	7,261,070,280	9,414,022,146	1,396,157,698	-23%
21	Nyamagabe	3,640,542,601	4,826,505,662	3,603,617,681	-25%
22	Nyamasheke	8,662,041,207	6,902,105,515	5,868,032,619	25%
23	Nyanza	3,607,434,769	2,480,490,945	1,389,079,623	45%
24	Nyarugenge	7,421,514,444	7,036,301,901	3,049,223,873	5%
25	Nyaruguru	8,528,763,763	8,052,664,197	3,802,536,289	6%
26	Rubavu	25,352,433,458	13,477,170,449	2,637,871,097	88%
27	Ruhango	7,883,455,378	2,357,791,639	1,771,906,597	234%
28	Rulindo	1,825,064,858	323,035,589	2,396,510,498	465%
29	Rusizi	3,861,874,112	6,453,770,559	5,346,639,947	-40%
30	Rutsiro	13,978,380,198	6,879,325,060	3,478,485,090	103%
31	Rwamagana	2,775,738,744	3,376,450,317	888,553,415	-18%
	Total	228,754,190,023	238,011,965,786	95,475,476,963	-4%

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

# 4.3.1 Non-Respect of Laws and Procedures

Audit findings revealed that all district and City of Kigali are recurrently affected by non-respect of laws and procedures during last three fiscal years. Auditors identified cases of non-respect of laws and procedures valued at an amount of more than FRW 168 billion in 2017-18 compared to more than FRW 181 billion reported in FY 2016-17 as per table 11. A very large proportion of these weaknesses is related to public procurement, delays in payment and transfer of capitation grants and school feeding, unrecovered loans, financial services. The rest of queries for this category are issues related to the asset management and irregularities in investments that should not be neglected as investments should yield returns.

Table 11: Amount related to non-respect of laws and procedures per District

No	District	Amount FY 2017-18 (RWF)	Amount FY 2016-17 (RWF)	Amount FY 2015-16 (RWF)
1	Bugesera	6,446,782,967	1,599,453,392	925,923,254
2	Burera	9,379,245,609	5,844,992,886	67,123,166
3	City of Kigali	38,355,555,875	37,643,302,717	690,012,518
4	Gakenke	2,522,829,315	4,681,151,078	245,761,223
5	Gasabo	1,605,373,187	2,086,534,899	712,418,329
6	Gatsibo	3,028,220,091	4,021,525,696	653,150,888
7	Gicumbi	3,872,043,541	176,132,245	4,742,243,648
8	Gisagara	4,389,728,742	3,729,293,629	1,665,413,049
9	Huye	1,884,085,887	3,682,504,699	2,252,369,178
10	Kamonyi	11,575,405,881	1,592,767,489	409,566,467
11	Karongi	2,662,461,518	8,046,536,589	5,397,069,891
12	Kayonza	1,841,449,773	31,122,795,052	2,540,762,861
13	Kicukiro	5,256,767,682	317,015,837	127,600,203
14	Kirehe	2,330,203,793	3,518,945,322	15,528,579
15	Muhanga	3,210,670,691	5,151,818,826	1,309,673,665
16	Musanze	5,296,474,690	1,574,892,821	1,445,485,178
17	Ngoma	4,890,758,291	3,956,620,536	370,552,608
18	Ngororero	784,310,043	3,699,771,125	5,113,206,498
19	Nyabihu	2,616,077,125	2,591,168,577	3,385,584,766
20	Nyagatare	5,539,237,747	7,274,303,098	509,428,827
21	Nyamagabe	2,973,522,118	4,706,808,676	3,268,346,680
22	Nyamasheke	8,525,685,546	6,698,439,203	3,563,916,743
23	Nyanza	2,571,316,896	1,268,978,753	838,050,577
24	Nyarugenge	2,418,839,558	6,050,108,479	721,944,254
25	Nyaruguru	8,433,785,268	7,103,215,301	3,225,880,612
26	Rubavu	8,080,543,036	11,755,209,593	2,393,845,694
27	Ruhango	6,903,413,974	2,151,153,519	1,771,906,597
28	Rulindo	1,009,996,265	195,822,821	1,121,575,639
29	Rusizi	2,976,741,425	3,848,274,209	3,092,297,146
30	Rutsiro	4,566,616,798	4,773,634,078	2,914,805,129
31	Rwamagana	2,310,197,990	362,871,141	888,553,415
	Total	168,258,341,322	181,226,042,285	56,379,997,282

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2016-17)

A number of examples to most affected categories are indicated below.

- In Nyamasheke, a contract of FRW 5,561,038,068 rehabilitating for 3 years and
- A water supply contract of FRW 1,419,930,657 in Kamonyi suffered from noncompliance with laws and procedures.
- Regarding delays, 13 contracts amount to FRW 4,506,584, 850 have delayed up to 392 days.
- Abandoned works are concentrated in City of Kigali: a contract of FRW 1,504,011,961 for construction of Gisozi-Karuruma asphalted concrete road on account of the City of Kigali was abandoned,
- In Nyabihu a contract of FRW 907,304,281 for construction of the access roads to the agro-pastoral region of Gishwati Lot 2 was abandoned;
- The same to the contract of FRW 1,069,036,942 for construction of Kamuhoza-Musabike and Mahoko-Nyabirasi roads.





- Still on the point of compliance, the City of Kigali implemented a project of FRW 987,906,790 without feasibility study and supervising company as it is recommended by national investment policy and guidelines.
- Concerning the budget management, most of audit queries are either related to the
  unexplained differences between RRA database and district financial reports or
  difference in approved budget and executed budget. A typical example for this query
  is the unexplained gap between approved budget and action plan in Rubavu of
  FRW16,954,127,553 and Rutsiro District of FRW 8,263,683,539.

Though the amount for non-respect of laws and procedures persistent in district's transactions as per Auditor General's Reports, the current analysis questions why districts and City of Kigali are repeatedly queried about not complying with laws and procedures while the decentralization policy provides a clear governance structure and decision-making process in local government where each district has at least one internal auditor and legal advisor to ensure that all transactions related to PFM are efficiently and lawfully done.

#### 4.3.2 Poor Bookkeeping

All decentralized entities except Gasabo and Gatsibo districts have been reported to be affected by weaknesses of poor bookkeeping amount to FRW 51.11 billion in FY2017-18 compared to FRW 56.77 billion in the FY 2016-17 as per table 12. Large parts of this amount are related to budget management and execution (63.5%), revenue collection (17%) while the rest includes weaknesses related to non-disclosure of NBA balances and irregularities in VUP Financial Services.

In revenue collection, poor bookkeeping practices identified by the auditors consist in the absence of data on tax and fee debtors, unexplained differences between the amount of revenue collected according to different sources such as district financial statements, annual activity reports, monthly collection reports from RRA. Districts were often unable to disclose taxes and fees collected by RRA in their financial statements because they did not receive the transfers in time.

For budget management, districts affected by this kind of weakness failed to provide appropriate explanations of either difference between approved and executed budget or the under/over budget performance on some budget lines and inappropriate budgeting of grants and budget.

Table 12: Amount related to poor bookkeeping per District

No	District	Amount FY 2017-18 (FRW)	Amount FY 2016-17 (RWF)	Amount FY 2015-16 (RWF)
1	Bugesera	435,641,795	2,176,877,417	1,752,148,729
2	Burera	2,719,906,171	1,149,953,745	1,138,685,979
3	City of Kigali	342,847,771		
4	Gakenke	1,124,261,903	14,452,185,878	659,254,581
5	Gasabo		1,801,635,437	6,109,538,483
6	Gatsibo		958,214,076	1,153,551,742
7	Gicumbi	297,615,651	3,300,859,093	1,076,883,793
8	Gisagara	582,963,969	936,868,597	424,736,615
9	Huye	477,934,608	670,579,464	266,379,731
10	Kamonyi	316,668,000	1,366,312,337	1,736,717,435
11	Karongi	539,901,923	534,027,970	2,263,839,871





	Total	51,111,381,512	56,774,751,921	38,069,179,699
31	Rwamagana	465,540,754	3,013,579,176	0
30	Rutsiro	8,761,602,802	2,105,690,982	563,679,961
29	Rusizi	138,145,360	2,605,496,350	2,254,342,801
28	Rulindo	77,134,847	127,212,768	916,683,585
27	Ruhango	672,955,189	206,638,120	0
26	Rubavu	17,122,155,487	1,721,960,856	244,025,403
25	Nyaruguru	6,285,640	949,448,896	576,655,677
24	Nyarugenge	5,002,674,886	986,193,422	2,327,279,619
23	Nyanza	199,549,190	1,211,512,192	440,249,259
22	Nyamasheke	136,355,661	203,666,312	2,304,115,876
21	Nyamagabe	429,162,248	119,696,986	335,271,001
20	Nyagatare	1,721,832,533	2,139,719,048	886,728,871
19	Nyabihu	209,418,643	1,540,243,477	53,115,285
18	Ngororero		832,327,222	1,645,374,421
17	Ngoma	1,699,255,194	353,954,086	732,565,513
16	Musanze	2,813,220,746	1,267,797,100	231,941,657
15	Muhanga	425,834,286	694,671,906	286,911,264
14	Kirehe	1,555,698,649	1,003,555,678	2,760,231,035
13	Kicukiro	2,820,134,236	8,000,202,894	478,731,258
12	Kayonza	16,683,370	343,670,436	4,449,540,254

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

- Rubavu, Rutsiro, Musanze and Kicukiro serve as example of districts were unable to explain the difference between the approved and the executed budget /plan of a total amounts of FRW 16,954,127,553, FRW 8,263,683,539, FRW 2,553,046,578, and FRW 1,934,265,878, respectively.
- Sixteen districts reported to be not able to explain difference between expected and actual revenue affecting the completeness of revenue collected and reported by the district and lack of reconciliation between actual collections and the taxpayers database to ascertain completeness and accuracy of revenue collected and reported for an amount of FRW 9.61 billion.
- Seven Districts failed to adequately disclose VUP Financial Services funds in their financial statements (FRW1.7 billion) then that auditors lacked information on amounts transferred, loans granted, unutilized funds, unrecovered loans, etc.
- Ruhango, Muhanga and Nyabihu did not provide complete information related to their investments made in different corporations of an amount of FRW 1.27 billion.
- Unexplained differences in the balances and transfers disclosed in the District financial statements and in the subsidiary entities' reports were observed in a number of Districts.

#### 4.3.3 Posting Errors

For the fiscal year under scrutiny, the posting errors are limited to a single transaction erroneously posited in books of accounts of Rulindo district. An amount of FRW





703,737,427 inconsistency in budgeting and accounting treatment appeared in the District books of and has misstated the budget execution report.

#### 4.4 Weakness Investment Performance

This section provides details on the value and geographical location of unproductive investments as well as main causes for idle assets and possible solutions proposed by districts staff.

#### 4.4.1 Idle Assets

Idle assets may be the result of the absence or the poor quality of feasibility studies, of lack of capacities, of poor maintenance or of poor quality of construction or equipment. For the fiscal year 2017-18, auditors noted idles assets count to FRW 6.49 billion compared to a total amount of 4.7 billion in the FY 2016-17 in decentralized entities. This audit query persists with positive trend as during the fiscal year 2015-2016 the total amount was FRW 2.4 billion. The districts of Muhanga, Nyamagabe, Nyanza, Nyaruguru, Ruhango, Rulindo, Rusizi and Rutsiro are among districts that have been reported twice in last three fiscal years with unproductive investments.

The table13 below, shows that only 12 districts were not affected by recurrent audit query related to idle assets for fiscal year 2017-18. The upward trend for idle assets implies that majority of districts did not comply with guidelines that require a detailed feasibility study for all government projects and investments equal or exceed to Frw 10 million. The most important elements of the feasibility study that would prevent the unproductivity of the investment/ project include: the need assessment and the relevance of the project, demand analysis, risks assessment, financing options and sustainability analysis (MINECOFIN, 2018).

Normally, a project that satisfies all these elements would not result into idle asset. Additionally, the national investment policy in Rwanda, sticks too much on the fact of the project/investment to being first of all a priority for the community, effective management of the project and ensuring transparency and accountability along the implementation processes (MINECOFIN, 2017). It is not understandable how the value of idle assets continuing to top up in since three last years while the implemented projects would not be funded either by general budget, LODA or being approved by investment committee/District council without convincing feasibility studies.

During the focus group discussions, staff from districts said that, the main reasons of idle assets is due to poor planning for projects and limited focus in validation of feasibility studies that result into idle assets. During the FGDs with staff in consulted districts insisted on the strategy of joint planning as sustainable remedy to idle assets. This recommendation is addressed to the central government and other partners that plan implement their projects at district level



Table 13: Amount of idle assets per District

No	District	Amount FY 2017-18 (RWF)	Amount FY (RWF)	2016-17	Amount FY (RWF)	2015-16
1	Bugesera	93,018,720				
2	Burera	554,478,470				
3	City of Kigali			-	222,116	,624
4	Gakenke		8,50	0,000		-
5	Gasabo					
6	Gatsibo		420,81	8,254		-
7	Gicumbi			-	78,700	,500
8	Gisagara	534,309,928				
9	Huye					
10	Kamonyi		122,32	4,790	1,827	,586
11	Karongi	1,573,759,399				
12	Kayonza	1, 315,641,440				
13	Kicukiro					
14	Kirehe		509,455,	506		-
15	Muhanga	33,621,019.11		-	402,516	,321
16	Musanze			-	111,728	,605
17	Ngoma					
18	Ngororero	688,337,406	1,052,07	1,098	778,546	,830
19	Nyabihu			-	27,484	,155
20	Nyagatare			-	59,120,2	98
21	Nyamagabe	237,858,235	173,35	4,723	244,249	,489
22	Nyamasheke			-	64,599	,307
23	Nyanza	836,568,683	1,430,816,3	345	89,848,6	38
24	Nyarugenge			-	149,485	,020
25	Nyaruguru	70,457,455	300,65	8,539		-
26	Rubavu	149,734,935				
27	Ruhango	178,657,000	218,85	1,858	12,100	,000
28	Rulindo	34,196,319	134,69	3,894		-
29	Rusizi	500,092,300	337,848,	574	168,583,9	19
30	Rutsiro	381,184,857		-	12,758	,340
31	Rwamagana	0		-		-
	Total	6,493,578,760	4,709,393,5	581	2,423,665,6	32

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

Eventually, the effect of idle assets is a lack of clean water delivered to citizens, deficiency in cross-border market that facilitates inter-country trade which yields more benefits to individual citizens of variety of goods and services and with significant contribution to the national economy in terms of taxes, transmission of knowledge and expertise. Additionally, there is lack of income generation and economic development through production or tourism, of provision of affordable housing, renewable energy (BIOGAS) as the categorization of idle assets clearly shows (see Error! Reference source not found.).



Water and Sanitation Crossborder Market 1.5 Tourism 0.803 0.461 Biogas Housing 0.34 Public Light 0.15 Factory 0.141 School Building not in use 0.128 Diarv 0.087

Figure 6: Amount of idle assets per type (in billion FRW)

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2017-18)

Some of the most notable idle assets are the following:

- Idle sanitation infrastructure of FRW 1.2 billion constructed by Lake Victoria Water Supply and Sanitation program (LVWATSAN II) for Kayonza District, that was idle for 21 months after handover.
- A repeatedly audit query in Nyanza District related to the nonregular operational of faecal sludge treatment plant as well as the tractor, trailers, and incinerator since the time it was handed over. The total value counted as not operational worth to the amount of FRW 695,152,262.
- The constructed water kiosks of FRW 534,309,928 in Gisagara were not working to supply water to beneficiaries yet provisional handover was done on 23 August 2018
- Karongi cross border Market not yet fully put to use of FRW 1.5 billion
- Idle cowshed and biogas of FRW 306,024,217 constructed in Kivumu and Mushubati IDP model villages in Rutsiro District.

#### 4.4. Idle Funds

Idle funds and assets were included as integral and separate category since in the fiscal year of 2015-16. The amount of idle funds has substantially decreased to the amount of FRW 2.18 billion of available funds that were not properly disbursed relatively to the amount of FRW 4.67 billion in previous fiscal year as per table 14. Another finding to acknowledge is the decline of number of districts that were affected by weaknesses related to idle funds that has decreased to 9 compared to the 18 reported in previous fiscal year. This indicates that beneficiaries of 9 districts were not affected. Still a large proportion (82.5%) of idle funds of is related to funds intended for VUP Financial Services that Umurenge SACCOs were unable to disburse to target beneficiaries compared to 77% of VUP financial services not disbursed. Such finding reminds and calls the entire value chain of VUP program to revisit the existing model to deeply scrutinize challenges that are behind of recurrent poor performance.





Though the disbursement is criticised to be unable to allocate available funds to eligible projects, the rate of recovery was found at very low rate too. The (OAG, 2018) indicated that only Frw 13,554,330,968(68%) out of disbursed loans of Frw 20,032,630,271 has been recovered by 30 June 2018. During the focus group discussions with staff in charge of VUP program indicated that the low rate of disbursement of financial services for FY 2017-18 was mainly due to the high interest rate (from 2% in first scheme to 11% in second scheme known as SACCO scheme) and in addition to the higher interest rate, the selection criteria for project were so tough as SACCO was doing this in loan management context not in VUPfinancial services context.

When talking on the issues of low rate of recovery, at district level, they mentioned that it is still hard to them to recover loans provided due to many cases of project failed and you find them with no other means to repay the loan. Other challenges that undermine the high rate of recovery include deaths of some beneficiaries, high mobility in the countryside and nonsound recovery loan policy which encourages the nonrepayment. As they work on daily basis in this program, they suggested that government should take decision on pending issues related to unrecovered loans, especially in the first scheme and their suggested that better to include in the implementation of VUP-financial services a staff at sector level who is solely in charge of it and can help in monitoring the projects 'implementation and recovery of the loans to successfully implement the component of financial services.

Table 14: Amount of idle funds per District

No	District	Amount FY 2017-18 (RWF)	Amount FY 2016-17 (RWF)	Amount FY 2015-16 (RWF)
1	Bugesera		-	33,130,001
2	Burera	297,668,151		
3	City of Kigali			
4	Gakenke		3,900,720	-
5	Gasabo			
6	Gatsibo	253,979,804	369,008,622	62,777,600
7	Gicumbi		-	87,582,992
8	Gisagara	257,129,129	60,000,000	-
9	Huye		19,721,136	-
10	Kamonyi		592,174,202	1,666,530
11	Karongi	322,601,202	645,414,519	319,523,070
12	Kayonza		310,118,007	68,608,314
13	Kicukiro		130,521,023	50,737,225
14	Kirehe		-	425,085,431
15	Muhanga	393,237,333	520,685,580	501,722,083
16	Musanze		143,231,309	-
17	Ngoma		-	208,862,370
18	Ngororero			
19	Nyabihu		-	71,947,591
20	Nyagatare		229,596,532	30,502,933
21	Nyamagabe		45,974,446	269,700,595
22	Nyamasheke		-	381,389,125
23	Nyanza		27,866,925	-
24	Nyarugenge		112,229,971	20,000,000
25	Nyaruguru	18,235,400	501,220,177	514,779,055
26	Rubavu		-	18,600,000
27	Ruhango	128,429,215	366,558,604	510,672,573
28	Rulindo		260,353,483	-



29	Rusizi	246,895,027	335,761,703	-
30	Rutsiro	268,975,741	-	910,086,967
31	Rwamagana			
	Total	2,187,151,002	4,674,336,959	4,487,374,455

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2016-17)

Recurrent and possibly very impactful issues such as irregularities in public procurement, delays in execution of contracts, complaints regarding Districts' investments and delayed payments and transfers are related to weaknesses in different categories and can thus be considered as cross-cutting. The following sections give an overview over the most important cross-cutting issues.

# 4.5 Public Procurement irregularities

Analysis of procurement transactions (idle assets excluded) based on weaknesses categories revealed that respective queries identified by the auditors during the fiscal year under analysis count to Frw 96.4 billion compared to the figure of Frw 100 billion reported in the previous fiscal year. The issue of contracts management takes the biggest portion of the total amount Frw 49.2 billion (51%).

The second group of procurement weakness include: delayed projects, abandoned works, poor quality of works and awarding tenders out of procurement plan and irregularities in tenders. The largest part of this amount refers to non-compliance to laws and procedure. Public procurement law and procedures are put in place to ensure that all transactions are lawful done. Non-compliance with laws and procedures may be due to negligence or ignorance, but it may also well be a red flag for corrupt practices.

Among procurement weaknesses, the current analysis indicated that projects of construction and maintenance of roads are the most affected with a proportion of 42% of total amount of procurement weaknesses. Procurement irregularities were observed in construction for IDP model villages for most citizens exposed to risks zones, categories of citizens without houses due to the lack of financial capacity and houses for genocides survivors who needed the government assistance. Additionally, the water supply and sanitation as well as construction of modern markets projects and construction of health centres have been reported among most at risk procurement transactions.

The above-mentioned audit findings revealed that though Government is doing the best to assist citizens with no means to survive, the procurement process is still lethargic to cope with the national social protection efforts that the country has put in place. The results of more irregularities in procurement process in implementation of the above-mentioned project leave beneficiaries in need while the policy making side has successfully managed to mobilize required funds.





Road Construction and Maintenance 40.9 Other 28.2 Houses for Citizens in need 99 Water supply and Sanitation Modern Market Hotels/Guesthouse 3.3 Health Centres 2.2 TVT, Classroom, Craft Centers Public lights 1.11 0.37 Agriculture projects Administrative office 0.04

Figure 7: Key Procurement weaknesses by project type (in billion FRW)

The following projects are samples of procurement irregularities that were identified by auditors.

- The field visit conducted by audit team in Bugesera district revealed that a project of Frw 761, 278, 358 dedicated for construction works of 35 houses, four in one IDP Model phase III at Rweru Sector has delayed.
- In Musanze district, the physical verification carried out revealed that the health post was not yet constructed 10 months after the expiry of the contract period at Gatovu IDP Model Village Frw 767,102,314
- In Gicumbi district, a project of Frw 639,195,651 related to construction of Nyamiyaga Health Center was abandoned twice. This case happened in districts of Gicumbi, Kirehe, Nyamasheke and Rutsiro.

The current analysis opts to scrutinize procurement related irregularities considering types of weakness. As it indicated by below figure8, the contract management represents highest portion (51%) of the total value of procurement weaknesses as per types of irregularities. Regarding the kind of weaknesses, the analysis revealed that projects worth to Frw 2.3 billion were totally against to the procurement guidelines. It is worrying to see a procuring entity that commits itself to provide works to contractors without supervision and this fact is violation of regulator's guidelines. The circular No10/2005-1215/NTB published on 08/09/2005, requested all public procuring entities that any tender for works of value equal or exceeding to Frw10 million necessitates a compulsory feasibility study and supervision to ensure that there is quality and durability of the acquired asset. Having findings related to the violation of the above-mentioned circular in 2018, after thirteen years, may bring in mind the question that some procuring entities intentionally violate procurement laws and regulations.



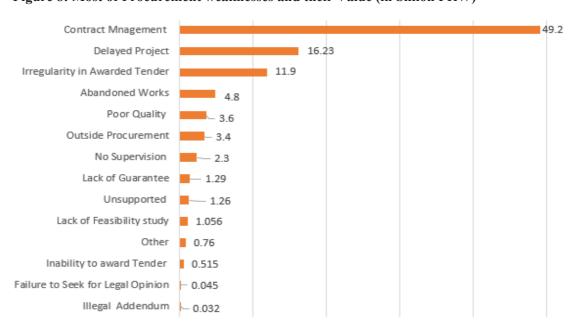


Figure 8: Most of Procurement weaknesses and their Value (in billion FRW)

For the fiscal year 2017-18, audit complaints related to the procurement weaknesses per weakness type, revealed that eighteen districts have been affected and the City of Kigali is the most affected with issues related to the contract management as it has 7 affected projects amount to Frw13.8 billion and it is followed by Nyaruguru district that has 6 affected projects that amount Frw 6.6billion.

The highest amount of an audit complaint refers to the Contracts for the rehabilitation, upgrading and 3 years maintenance works of selected feeder roads in Nyamasheke District funded by World Bank of Frw 5,561,038,068.

Other notable weaknesses are related to:

- Irregularities noted in the completion of execution works of access roads to Kigali Convention Center (KCC), no provisional handover had taken place 598 days after technical handover, no evidence that the related penalties of delay were charged, and materials suggested in technical handover were supplied(Frw 4,125,872,896).
- Delays noted in the completion of construction works of developing asphalt and murram roads in Kanombe general area (Kanombe barracks and Kanombe Military Hospital), Contract was extended to 25 May 2018, but the physical verification of January 2019 revealed that works were still in progress (3,979,005,607).
- Persistent delays in implementation of Ngoma District Hotel Project (Frw 3,252,095,675).
- Weaknesses noted in contract execution for construction of asphalt road in Ruhango town. The project suffered from issues such as lack of updated bill of quantities, failure to prepare revised bill of quantities for other sections, performance guarantee expired in the course of the contract execution period and lack of evidence of recovery of advance payment (Frw 5,303,608,880).





The lack of feasibility studies or inappropriate feasibility studies have further implications, as they pose a risk to the sustainability of projects and may lead to idle assets. District officials emphasized to this during the focus group discussion sessions conducted as part of this analysis and urge to LODA to strongly support adequate and realistic feasibility studies for all District projects.

### 4.5.1 Delays in contract execution

The aspect of delays in the implementation of contracts has been receiving a special consideration since the introduction of this work to emphasize on the effects of delays on the performance of planned projects and beneficiaries and on the socio-economic aspects of contractors and their workers. This part underlines most procurement weaknesses faced by districts. Auditors identified projects amounting to 16.2 billion during FY2017-18 compared to RWF 48.6 billion in the previous year that were seriously delayed as per figure 9.

Construction and Maintenance of Roads 5.89 Water Supply and Sanitation Construction of Houses 2.37 TVT,Classroom,Craft Centres 0.459 Health Center 0.419 Public lights 0.161 Administrative office

Figure 9: Delayed contract execution by project type (in billion RWF)

Source: Data from OAG's Report of State Finances (Financial Year 2017-18)

Based on key findings related to the public procurement issues above presented, most delayed projects are ones of construction and maintenance roads, water supply projects, construction of shelters for most exposed groups and health centres to mention few. It is easier to confirm that the delay of the above projects has negatively affected socio-economic conditions of beneficiaries. Imagine at which extent local community suffering from lack of health facilities near them as well as how lack of roads affects them. The same lack of clean water is an indicator of poor living conditions. Some notable examples of delayed road construction works are:

- Significant low performance for the execution of the construction works (Frw, 1,061,752,747) for rehabilitation of Rusizi town tarmac roads, conditional phase 4.94
- Delay in completion of construction of Urban Asphalt roads of Frw 437,016,068 in Nyamata city-Bugesera district.
- In Bugesera district, auditors noted delays in the contract management of construction of Kanyonyomba water supply system (Frw1,992,659,627)
- In Bugesera district, auditors noted Delay in construction of 35 houses four in one IDP Model phase III at Rweru Sector (761,278,358).





• Auditors noted in the construction works of extension of Nyamasheke Health Centre (Frw 419,089,534).

Abebit (2013) revealed that most causes of delay of project implementation as ineffective planning and scheduling by owners, tight conditions for loan disbursement shortage of equity contribution, limited capacities to identify mitagate and manage risks.

During focus group discussions, District staff mentioned that delays in project implementation often lead to increased costs, e.g. due to extended supervision periods and the loss of value of money. For them they have pointed out that the inability of some contractors to honour their contracts despite sufficient evidence for their capacities provided during the bidding process as main cause of serious delays. In details ,district staff mentionned the issue of finacial capacity as the main cause of delay/ abandoning projects.

#### 4.6 Investments related Weaknesses

Weakness in districts' investments were identified as a cross-cutting issue since last year's editions of this analysis up today. During the fiscal year 2017-18, irregularities related to the investments amounted to Frw 4.5 billion compared to Frw 42 billion reported in FY 2016-17 as per table 17. As it was in the previous fiscal year with a total amount of almost Frw 8.2 billion of investments were unsupported while in 2017-18 the same query is around Frw 2.5 billion.

Through there is remarkable decrease in weaknesses related to investment, still the largest proportion of these irregularities are related to Districts' investments in Provincial investment corporations and the most affected districts are ones from the Western Province and Southern Province for their shares in Western Province Investment Corporation (WESPIC) and Southern Province Investment Corporation as per table 17.

Table 15: Investment-related weaknesses per corporation and District

Corporation/District	Investment issues FY 2017-18in FRW	Investment Issues FY 2016-17 in FRW
EPIC		24,934,703,304
Kayonza		24,934,703,304
SPIC&Other investment	2,126,833,023	5,316,773,682
Huye (SPIC)	50,000,000	622,886,841
Gisagara	523,772,061	
Kamonyi	316,668,000	1,357,000,000
Muhanga (RFTC)	425,834,286	1,357,000,000
Nyamagabe	52,603,487	1,357,000,000
Nyanza	85,000,000	
Ruhango (RIC&SPIC)	672,955,189	622,886,841
WESPIC	1,910,995,687	5,191,428,572
Karongi		697,857,143
Ngororero	350,000,000	665,000,000
Nyabihu	350,000,000	760,000,000
Nyamasheke	355,000,000	992,857,143
Rubavu	355,000,000	650,000,000
Rusizi	355,000,000	782,857,143



Rutsiro	145,995,687	642,857,143
Kayonza		4,168,246,774
Mount Meru Soyco Ltd		4,168,246,774
GABI		970,635,840
Gisagara		970,635,840
Kayonza Taxi Park Management		630,084,899
Kayonza		630,084,899
Burera Beach Resort	554,478,470	500,000,000
Burera	554,478,470	500,000,000
Noguchi Holdings	203,139,329	341,477,074
Burera	203,139,329	341,477,074
Total	4,592,307,180	42,053,350,145

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2016-18)

Generally, weaknesses related to investment in many districts consist of persistent lack of full documentation of districts 'shares in the provincial investments. The key missed supporting documents include: Memorandum of Understanding, articles of association, a business plan, projected cash flows and profits, investment returns, or minutes of Board of Directors meetings, informative certificate of shares and lack of audited financial statements.

Except Nyamasheke district that was found with lack of Memorandum and Art of associations, business plan, projected cashflows and financial statements other districts in western province, commonly, the issue of difference in disclosed shares in their respective reports were not as the same shares on RDB company registration.

The issue of incomplete information for investment has been too noted districts' investments in SPIC. For example, in Ruhango district auditors found that presented information in investments disclosure note in the financial statements an understatement of district investment in RIC as well as lack of audited financial statements of SPIC while for Huye district noted gaps in investment made by Huye district in SPIC was unexplained difference between share capital as per registration certificate issued by RDB and district report.

It is only the district of Burera in Northern Province that was reported with unique investment weaknesses. For the fiscal year 2017-18, Burera district incurred wasteful expenditure of Frw 203,139,329 invested in NOGUCHI Holdings Ltd and the partnership was terminated without principal amount and returns. Similarly, the same district reported to with idle investment of Frw 554, 478,470 invested in Burera Beach Resort which is still not operating.

Just the same as in the previous FY, Districts in Western Province were still unable to provide essential supporting documentation for their investments in WESPIC, such as Memorandum of Understanding, articles of association, a business plan, audited financial statements, projected cash flows and profits, investment returns, or minutes of Board of Directors meetings. There were also discrepancies in data on the number of WESPIC shares held by Districts and lacking information on the value of shares.

Regarding to the query related to the lack of supporting document of investment made, the districts of Kayonza has made tremendous efforts to clear 53% of the total investments





weaknesses reported in Kayonza District's investment in EPIC and in Kayonza Taxi Park Management as well as in Mount Meru Soyco Limited for fiscal year of 2016-17 as per above table 17.

## 4.7 Delayed Payments and Transfers

The report of Auditor General of 2018 indicated that delayed payments and transfers for fiscal year 2017-18 amount to Frw 2.6 billion compared to Frw 3.9 billion for the fiscal year 2016-17. The same report indicated that 11 districts were unable to make VUP support payments compared to 23 districts that had the same issue during last fiscal year with delays of up to 349 days as per table18 below. Cash transfers in the framework of VUP Direct Support are provided to extremely poor households with no adult labour capacity and are intended to provide "regular and predictable support of those living in poverty and vulnerable to falling into poverty" (MINALOC, 2011, p. 2). Delays in these transfers may thus be very harmful to the most vulnerable citizens and seriously put their livelihood security at risk.

Table 16: Delayed social protection cash transfers per District

		FY2017-18		FY2016-17	
	District	Delay (days)	Amount (RWF)	Delay (days)	Amount (RWF)
1	Bugesera			36-66	131,233,300
2	Burera			43-240	211,056,452
3	City of Kigali				
4	Gakenke		99,904,050	40-205	235,483,700
5	Gasabo	4-84	156,653,300	27-68	57,185,800
6	Gatsibo			28-83	225,893,300
7	Gicumbi	4-109	423,901,550	14 -261	431,542,000
8	Gisagara	18-108	213,634,600	37-68	142,964,700
9	Huye	11-78	418,720,450	14-236	319,080,600
10	Kamonyi	14-349	301,700,600	43-83	73,110,850
11	Karongi				
12	Kayonza			27-337	286,786,000
13	Kicukiro			15-263	59,247,200
14	Kirehe				
15	Muhanga	40-91	47,826,550		
16	Musanze			21-268	23,365,450
17	Ngoma			16-258	101,540,400
18	Ngororero			300	251,925,756
19	Nyabihu		26,429,700		
20	Nyagatare		106,400,596		
21	Nyamagabe	11-103	219,827,400	28-285	402,624,000
22	Nyamasheke				
23	Nyanza			20-66	336,620,500
24	Nyarugenge	7-40	22,535,900	46	2,599,000
25	Nyaruguru	28-80	201,435,200	114	13,818,000
26	Rubavu				
27	Ruhango			11 -277	432,571,500
28	Rulindo	17-78	87,053,500	22-82	27,796,000
29	Rusizi			311	35,895,500
30	Rutsiro	26-86	236,782,000	286	19,176,000

31	Rwamagana	10-55	42,308,300
	Total	2,562,805,396	3,863,824,308

Data from OAG's Report of State Finances (Financial Year 2016-17)

According to the Social protection and VUP report based on the Rwanda Integrated Household Living Conditions Survey 2013-14 (EICV-4), Direct Support transfers are most commonly used by the beneficiaries for basic needs such as food and clothing (NISR, 2015, p. 27).

The findings from the District audits correspond to the finding of EICV-4 that 86% of beneficiaries receive VUP Direct Support typically with more than a month delay. Direct Support payments should be made at the beginning of every month. The amount of payment depends on household size. As the average value of payment per household stands at RWF 13,100, one can estimate that the delays concerned almost FRW 300,000 monthly household payments. In focus group discussions, district staff attributed delayed payments of social protection cash to the late disbursement of funds from MINECOFIN and other stakeholders and that it is rarely to delay lists of beneficiaries.

Districts also failed to timely disburse grants for capitation and for school feeding to schools. These transfers are supposed to be made every quarter, ensure school operations, and provide feeding to students with the goal of fighting malnutrition among children.

In focus group discussions, District staff recognized the fact that students suffered from this delay in their daily life. They attributed the delayed transfers to the tardy approval of students lists by the Ministry of Education (MINEDUC). They added that delay should be attributed to the institution that has delayed the process of transferring cash.

Table 17: Delays in transfer of capitation and school feeding grants per District

		FY2017-18		FY2016-17	
No	District	Delay (days)	Amount (RWF)	Delay (days)	Amount (RWF)
1	Bugesera	59-150	575,284,122		
2	Burera	15-143	593,888,756		
3	City of Kigali				
4	Gakenke		672,253,303	44-174	350,155,795
5	Gasabo			16-48	25,173,612
6	Gatsibo	143	315,741,366	79-100	324,838,575
7	Gicumbi	49-218	864,469,141	44-164	305,913,919
8	Gisagara	90	117,628,414		
9	Huye		159,558,819		23,540,805
10	Kamonyi	24-156	685,863,536	463	13,637,160
11	Karongi				
12	Kayonza	53-150	607,534,244	52-111	7,766,280
13	Kicukiro	29-81	380,142,732	55-141	32,287,040
14	Kirehe		742,541,265		
15	Muhanga	16-191	1,200,694,516		
16	Musanze	81-168	434,332,158		
17	Ngoma	60-312	627,158,833		
18	Ngororero				
19	Nyabihu		626,215,386		
20	Nyagatare		822,855,813		
21	Nyamagabe	13-154	675,591,704		
22	Nyamasheke			30-83	404,531,820



23	Nyanza		35,353,824		
24	Nyarugenge	57-148	233,253,263		
25	Nyaruguru				
26	Rubavu			66-129	8,073,545
27	Ruhango				
28	Rulindo	116-157	228,051,969	11-92	23,042,085
29	Rusizi	42-168	832,382,721		
30	Rutsiro	49-176	739,021,204	49-128	23,768,405
31	Rwamagana	44-319	536,950,878		
	Total		12,706,767,967		1,542,729,041

Data from OAG's Report of State Finances (Financial Year 2016-17)

During the fiscal year of 2017-18, the City of Kigali as well as Bugesera, Muhanga, Nyagatare and Rutsiro districts failed to make timely payments of suppliers' invoices of a total amount Frw 2.16 billion. Gakenke (Frw 36 million) and Rubavu (Frw 107 million) district failed to make timely transfer of operational funds to district hospitals.

# 4.8 Monitoring of Audit Recommendations

In the audit reports of the FY 2017-18, a total number of 1,631 recommendations were issued compared to the total of 1,427 issued recommendations to 30 districts and the City of Kigali. It is worthy to policy and decision makers to draw a lesson to the increase of issued recommendations year by year. For this scrutiny, there is an increase of 14.2 % of issued recommendations compared to the fiscal year of 2016-17. Considering the implication of PFM related weaknesses on the livelihood of citizens, the increase of issued recommendations reflects the further increase of the total amount of weaknesses and shrinking citizens' development.

As far as the level of implementation is concerned, the level of implementing audit recommendations is still under 75% in local administration entities. Though districts that have improved in implementing recommendations, the issue of inconsistence in implementation is still observed for districts and City of Kigali except in 7 bolded districts indicated in below table 21.

Table 18: Implementation of FY 2016-17 audit recommendations per District

No	District	FY2016-17	FY 2015-16	FY 2014-15
1	Rwamagana	73%	72%	81%
2	Nyaruguru	69%	60%	71%
3	Nyarugenge	68%	61%	42%
4	Kayonza	67%	67%	53%
5	Bugesera	65%	67%	62%
6	Huye	62%	56%	74%
7	Nyamasheke	60%	39%	23%
8	Gisagara	58%	67%	57%
9	Nyamagabe	58%	65%	54%
10	Ngoma	56%	63%	55%
11	Rutsiro	56%	50%	43%
12	City of Kigali	55%	53%	63%
13	Nyagatare	55%	39%	43%
14	Nyanza	55%	52%	41%



2					
15	Karongi	54%	56%	44%	
16	Kamonyi	53%	49%	44%	
17	Muhanga	53%	38%	28%	
18	Rusizi	53%	49%	42%	
19	Ruhango	50%	57%	45%	
20	Gakenke	49%	59%	60%	
21	Gicumbi	49%	46%	42%	
22	Ngororero	49%	51%	21%	
23	Gasabo	48%	68%	66%	
24	Gatsibo	46%	56%	41%	
25	Rulindo	46%	57%	51%	
26	Nyabihu	45%	43%	41%	
27	Kirehe	41%	59%	68%	
28	Rubavu	41%	42%	50%	
29	Burera	39%	39%	60%	
30	Kicukiro	36%	41%	45%	
31	Musanze	30%	52%	44%	

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-18)

The achievement of Districts regarding the implementation of audit recommendations cannot be measured by the proportion of fully implemented recommendations alone. This is because of two reasons: 1) the number of recommendations issued by the auditors differs significantly between the Districts, 2) the quality of the recommendations issued varies strongly in regard with how difficult they are to be implemented. But for this fiscal year, most of districts and City of Kigali received 86% of very easy and 8.6% of easy audit recommendations which means that around 94.6% of received audit recommendations by districts were easily implementable as audit recommendations that required moderate resources and skills were at 5.3% and difficult recommendations represented 0.2 % of total recommendations as per below figure shows the total number of recommendations issued per decentralized entity and their difficulty level.



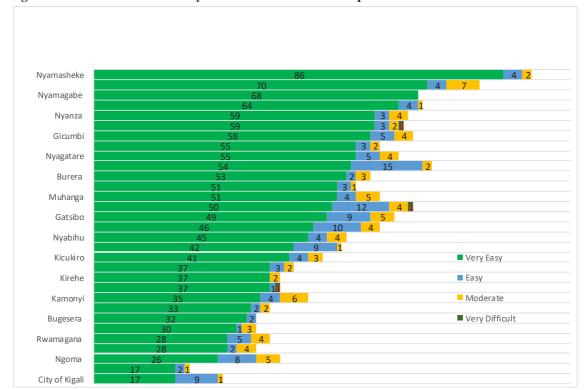


Figure 10: Number and difficulty of audit recommendation per District

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2016-17)

The number of recommendations per District varies from 20 to 92 in 2016-17 compared to 17 to 74 in FY 2015-16 and from 18 to 80 in FY 2014-15 and are also very different in difficulty levels as the above figure shows that the District of Nyamasheke had the highest number of Auditor General recommendations in the previous fiscal year followed by Rutsiro and Nyaruguru Districts. Nyamasheke District managed to implement 49 % of these recommendations.

Rwamagana is ranked for the three-consecutive time as the best performer in the implementation of recommendations. After it did not implement 10 audit recommendations out of 37 and none of them was neither difficult nor very difficult to implement.

Though only three districts (Karongi, Kayonza and Ngororero) have received each one very difficult audit recommendation, none of district and City of Kigali have received difficult recommendations as it used to happened in the previous years. Audit recommendations very hard to implement have drastically decreased to 0.2% compared to the previous fiscal years: FY 2015-16(6.5%) and (16.5%) for FY2016-17. The noted declined indicates that decentralised entities are trying to improving in PFM considering one side, but also it brings a question on how districts can offset difficult ones and fail to implement very and easy issued audit recommendations. It is still problematic to identify the model/strategies that districts are using to track and implement received audit recommendations. Though there is a significant





decrease of difficult and very difficult audit recommendations that might be linked to more efforts that different stakeholders have invested in PFM at local level but districts still having a big number of very easy and easy audit recommendations not implemented in FY2017-18. Staff from the districts have mentioned that they majority of not implemented recommendations are linked to the issues related to RRA, VUP-Financial services, Girinka program, Mutuelle de santé. They added that as long as audit queries related to the abovementioned programs are continues to be considered on districts alone, they will not be exhausted. They have suggested that the coordinating entity for any program, they must be accountable for its implementation, especially doing assessment to known early areas for improvement at policy and at implementation level.

Considering the difficult of implementing issued audit recommendation per weakness category, most of districts and City of Kigali have received audit recommendations related to the non-respect of laws and procedures as well as poor bookkeeping for this fiscal year under the analysis as per figure presented below.

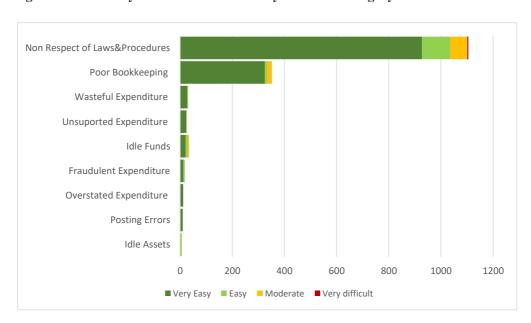


Figure 11: Difficulty of recommendations by weakness category

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2017-18)

The majority of audit recommendations given to districts and City of Kigali is repeatedly related to the category of non-respect of laws and procedures at rate of 67%, followed by poor bookkeeping for the FY 2016-17.

Regarding the level of implementation of received audit recommendations, the highest level of implementation was achieved for idle assets second time, the lowest for Payment to Non-Existent Staff and Fraudulent Expenditure. Fraudulent expenditure is related mostly to the double payment of suppliers' invoices and disbursement of capitation grants and school feeding for ghost students. Additionally, as it has been revealed by this kind of analysis, the level of implementing audit recommendations related to the idle funds( financial services



and direct support) is still low and is a persisting problem that may be rooted in causes that are well beyond the Districts' influence, and therefore, it is hard to tackle.

By the end of the FY 2017-18, a total of 870 (53.3%) recommendations were fully implemented as per below table. This is an increase in absolute numbers and a slight increase in the proportion of fully implemented recommendations compared to the previous FY. The table below provides more details related to the implementation level for each category of PFM weakness.

Table 19: Number of recommendations and Implementation level per weakness category

Category	Fully implemented	Partially implemented	Not impemented	Total	% impl.
Non-Respect of Laws & Procedures	565	217	311	1093	52%
Poor Bookkeeping	214	63	72	349	61%
Idle Assets	32	6	10	48	67%
Idle Funds	15	17	2	34	44%
Wasteful Expenditure	11	17	3	31	35%
Posting Errors	8	0	1	9	89%
Unsupported Expenditure	10	6	10	26	38%
Fraudulent Expenditure	5	7	6	18	28%
Overstated Expenditure	7	3	2	12	58%
Payment to Non-Existent Staff	3	1	7	11	27%

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2016-17)



## 5. Recommended Actions to Improve PFM at Local Level

In order to address the identified issues and based on the findings from the analysis of primary and secondary data, TI-RW recommends the following actions:

## To the District Management:

- 1. Districts must put more emphasis on spending based on realistic planning and put special focus on validation of feasibility studies to avoid idle assets.
- 2. Districts must refrain from making investments that are not entirely supported by documents such as MoU, articles of Association, a clear and realistic business plan.
- 3. Districts need to make regular and predictable cash transfers in accordance with Rwanda's Social Protection Strategy in order to avoid serious harm to the most vulnerable citizens (VUP Direct Support at the beginning of each month).
- 4. Districts need to timely prepare list of capitation and school feeding grants and make follow up of the disbursement in order to ensure the proper operation of schools.
- 5. Districts must systematically do deep due diligence in awarding contracts to bidders to avoid high rate of delayed/abandoned contracts in execution.
- 6. Districts need to improve the level of compliance with laws and procedures governing PFM (procurement laws, tax law, financial guidelines, VUP-guidelines value for money).

#### To Districts and RRA:

7. Districts and RRA should strengthen their cooperation and provide each other with access to information regarding revenue collection.

### To MINALOC, MINECOFIN, LODA, RALGA, MINAGRI

- 8. MINECOFIN and other stakeholders should ensure that funds are provided to the Districts on time, so that they are able to make cash transfers to vulnerable citizens, transfers of capitation and school feeding grants to school and other payments without
- 9. MINECOFIN should further strengthen the capacities of staff of subsidiary entities and bring professional training closer to staff in remote rural areas.
- 10. MINECOFIN as coordinating entity of PFM, should motivate all Ministries and other partners that carry their implementation at district level to adopt the joint planning with the respective districts.
- 11. MINECOFIN and RPPA should upgrade e-procurement to fully accommodate the contract management.
- 12. Additionally, RPPA should reinforce regulations on financial capacity as most of delayed and abandoned contracts are linked to the insufficient financial capacity of some contractors while during the bidding process, they manage to provide proofs of financial capacity.
- 13. MINALOC and LODA should strongly support Districts in carrying out high quality in-depth feasibility studies for any projects in order to properly evaluate the need and financial sustainability of projects.





- 14. MINALOC and LODA, MINAGRI should regularly do review of the policy and implementation of VUP and Ubudehe programs as well as BIOGAS in order to earlier notice challenges that may hinder their success.
- 15. MINALOC and RALGA should further strengthen peer review and peer learning between Districts, particularly in the domain of public procurement.
- 16. LODA should consider a decrease in the interest rate on VUP Financial Services in order to ensure the services' affordability to eligible beneficiaries and avoid the non-utilization of available funds.
- 17. LODA should consider having a dedicated staff to VUP-financial services to assist in motoring financed projects and in recovery of loans otherwise to add this component to others existing tasks of sector accountant or anyone else with heavier workload it will negative affect the performance.

# As part of anti-corruption efforts:

18. Cases of procurement irregularities at various stages in the same project should be examined in order to close any possible loopholes for corruption. Independent monitoring of public procurement should be scaled up.



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