



**TRANSPARENCY  
INTERNATIONAL**



Rwanda

**ANALYSIS OF THE AUDITOR GENERAL'S REPORTS  
OF THE DECENTRALIZED ENTITIES FOR  
THE FISCAL YEAR THAT ENDED  
30TH JUNE 2022**



**german  
cooperation**  
DEUTSCHE ZUSAMMENARBEIT

Implemented by

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH



**Analysis of the Auditor General's reports of the decentralized entities for the fiscal year that ended 30<sup>th</sup> June 2022**

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Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of November 2023. Nevertheless, Transparency International Rwanda cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

## ACKNOWLEDGEMENT

To gradually enhance the rational use of state finances remains as a priority of the Government of Rwanda to achieve a better and quick 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 attain the number of entities obtaining unqualified audit opinion on financial statements (50% in FY2016/17 to 80% for FY 2023/24) and compliance with laws and regulations for the same span 30% to 50% of audit reports.

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 impact of the Decentralization and Good Governance Program on effective PFM towards improved socio-economic conditions of citizens.
- 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 report of decentralized entities for the FY 2021 -2022 is a result of multi-stakeholders' contributions due to existing mutual trusts and teamwork 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, MINALOC, Office of Auditor General, and MINECOFIN, RPPA and districts' staff who helped us to access the required data. Finally, I want also to thank TI-RW team who professionally conduct this analysis and deliver such informative product of quality.

Effective planning and rational use of available resources will allow achieving as consistent Economic growth and sustainable development, which is journey that requires endurance, resilience, and partnership. I am confident that collectively, 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 of preventing corrupt behaviors, practices and improve horizontal and vertical accountability amongst the institutions in Rwanda. In this perspective, 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 tenth of its kind and considers the audit reports of the fiscal year (FY) 2021-22. It is aimed at serving a broad audience including the Rwandan community and many stakeholders of public finance as well as local government entities.

As the core parts of the analysis, all reported weaknesses 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 office of Auditor General.

Additionally, all reported weaknesses are classified into thematic category and by nature of weakness especially for procurement issues 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 compiled quantitative data is complemented by primary data collected through focus group discussions (FGDs) at District level and interviews at national level.

For this fiscal year, the total amount of Expenditure and non-expenditure related weaknesses of the decentralised entities as identified by the OAG are FRW 5.25 billion and 756.5 billion (asset management exclude) for FY2021-22 opposed to FRW 21.01 billion and FRW 726.22 billion for FY2020-21, respectively. For management of districts 'assets, the findings revealed that inefficient management of assets has increased from FRW665.15 billion in FY2020-21 to FRW 1,172 billion in FY2021-22.

Furthermore, a number of cross-cutting issues that effected districts 'PFM in various weakness categories were identified: Irregularities in public procurement including delayed or abandoned construction works of public projects has increased from FRW **382.2** billion in FY2020-21 to **FRW 485.88** billion including **FRW 357billion** of contract management issues in different projects. Furthermore, the Issues related to districts 'investments in provincial investment corporations and other private ventures have increased from FRW **5.015 billion** in 2020-21 to **FRW11.48billion** for FY 2021-22.

Still there is a long delay in transfers to beneficiary households of social protection scheme (direct support), which puts vulnerable citizens and students 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.

There are some evidences suggesting decentralized entities that have managed to implement a higher proportion of audit recommendations are also effectively more likely to witness tangible improvement in PFM.

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

Spending funds based on realistic planning and corrected 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 and nutrition sensitive direct supports 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, and VUP-guidelines value for money). 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, e-payment and provides more information that can allow to do deeper due diligence in bids 'evaluation process to avoid high rate of delayed/abandoned contracts in implementation.



# 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 global economic shocks and adverse climate change conditions on the economy, Rwanda through the implementation of NST1 keeps aspirations of becoming 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
- 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 being 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 service 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 50% for fiscal year 2015/2016 for financial statements and achieve for the same scope 50% of audit reports complying with laws and regulations from 30% in FY 2016/17 (GoR, 2019).

The efficient and effective public financial management is considered as the backbone of sustainable development (World Bank, 2019). Rwanda plans to efficiently leverage 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 accountable budget execution as well increased professionalization of the public finance officials. The next two subsections provide details on the recent PFM reforms.

## 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 Senators consider PFM in their responsibilities. The chamber of Deputies oversees (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 audit findings for further 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 responsibilities mainly including prevention of and fight against injustice, corruption 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 current constitution of Rwanda 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 achieves 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 has a board of Directors/Audit Committee or district councils to strategically advice the institution at central level 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 crucial for the Government of Rwanda. Specifically articles 162, 163, 164,165,166 and 167 are dedicated to the public financial management.
- Organic Law N° N° 002/2022.OL of 12/12/2022 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 enforcement 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 of Financial Regulations will provide more details for the smooth implementation of the above mentioned Organic Law on State Finances and Property.
- Laws and regulations on public procurement: The public procurement in Rwanda is governed by the law N° 031/2022 of 21/11/2022 to ensure that all procurement procedures are clearly prescribed and well implemented. Additionally, there is Ministerial Order N° Ministerial Order n° 001/23/10/ TC of 10/10/2023 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 goals. 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; (i) to improve the implementation basing on execution feedback as well as (ii) 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 a 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](http://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 facilitate 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 IPSAS<sup>1</sup> system 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.

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<sup>1</sup> International Public Sector Accounting Standards

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, and 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.

## 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 findings related to expenditure and non-expenditure-related weaknesses of PFM of decentralised entities.

The current assignment collected qualitative information on public financial management from concerned stakeholders and aggregate, and scrutinize data for 27 Auditor General audit reports of decentralised entities and City of Kigali for the FY that ended June 2022 and make findings available to the public. The outcomes of this analysis 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 and wasteful expenditure for remedial actions.
- Providing reliable information to PFM stakeholders' monitoring system.
- Preparing 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 27 Districts and the City of Kigali serve as the main source of information of this analysis.

### 3.1 DATA

The first step of the analysis was a tabulation of complaints in expenditure- and non-expenditure-related weaknesses from the 27 decentralized entities and City of Kigali, as described in the respective narrative of the audit reports. TABLE 1 below presents the categories used for the categorisation of audit findings.

**TABLE 1: WEAKNESS CATEGORY DEFINITIONS**

Expenditure related weaknesses	
Unsupported expenditure	Absence of supporting documents to justify the expenditure/use of cash
Wasteful expenditure	Expenditures which could have been avoided including expenditure for unplanned and unnecessary activities such as fines, penalties, etc.
Overstated expenditure	Expenditures where the amount is erroneously recorded, 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.
Fraudulent expenditure	In the context of this analysis, 'fraudulent expenditure' involves unlawful transfer of the ownership of District assets to one's own personal use and benefit
Payment to non-existent staff	Payment of wages and salaries to ghost employees
Non-expenditure related weaknesses	
Non-respect of laws and procedures	Remarks on non-compliance with existing laws, regulations and procedures of 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 inventory, 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 1 during last 2 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 auditors from the office of auditor General 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 identifying 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**

<b>Difficulty</b>	<b>Requirement for selection of difficulty level to implement a recommendation</b>
<b>Very easy</b>	Implementation only requires the managements and the staffs commitment. No additional staff, technical skills, resources needed. It is entirely under the district's control.
<b>Easy</b>	Low input of additional staff, technical skills or capacity building needed. It is entirely under the district's control
<b>Moderate</b>	Implementation requires moderate inputs of staff, technical skills, and resources. It is entirely under the district's control.
<b>Difficult</b>	Implementation requires significant inputs of staff, skills, and resources. It is partially under the district's control.
<b>Very difficult</b>	Implementation requires very significant inputs of staff, skills, and resources. It 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 key informant interviews (KII) conducted at the level of decentralised entities as well as at national level.

Interviews for this time have focused on recurrent issues occurred in joint programs. Key informants for interviews were selected according to their familiarity, expertise, and experience with the Public Financial Management (PFM). Additional criteria to select interviewees at institution level were as follow:

1. Respondent must from an institution that is implementing a joint program
2. Implementation status of previous FY audit recommendations per province (lowest and best performers).

## 4. PRESENTATION OF FINDINGS

Findings are classified into six (6) main categories: expenditure related weaknesses, non-expenditure weakness, Investment performance, management of districts' asset, idle asset and funds, and status of the implementation of recommendations.

### 4.1 ANALYSIS OF THE FINANCIAL AND NON-FINANCIAL WEAKNESSES OF DECENTRALISED ENTITIES FOR THE FY 2021-22

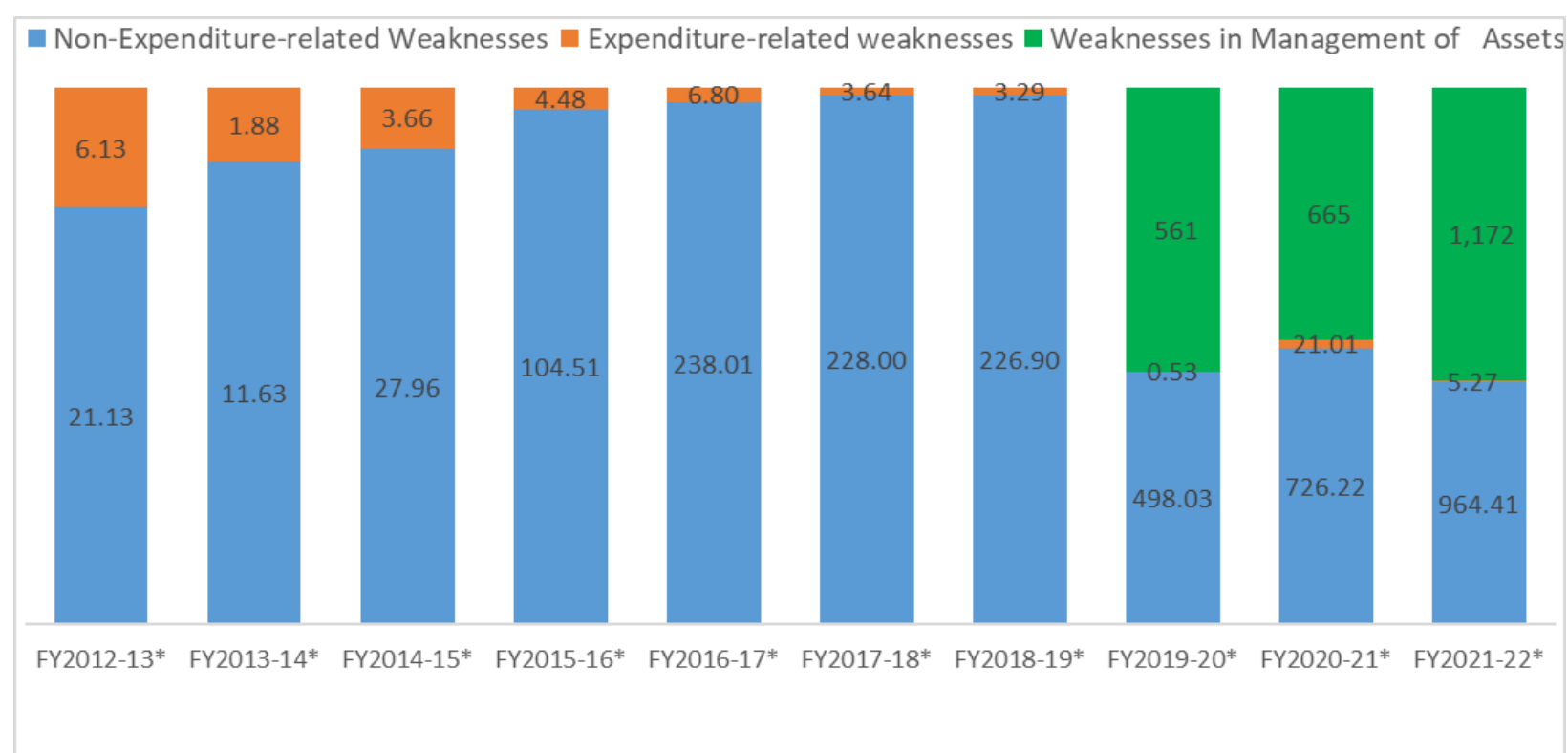
The current analysis revealed that the all total amount for non-expenditure weaknesses and inefficient management of districts 'assets of decentralised entities and City of Kigali have massively increased while expenditure related weaknesses have vastly decreased compared to the amounts of two previous fiscal years. The current analysis informed that expenditure related weaknesses resumed its decreasing trend as it has been observed before FY2020-21 while non-financial related weaknesses continued to increase over last three years.

The expenditure related weaknesses have significantly decreased from FRW 21.01 billion to FRW 5.27 billion while for non-expenditure related weaknesses (asset management, idle funds and asset excluded) have hugely increased from FRW 498.03 billion during the FY 2019-20 to FRW 726.22 billion in fiscal year 2020-2021 and to FRW 756.5 billion in fiscal year 2021-2022. Increase of weaknesses in management of districts and City of Kigali assets have continuously over the last three fiscal years from to FRW 561 billion for the fiscal year 2019-20 to FRW 665 billion and FRW 1,172 billion during last two recent fiscal years.

The figure 1 below indicates how both expenditure, non-expenditure related weaknesses and inefficient management of assets related weaknesses have changed compared to previous findings. Further details are provided in the following subsections on PFM weaknesses of the decentralised entities.



**FIGURE 1: AMOUNT OF PFM WEAKNESSES (IN BILLION FRW) PER FY**



Source: Data compiled from OAG audit reports of Districts and the City of Kigali (2013-22)

#### 4.1.1 EXPENDITURE-RELATED WEAKNESSES

Results from this analysis revealed that unsupported expenditures (FRW 0.799bn) and wasteful (FRW 4.42bn) are the most subcategories of weaknesses that have contributed to the total expenditure related weaknesses at 15.16% and 83.8%, respectively.

Other important findings are that some categories of expenditure related weaknesses have massively decreased (*unsupported and fraudulent*) while others (*wasteful, payment to non-existing staff*) have increased compared to the previous fiscal years. This report has also indicated that four districts (Burera, Rulindo, Muhanga and Nyamagabe) have been reported with PFM weaknesses related payment of non-existing staff.

The finding of fraudulent case reminds that local government entities need to strengthen their control mechanisms in PFM, especially for payment process where one signatory can imitate others 'signatures and withdraw money. Fraudulent cases affected even sensitive program such as education where the audit noted in Muhanga district equipment of FRW 1,730,000 were stolen from the district guest house.

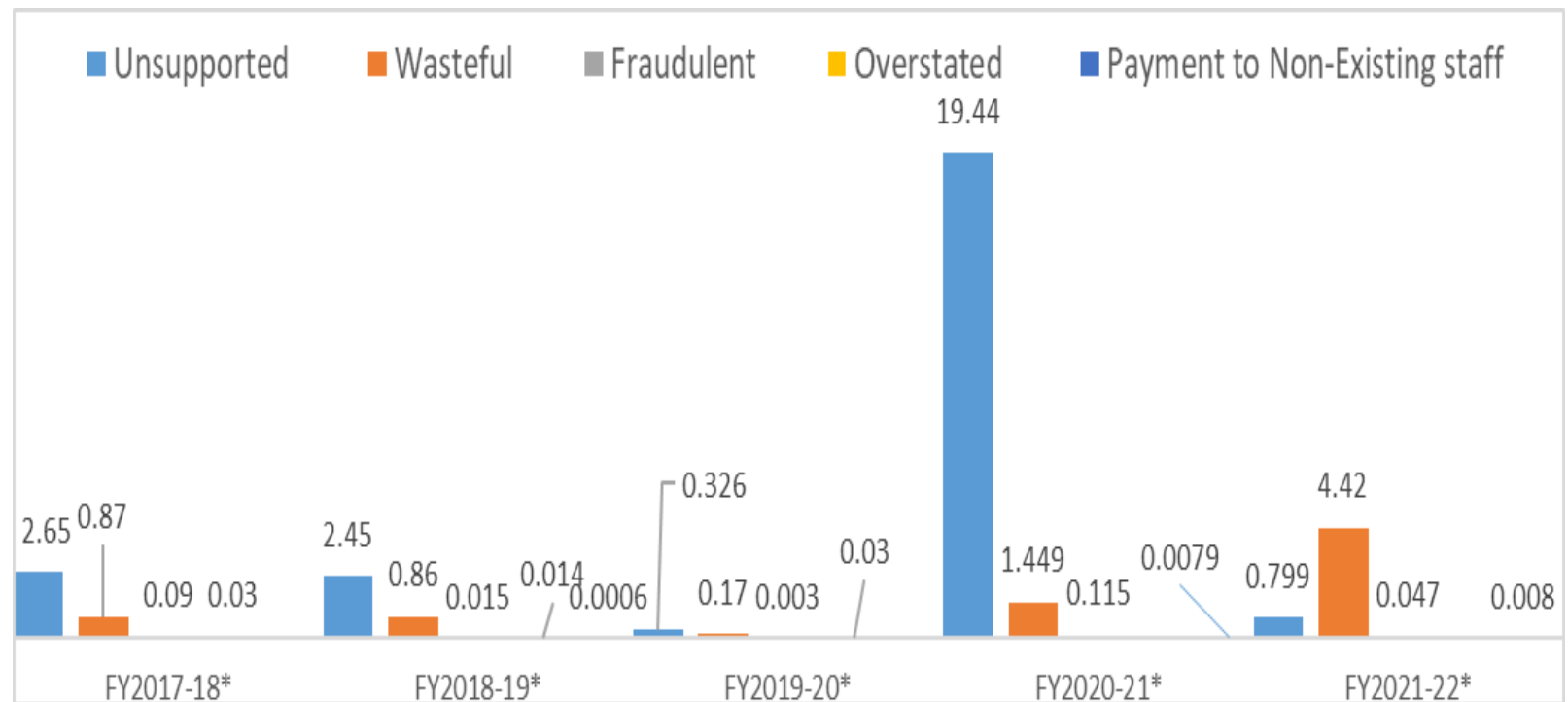
It is the unusual in last ten fiscal years that the category of wasteful expenditure represents more than 80% of expenditure related weaknesses. Additionally, for this analysis the legal suits represent almost 12% and procurement represent 66.4% of total wasteful, respectively.

The City of Kigali and Gisagara district are the institutions that have been severely affected by wasteful expenditure related to procurement. For the City of Kigali, an unjustified excess amount of FRW 2,069,548,077 was committed to be paid by CoK on contract for Kigali Urban Road upgrading project (54.56 km) in City of Kigali.

Also, the audit noted that Gisagara District did not determine the amount on the purchase order issued to ICME Ltd. This gave loopholes to ICME Ltd to charge abnormal prices (abnormal unit

price of valuation of forest based on the counting piece forest at Frw 500) for the invoice of Frw 1,462,684,680, which was received by Gisagara District on 8th June 2022.

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



*Source: Data compiled from OAG audit reports of 27 Districts and the City of Kigali (2017-22)*

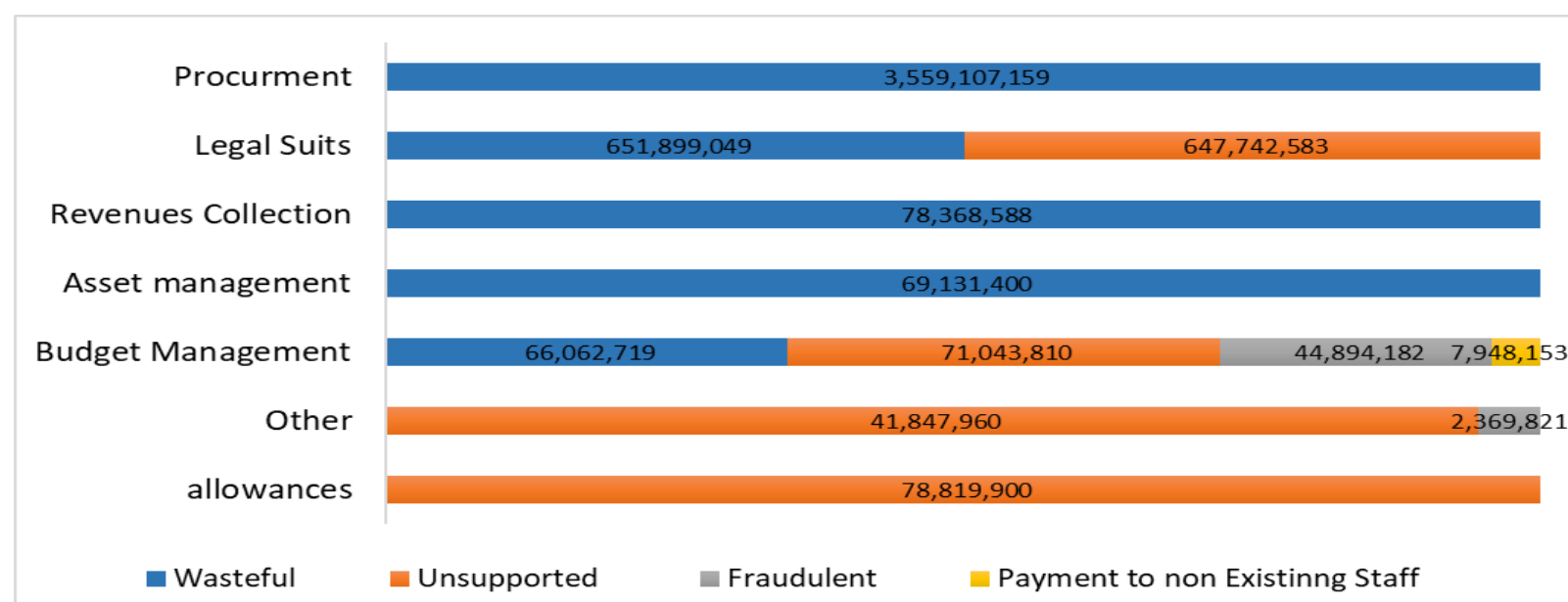
In terms of affected institutions, 18 districts and City of Kigali have been affected by wasteful expenditure while only 8 districts and city of Kigali were affected by unsupported expenditure for this fiscal year under analysis opposed to 25 districts and City of Kigali reported last year for unsupported expenditure. The table below reports how districts and City of Kigali have been affected by expenditure related weaknesses for FY 2021-22.

**Table 3: Change in amount of expenditure-related weaknesses per District**

District	Amount of exp.-related weaknesses FY 2021-22 (FRW)	Amount of exp.-related weaknesses FY 2020-21 (FRW)	Amount of exp.-related weaknesses FY 2019-20 (FRW)	Amount of exp.-related weaknesses FY 2018-19 (FRW)	Amount of exp.-related weaknesses FY 2017-18 (FRW)	Amount of exp.-related weaknesses FY 2016-17 (FRW)	% change 2020-21 to 2021-22
Bugesera	500,000	45,206,833	150,000,000	120,987,129	50,117,929	21,172,232	-99%
Burera	2,665,313	223,399,836	-	58,986,289	210,739,329	354,443,926	-99%
CoK	2,300,581,134	14,355,065,645	62,230,910	5,750,000	18,365,673	198,053,311	-84%
Gakenke	79,918,474	2,621,000	-	139,744,135	-	64,490,051	2949%
Gasabo	-	-	-	212,100,238	20,579,679	33,183,259	
Gatsibo	-	307,537,677	-	-	261,578,902	46,200,000	-100%
Gicumbi	82,064,921	36,894,435	28,856,479	31,226,563	235,552,359	138,473,624	122%
Gisagara	1,466,254,680	196,608,827	105,000,000	-	-	728,804,288	646%
Huye	-	159,291,522	-	158,204,122	56,771,484	121,618,608	-100%
Kamonyi	32,854,563	136,850,000	-	298,668,000	-	6,961,500	-76%
Karongi	132,002,515	48,553,916	48,744,400	11,922,898	245,960,150	901,766,052	172%
Kayanza	392,195,056	446,485,523	3,731,714	136,881,616	10,848,000	3,500,300	-12%
Kicukiro	-	-	-	9,338,097	39,585,354	31,327,647	
Kirehe	6,050,000	690,887,801	-	3,865,300	12,587,349	-	-99%
Muhanga	19,992,389	242,797,636	-	-	-	5,462,500	-92%
Musanze	695,655	-	-	61,886,710	77,442,188	-	
Ngoma	6,213,361	-	-	-	3,569,550	-	
Ngororero	59,292,628	5,059,050	33,631,514	12,475,610	350,000,000	701,427,680	1072%
Nyabihu	-	10,000,000	2,000,000	17,241,659	373,556,500	760,000,000	-100%
Nyagatare	-	901,025,578	-	-	138,286,003	-	-100%
Nyamagabe	35,504,834	234,268,787	7,281,875	149,044,185	131,305,587	186,576,000	-85%
Nyamasheke	639,821	1,552,441	-	18,708,714	355,000,000	1,062,935,509	-59%
Nyanza	539,069,210	119,624,145	3,718,201	1,401,146	36,480,000	-	351%
Nyarugenge	-	-	-	23,412,432	9,279,250	77,234,149	
Nyaruguru	57,770,576	18,048,878	-	209,000,000	20,119,040	-	220%
Rubavu	6,717,314	2,180,507,730	-	30,027,470	365,014,400	665,325,664	-100%
Ruhango	910,000	550,270,746	18,977,498	1,573,009,767	69,437,220	-	-100%
Rulindo	38,370,214	82,722,033	-	824,640	-	-	-54%
Rusizi	-	4,050,463	-	44,001,230	355,000,000	17,680,000	-100%
Rutsiro	14,769,458	13,336,657	65178454	-	188,275,852	673,428,273	11%
Rwamagana	4,203,208	4,269,519	-	13,000,000	6,570,000	-	-2%
Total	5,279,235,324	21,016,936,678	529,351,045	3,341,707,950	3,642,021,798	6,800,064,573	-75%

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2017-22)

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



Source: Data compiled from OAG audit reports of 27 Districts and the City of Kigali 2021-22

As per figure 3, wasteful expenditures dominate all thematic subcategories reported under expenditure related weaknesses. It is followed by category of unsupported expenditure which was higher under this category for many years ago. The wasteful subcategory has been much affected by procurement issuers and legal suits which could be avoided. The payments to non-existing staff have inconsistently reported by Auditor General. It is clear that some districts still have issues regarding internal control mechanisms that would help them to overcome such avoidable losses.

#### 4.2.2 UNSUPPORTED EXPENDITURE

This part presents more details on findings related to unsupported expenditure related weaknesses. The analysis goes for comparison of the total volume of unsupported expenditure overtime, the most affected districts and thematic consideration. The table 4 illustrates in deep the status of unsupported expenditure for the FY2021-22.

Over seven years the amount of unsupported expenditure has been recurrent and inconsistently changed. It is the first time that the number of affected districts by unsupported expenditure has significantly decreased since this analysis has been conducted. The number of decentralized entities affected by unsupported weaknesses decreased from 20 districts and City of Kigali during FY 2020-21 to 9 including the City of Kigali during the fiscal year 2021-22. Furthermore, Gakenke, Karongi and Ngoma have been inconsistent to overcome unsupported expenditure related weaknesses while CoK, Kamonyi, Kayonza, Ngororero, Nyamagabe, Nyanza have recurrently affected by unsupported expenditure.

**Table 4: Amount of unsupported expenditure per Districts**

District	Amount of unsupported exp. FY 2021-22 (FRW)	Amount of unsupported exp. FY 2020-21 (FRW)	Amount of unsupported exp. FY 2019-20 (FRW)	Amount of unsupported exp. FY 2018-19 (FRW)	Amount of unsupported exp. FY 2017-18 (FRW)	Amount of unsupported exp. FY 2016-17 (FRW)	Amount of unsupported exp. FY 2015-16 (FRW)
Bugesera		22,395,000	150,000,000			-	345,332,614
Burera		222,699,836				-	5,484,447
CoK	188,866,883	13,510,673,005	62,230,910				
Gakenke	77,551,598			1,790,000		-	53,709,000
Gasabo							
Gatsibo		109669835				-	201,650,809
Gicumbi		36,894,435			217,007,359	138,473,624	312,478,915
Gisagara		195,749,327				716,540,000	-
Huye		150,000,000		150,000,000	50,000,000	121,618,608	-
Kamonyi	26,098,751	136,850,000		298,668,000			29,430,000
Karongi	41,847,960		48,744,400		237,010,000	721,394,264	-
Kayonza	392,195,056	299,520,000	3,731,714	3,166,993			15,000,000
Kicukiro							
Kirehe		690,887,801		3,865,300			
Muhanga		222,761,162					66,970,030
Musanze				39,537,775	36,000,000		156,618,218
Ngoma	6,213,361						
Ngororero	20,168,962	342,000	33,631,514		350,000,000	686,034,600	28,162,100
Nyabihu		10,000,000	2,000,000		368,750,000	760,000,000	72,943,425
Nyagatare		895,148,011					
Nyamagabe	30,411,092	228,564,334	7,281,875	149,044,185	117,582,347	186,576,000	136,273,740
Nyamasheke		899,855			355,000,000	1,062,935,509	-
Nyanza	16,100,590	115,405,944					530,040
Nyarugenge							147,836,375
Nyaruguru		15,150,900		209,000,000			
Rubavu		2,028,000,000			355,000,000	650,000,000	542,059,153
Ruhango		549,310,746	18,977,498	1,573,009,767	69,437,220		25,787,818
Rulindo				824,640			300,922,082
Rusizi				7,760,000	355,000,000		870,925,559
Rutsiro					145,995,687	642,857,143	-
Rwamagana		3,509,519		13,000,000	-		-
<b>Total</b>	<b>799,454,253</b>	<b>19,444,431,710</b>	<b>326,597,911</b>	<b>2,449,666,660</b>	<b>2,656,782,613</b>	<b>5,686,429,748</b>	<b>3,312,114,325</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2015-22)

### 4.2.3 WASTEFUL EXPENDITURE

The current analysis found that 18 districts (Gisagara, Karongi, Rulindo, Rubavu, Ruhango, Gicumbi, Kamonyi, Kirehe Nyaruguru, Bugesera, Nyamagabe, Rwamagana, Rustiro, Gakenke, Muhanga, Musanze, Nyanza, Ngororero) and City of Kigali are affected by wasteful expenditure opposed to 17 districts and City of Kigali reported during fiscal year 2020-21. If you compare last three fiscal years, it is clear that there is much inconsistency in strategies taken by districts to avoid wasteful expenditure.

The amount of wasteful expenditure has hugely increased from FRW 1,449,069,998 in FY2020-21 to FRW **4,424,568,915** during the fiscal year 2021-22.

It is worthwhile to acknowledge commendable and consistent efforts made by districts (Ngoma, Nyabihu, Nyagatare and Nyamasheke) that have managed to avoid wasteful expenditures at least two consecutive fiscal years as per table 5.

**Table 5: Amount of wasteful expenditure per District**

District	Amount of wasteful exp. FY 2021-22(FRW)	Amount of wasteful exp. FY 2020-21(FRW)	Amount of wasteful exp. FY 2019-20 (FRW)	Amount of wasteful exp. FY 2018-19 (FRW)	Amount of wasteful exp. FY 2017-18 (FRW)	Amount of wasteful exp. FY 2016-17 (FRW)	Amount of wasteful exp. FY 2015-16 (FRW)
Bugesera	500,000	22,811,833		120,137,449	25,569,729	21,172,232	8,436,470
Burera		700,000		61,025,000	210,739,329	351,077,074	5,188,902
City of Kigali	2,111,714,251	833,660,140		5,750,000	18,365,673	198,053,311	86,832,691
Gakenke	2,366,876	2,621,000		134,260,135	-	47,196,560	-
Gasabo				212,100,238	20,579,679	33,183,259	9,247,028
Gatsibo		197,867,842		-	226,885,212	46,200,000	-
Gicumbi	82,064,921		28,856,479	-	18,545,000	-	-
Gisagara	1,466,254,680	859,500	105,000,000	-	-	12,264,288	-
Huye		1,087,400	-	8,204,122	-	-	-
Kamonyi	5,025,812		-	-	-	-	2,474,122
Karongi	45,789,723	4,189,084	-	11,922,898	8,950,150	179,720,050	7,000,000
Kayonza		146,328,623	-	133,714,623	10,848,000	3,500,300	10,058,049
Kicukiro			-	-	39,585,354	31,327,647	21,190,900
Kirehe	6,050,000		-	-	12,587,349	-	-
Muhanga	17,887,376	18,283,174	-	-	-	5,462,500	6,210,144
Musanze	695,655		-	22,348,935	41,442,188	-	16,186,600
Ngoma			-	-	3,569,550	-	29,335,120
Ngororero	39,123,666		-	-	-	15,393,080	-
Nyabihu			-	17,241,659	4,806,500	-	-
Nyagatare			-	-	138,286,003	-	-
Nyamagabe	4,557,520	4,404,525	-	10,647,444	13,723,240	-	12,811,109
Nyamasheke			-	-	-	-	58,025,678
Nyanza	522,968,620	500,000	-	-	36,480,000	-	1,039,312
Nyarugenge			-	14,645,127	-	-	-
Nyaruguru	57,770,576	1,635,353	-	-	20,119,040	77,234,149	25,507,667
Rubavu	6,717,314	152,507,730	-	30,027,470	10,014,400	15,325,664	-
Ruhango	910,000	960,000	-	-	-	-	67,939,049
Rulindo	35,199,259	43,340,474	-	-	-	-	15,220,628
Rusizi		3,976,663	-	28,984,500	-	-	-
Rutsiro	14,769,458	13,336,657	37,000,000	-	-	30,571,130	-
Rwamagana	4,203,208			-	6,570,000	-	5,370,000
<b>Total</b>	<b>4,424,568,915</b>	<b>1,449,069,998</b>	<b>170,856,479</b>	<b>811,009,600</b>	<b>867,666,396</b>	<b>1,067,681,244</b>	<b>388,073,469</b>

Source: Data compiled from OAG audit reports of the 28 Districts and the City of Kigali (2015-22)

The largest part of wasteful expenditure consists of an unjustified excess of Frw 2,069,548,077 committed to be paid by the City of Kigali on the contract amount that was signed on 23 August 2013 between City of Kigali and China road and Bridge Corporation. Additionally, District of Nyanza was reported with ineligible expense of Frw 522,968,620 related to the court judgment with reference Ref No RCom 01403/2021/TC of 11/02/22 that Nyanza District should pay IMCE Ltd the misunderstanding between IMCE Ltd and Nyanza District on property valuation service. The issue of not mentioning the amount in each service order gave loophole to service provider to apply abnormal unit price when invoicing the district. Similarly, the same finding was reported from Gisagara District where the ineligible expense for property valuation is Frw 1,462,684,680, to mention few.

## 4.2.4 FRAUDULENT EXPENDITURE

In terms of number of institutions affected by fraudulent weaknesses, four districts have been reported during the fiscal year 2021-22 opposed to ten districts and City of Kigali reported during the fiscal year of 2020-21. The current analysis revealed also that the total amount of fraudulent expenditure has decreased from FRW 115,497,475 in FY2020-21 to FRW 47,264,003 during the fiscal year 2021-22.

Except one case of stolen asset from Guest house of Kamonyi District, other remaining cases are for embezzled money by district staff. This means that the payment approval process should be enough strengthened. Analysts may not only relate such audit findings to fraud but to corruption as well. These transactions lack transparency in the approval and payment procedures. The payment approval is supposed to be done by more than one person with the right to perform a particular part of the entire approval process.

**Table 6: Amount of fraudulent expenditure per District**

District	Amount of fraudulent exp. FY 2021-22(FRW)	Amount of fraudulent exp. FY 2020-21(FRW)	Amount of fraudulent exp. FY 2019-20(FRW)	Amount of fraudulent exp. FY 2018-19(FRW)	Amount of fraudulent exp. FY 2017-18 (FRW)	Amount of fraudulent exp. FY 2016-17 (FRW)	Amount of fraudulent exp. FY 2015-16 (FRW)
City of Kigali		10,732,500					
Gakenke							49,887,250
Gatsibo					34,693,690		
Karongi	44,364,832	44,364,832					48,764,832
Kayonza		636,900					54,685,966
Huye		8,204,122					
Nyamagabe							604,000
Nyanza		3,718,201	3,718,201				61,662,050
Nyaruguru		1,262,625					
Ngororero		4,717,050					
Nyamasheke	639,821	652,586		8,061,270			
Muhanga	529,350	1,753,300					
Kamonyi	1,730,000					6,961,500	6,961,500
Rulindo		39,381,559					
Rusizi		73,800		7,256,730		17,680,000	
Rutsiro					42,280,165		
Total	47,264,003	115,497,475	3,718,201	15,318,000	86,253,105	24,641,500	259,037,880

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2015-22)

#### 4.2.4 OVERSTATED EXPENDITURE

As it is presented in table 7, no cases related to overstated expenditure have been reported. The commendable efforts made by all local decentralized entities to offset overstated expenditure in their operations is a good indicator that they can also clear majority of other PFM weaknesses. Same efforts are recommended to avoid fraudulent cases. Since 2015, at least one district has been reported with fraudulent case.

**Table 7: Amount of overstated expenditure per District**

District	Amount of overstated exp. FY 2020-22 (FRW)	Amount of overstated exp. FY 2020-21 (FRW)	Amount of overstated exp. FY 2019-20 (FRW)	Amount of overstated exp. FY 2018-19 (FRW)	Amount of overstated exp. FY 2017-18 (FRW)	Amount of overstated exp. FY 2016-17 (FRW)	Amount of overstated exp. FY 2015-16 (FRW)
Bugesera				849,680	24,548,200		31,495,330
Burera						3,366,852	1,929,708
Gakenke				3,694,000		17,293,491	
Huye					6,771,484		
Kamonyi							685,940
Karongi							39,903,536
Musanze							47,563,308
Nyarugenge				8,353,673			
Nyanza				1,401,146			423,060
Rutsiro			28,178,454				
<b>Total</b>	<b>-</b>	<b>-</b>	<b>28,178,454</b>	<b>14,298,499</b>	<b>31,319,684</b>	<b>20,660,343</b>	<b>122,000,882</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2015-22)

#### 4.2.5 PAYMENT TO NON-EXISTENT STAFF

During the fiscal year under analysis, four district as per table 8 have been affected payment to non-existing staff opposed to three districts that were reported during the fiscal year 2020-21. The current report revealed that the Nyamagabe district has been recurrently reported with same PFM weakness while Burera, Muhanga and Rulindo were found with inconsistency in avoiding payment to non-existing staff who were no longer in service.

**Table 8 Amount of Payment to Non-existing staff per District**

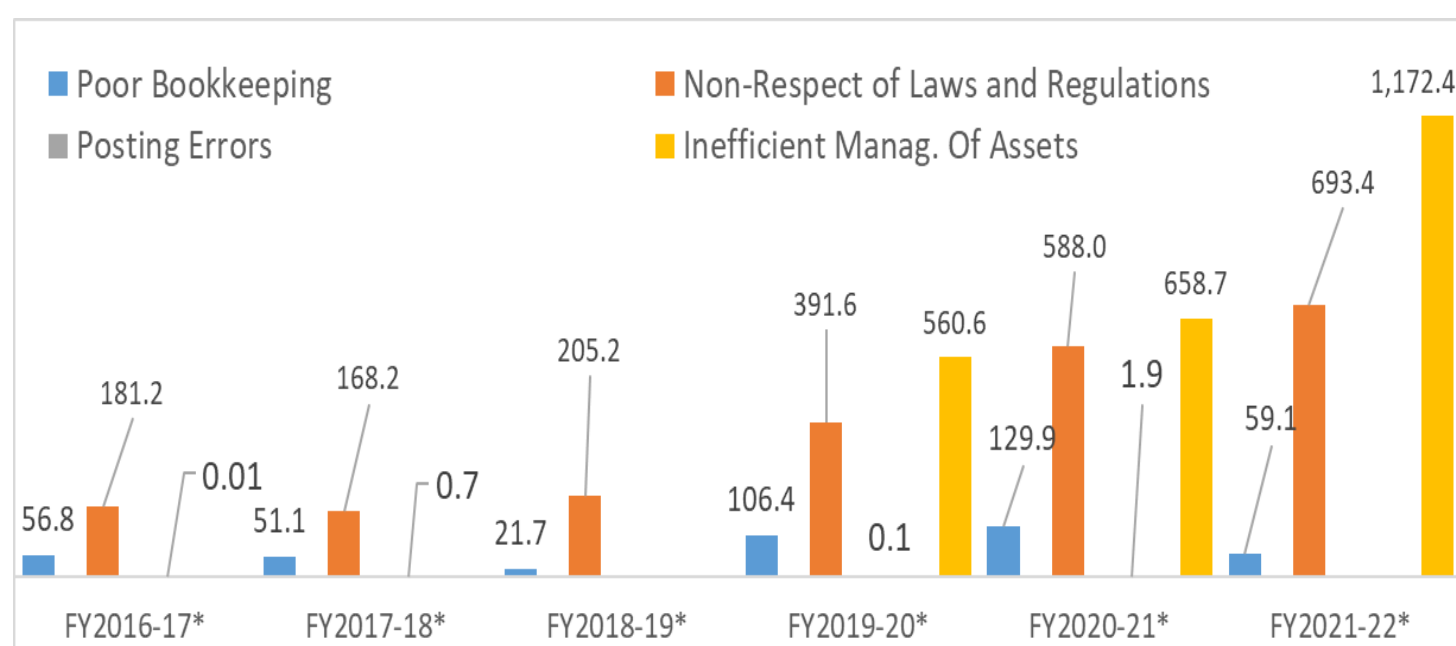
District	Amount of overstated exp. FY 2021-22 (FRW)	Amount of overstated exp. FY 2020-21 (FRW)	Amount of overstated exp. FY 2019-20 (FRW)
Burera		2,665,313	
Muhanga		1,575,663	
Nyagatare			5,877,567
Nyamagabe		536,222	1,299,928
Rulindo		3,170,955	
Rwamagana			760,000
<b>Total</b>		<b>7,948,153</b>	<b>7,937,495</b>



### 4.3 NON-EXPENDITURE-RELATED WEAKNESSES

Non-Expenditure-related weaknesses have hugely increased compared to the previous fiscal years. They have increased by 39.8% (inefficient management of districts' assets included). It is also found that non-expenditure related weaknesses have even increased by 4.8 % (inefficient management of districts' assets excluded) compared to the results of last fiscal year. Reference made to the figure 4, the largest part of the increase is due to those weaknesses related to non- respect of laws and procedures and inefficiency in management of districts' assets. For this fiscal year the weaknesses related to poor bookkeeping have significantly decreased opposed to the last fiscal year.

**Figure 4: Amount of non-expenditure-related weaknesses (in billion FRW) idle assets and funds excluded**



Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2016-2022)

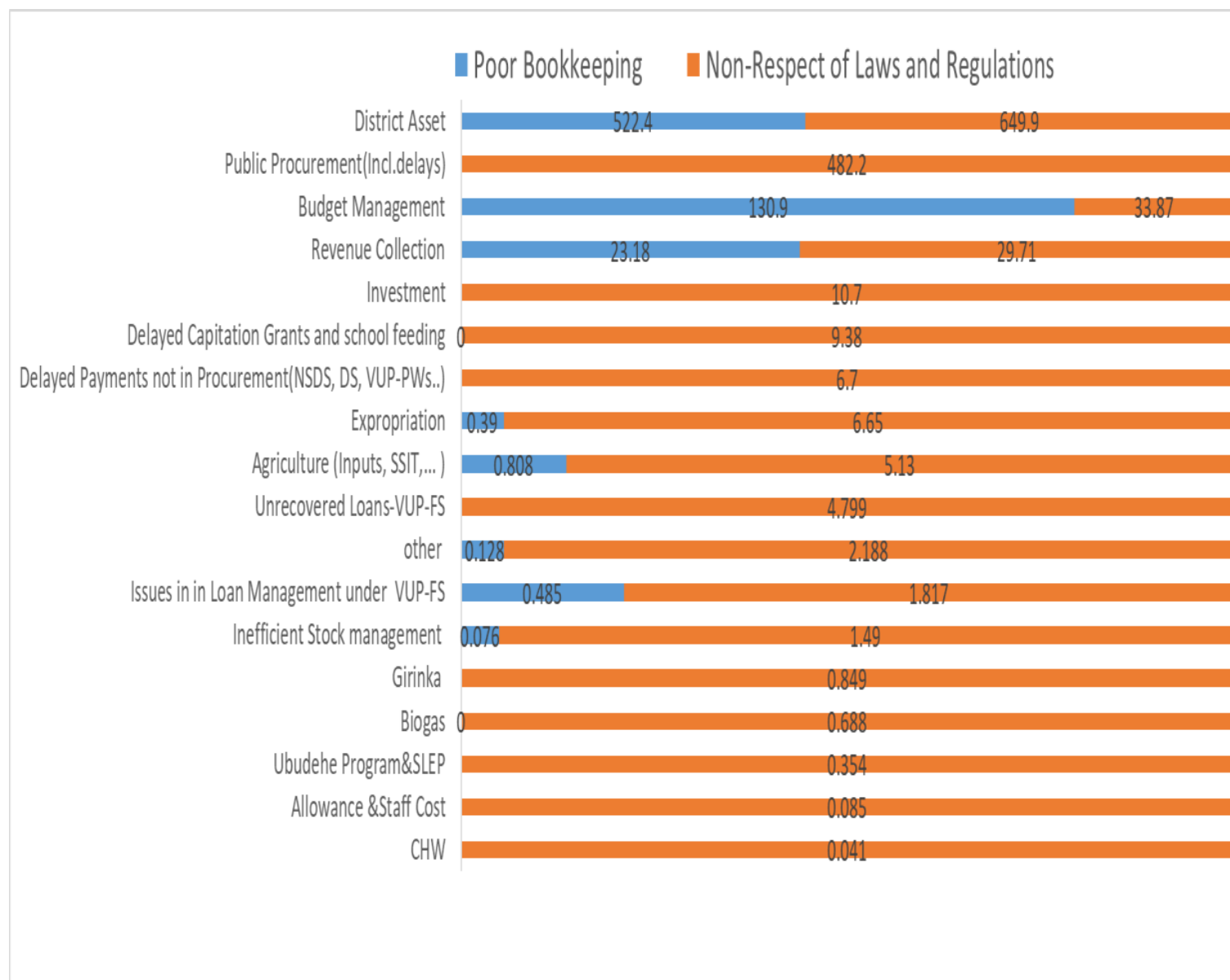
For this FY, the non-expenditure-related weaknesses have been much affected by weaknesses in public procurement such as contract management, and irregularities in awarding tender delays of execution of contracts, issues in and poor quality of acquired infrastructure among other. All procurement weaknesses count 25% of total PFM weaknesses while procurement transactions that suffered from non-compliance with laws and procedures counts 24.8% of total non-expenditure weaknesses.

Apart from the inefficient management of districts' assets and irregularities in procurement, issues in revenue collection and budget management are also major challenges to achieve effective PFM in local government entities. Additionally, the analysis found that long delays in payments other than capitation grants, school feeding and direct support that continue to affect PFM a lot.

In the same category of non- compliance with laws and procedures, unrecovered loans for VUP-financial services and delayed payment for school feeding and capitation an

nutrition sensitive direct support grants have been found affecting living conditions of beneficiaries.

**Figure 5: Non-Expenditure-Related Weaknesses by Thematic Subcategory (in billion FRW)**



Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2021-22)

However, geographical comparison of distribution of non-expenditure-related weaknesses across the country might not be reliable due to different number of districts and different amount of the budget in all four provinces and City of Kigali. Findings revealed that all districts and City of Kigali are recurrently affected by non-expenditure related weaknesses. City of Kigali, Gakenke, Gicumbi, Rutsiro are the most affected entities by this category of PFM weakness.

In various focus group discussions for different fiscal years, districts staff said that the fact that procurement issues take biggest share of non-expenditure related weaknesses is due to the high rate of delayed projects and issues in contract management. They added that they have experienced many complex shortcomings arising along the procurement process such as bidders'/supervising companies/clients and contract managers who do not fulfil their responsibilities accordingly and this poses procurement issues, which are in most cases in compliance or value for money nature.

PFM staff from the districts added that they are many affected by issues related to value for money as well as compliance issues due to the project from the central level, superficially designed. Examples here they mentioned construction schools and health posts.

**Table 9: Change in amount of non-expenditure-related weaknesses per District (asset included)**

No	District	Amount of non-exp.-related weaknesses FY 2021-22(FRW)	Amount of non-exp.-related weaknesses FY 2020-21(FRW)	Amount of non-exp.-related weaknesses FY 2019-20(FRW)	Amount of non-exp.-related weaknesses FY 2018-19 (FRW)	Amount of non-exp.-related weaknesses FY 2017-18 (FRW)	% change FY2020-21 to FY 2021-22
1	Bugesera	21,965,462,563	156,960,498,773	98,545,996,495	22,363,700,376	6,975,443,482	-86%
2	Burera	21,480,521,289	11,507,378,977	4,493,963,944	5,523,289,960	12,951,298,401	87%
3	CoK	649,861,667,380	305,659,787,563	163,967,599,774	74,502,198,424	38,698,403,646	113%
4	Gakenke	227,840,380,777	35,842,511,197	11,644,035,251	3,621,439,329	3,647,091,218	536%
5	Gasabo			2,003,879,440	2,966,898,632	1,605,373,187	
6	Gatsibo	7,555,731,163	15,439,134,258	28,178,591,739	2,650,760,136	3,282,199,895	-51%
7	Gicumbi	142,058,311,220	11,699,062,461	13,154,689,491	686,997,953	4,169,659,192	1114%
8	Gisagara	21,216,645,830	52,665,213,599	5,035,963,501	440,476,678	5,764,131,768	-60%
9	Huye	10,847,490,040	4,246,519,515	59,134,880,450	698,783,108	2,362,020,495	155%
10	Kamonyi	179,979,801,542	86,215,962,001	76,154,316,212	988,794,289	11,892,073,881	109%
11	Karongi	53,116,224,992	9,706,177,306	30,844,334,005	22,833,779,741	5,098,724,042	447%
12	Kayanza	21,412,005,121	10,223,100,119	10,082,262,035	2,451,122,342	3,173,774,583	109%
13	Kicukiro			7,644,479,934	3,860,772,374	8,076,901,918	
14	Kirehe	31,547,220,641	156,898,892,761	6,140,993,000	2,544,650,522	3,885,902,442	-80%
15	Muhanga	29,422,926,849	5,734,114,637	27,903,747,874	673,458,662	4,063,363,329	413%
16	Musanze	15,388,022,435	17,608,836,348	5,614,013,478	1,803,771,499	8,109,695,436	-13%
17	Ngoma	6,853,954,823	21,351,065,974	32,461,280,571	1,832,348,715	6,590,013,485	-68%
18	Ngororero	36,117,075,730	10,397,561,265	13,048,321,010	11,511,864,437	784,310,043	247%
19	Nyabihu	43,355,898,904	159,551,779,227	46,103,713,753	2,229,811,709	2,825,495,768	-73%
20	Nyagatare	17,446,606,185	54,943,880,137	99,020,615,378	1,868,809,336	7,261,070,280	-68%
21	Nyamagabe	97,043,792,266	63,473,674,606	7,397,522,704	5,020,885,092	3,640,542,601	53%
22	Nyamasheke	8,386,260,300	9,167,248,722	66,662,312,049	6,856,911,155	8,662,041,207	-9%
23	Nyanza	14,611,728,897	48,870,203,450	8,736,393,951	4,666,921,750	3,607,434,769	-70%
24	Nyarugenge			10,754,889,739	12,812,040,593	7,421,514,444	
25	Nyaruguru	2,843,100,344	29,127,678,396	65,848,069,384	1,634,802,289	8,528,763,763	-90%
26	Rubavu	62,930,658,937	25,571,649,650	94,251,221,627	12,088,851,140	25,352,433,458	146%
27	Ruhango	12,093,005,047	17,337,079,484	15,583,815,592	3,858,679,295	7,883,455,378	-30%
28	Rulindo	23,539,711,128	28,313,940,891	11,472,999,261	764,613,541	1,825,064,858	-17%
29	Rusizi	16,469,051,510	14,761,456,748	2,844,170,680	8,272,338,474	3,861,874,112	12%
30	Rutsiro	133,281,469,020	7,741,208,275	25,409,045,871	3,174,674,784	13,978,380,198	1622%
31	Rwamagana	16,152,808,361	9,079,705,303	8,461,900,173	380,512,813	2,775,738,744	78%
	Total	1,924,817,533,295	1,380,095,321,643	1,058,600,018,366	225,584,959,148	228,754,190,023	39%

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2017-22)

### 4.3.1. CHANGE IN NON-RESPECT OF LAWS AND PROCEDURES (INCLUDING DISTRICTS 'ASSETS')

Audit findings revealed that all district and City of Kigali are recurrently affected by non-respect of laws and procedures during last four fiscal years. Auditors identified cases of non-respect of laws and procedures including non-compliance in management of districts 'assets valued at an amount of FRW 1,343 billion during the fiscal year 2021-22 opposed to FRW 700 billion reported during last fiscal year.

A very large proportion of these weaknesses is related to public procurement, contract management, delays in payment, illegal addendum, poor quality and transfer of capitation grants and school feeding, unrecovered loans for VUP financial services. The rest of audit findings 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 10: Amount of non-respect of laws and procedures per District (Assets Included)**

No	District	Amount FY 2021-22(RWF)	Amount FY 2020-21(RWF)	Amount FY 2019-20(RWF)	Amount FY 2018-19(RWF)	Amount FY 2017-18 (RWF)
1	Bugesera	20,057,772,774	17,839,049,101	5,346,341,149	22,363,700,376	6,446,782,967
2	Burera	15,358,008,862	5,397,489,773	4,216,142,995	2,814,923,471	9,379,245,609
3	CoK	470,358,264,981	239,842,031,743	144,580,230,565	74,460,841,729	38,355,555,875
4	Gakenke	173,596,285,079	34,597,850,570	10,174,702,678	3,621,439,329	2,522,829,315
5	Gasabo			1,982,718,151	2,966,898,632	1,605,373,187
6	Gatsibo	7,470,036,925	14,002,366,848	27,796,884,418	2,644,119,232	3,028,220,091
7	Gicumbi	142,057,711,120	9,713,551,178	9,768,589,763	643,501,674	3,872,043,541
8	Gisagara	13,761,615,116	11,727,044,770	4,644,368,945	82,004,055	4,389,728,742
9	Huye	4,649,771,261	4,034,545,232	58,497,846,327	587,361,820	1,884,085,887
10	Kamonyi	92,315,634,920	77,120,819,948	6,044,422,231	108,474,740	11,575,405,881
11	Karongi	14,207,166,185	5,545,905,355	30,593,174,477	22,368,344,833	2,662,461,518
12	Kayanza	21,145,774,047	9,702,398,168	8,594,666,944	1,114,381,776	1,841,449,773
13	Kicukiro			5,391,488,756	3,860,772,374	5,256,767,682
14	Kirehe	8,928,401,428	12,314,356,291	3,455,015,146	1,353,880,636	2,330,203,793
15	Muhanga	10,784,298,205	2,225,770,632	15,147,343,177	654,956,820	3,210,670,691
16	Musanze	15,059,665,340	11,370,325,152	4,047,522,646	1,068,376,664	5,296,474,690
17	Ngoma	3,535,256,000	14,078,926,015	31,938,167,421	1,297,362,891	4,890,758,291
18	Ngororero	36,117,075,730	10,328,661,368	12,842,137,707	11,511,864,437	784,310,043
19	Nyabihu	43,328,748,104	15,521,782,409	45,920,156,251	1,426,844,887	2,616,077,125
20	Nyagatare	17,424,360,905	27,229,264,397	78,613,203,196	573,450,470	5,539,237,747
21	Nyamagabe	96,878,796,100	40,301,204,209	7,059,320,141	125,469,326	2,973,522,118
22	Nyamasheke	8,385,776,675	8,739,766,540	66,660,953,923	6,855,511,155	8,525,685,546
23	Nyanza	12,023,824,988	44,161,100,433	4,115,213,015	4,666,921,750	2,571,316,896
24	Nyarugenge			7,952,469,872	11,102,569,370	2,418,839,558
25	Nyaruguru	2,843,100,344	10,051,669,410	6,363,862,961	588,444,195	8,433,785,268
26	Rubavu	56,798,579,992	25,571,649,650	88,030,861,302	11,984,292,465	8,080,543,036
27	Ruhango	10,394,989,593	14,985,158,561	5,482,705,331	3,858,679,295	6,903,413,974
28	Rulindo	6,729,766,073	10,939,844,830	5,298,638,678	609,102,390	1,009,996,265
29	Rusizi	16,449,168,310	13,834,875,767	2,210,068,003	1,814,158,542	2,976,741,425
30	Rutsiro	6,498,383,649	4,094,759,418	24,499,816,795	922,415,924	4,566,616,798
31	Rwamagana	16,115,836,361	4,960,028,117	5,086,275,846	131,556,568	2,310,197,990
	Total	1,343,274,069,068	700,232,195,885	732,355,308,810	198,182,621,826	168,258,341,322

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2017-2022)

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

- The City of Kigali in 2015 initiated a project of FRW 7,774,274,830 to mitigate and find a sustainable solution to the climate change problems of destructive flooding in Nyabugogo area that has put the risk of different major infrastructures such as citizen houses, roads as well as business activities and people's lives. The field visit conducted on 29 March,2022, revealed that works were far from being completed where some works not yet completed on Channel constructed aside of 2<sup>o</sup>d Bridger. Furthermore, the audit revealed that the Bridger was at start up point.
- During the year ended 30 June 2022, Rubavu district awarded four (4) tenders worth Frw 14,973,636,125 at a price higher than the budget amounts of Frw 1,370,000,000 as per the procurement plan which represent an increase of Frw 3,603,636,125 (representing 32%) compared to the budgeted cost in the annual procurement plan.
- Review of procurement process of tenders awarded by Gicumbi District during the year ended noted that the tender documents required bidders to have credit lines. However, audit noted cases of tenders with contracts amount of Frw 3,762,190,144 awarded to successful bidders with credit lines that were expired before the signature of the contracts.

This analysis revealed that amount of non-respect of laws and procedures continued to increase in district's transactions as per Auditor General's Reports. The current analysis found all 27 districts and City of Kigali are recurrently are reported with 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 as well as district and city council to ensure that all transactions related to PFM are efficiently and lawfully done.

### 4.3.2 POOR BOOKKEEPING

This analysis revealed that 25 districts and CoK have been recurrently affected by weaknesses of poor bookkeeping decreased from RW 673.2 billion in FY2020-21 to FRW 581.5 billion in FY2021-22(all asset management related issues included) as per table 10. Large parts of this amount are related to inefficiency in management of district assets, budget management and execution, revenue collection while the rest includes weaknesses related to irregularities in investment and VUP Financial Services.

In revenue collection, poor bookkeeping practices identified by the auditors consist in the absence of updated data on tax and fee debtors, unexplained differences between the amounts of revenue collected according to different sources such as district financial statements, annual activity reports, and 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 weakness of failing 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.

For the case of deviations to the set targets, districts' PFM staff continue to show that it is hard to them to meet target of revenue collection as taxpayers and taxes to be collected are not static in nature. When business/economic activities are performing well/disrupted taxes increase or decrease and any change is beyond to the district's control. It would be better marginal deviations for revenue collections otherwise, it be possible to get an equality of targeted and collected taxes.

**Table 11: Amount related to poor bookkeeping per District (Assets included)**

No	District	Amount FY 2021-22(FRW)	Amount FY 2020-21(FRW)	Amount FY 2019-20 (FRW)	Amount FY 2018-19 (FRW)	Amount FY 2017-18 (FRW)
1	Bugesera	1,907,689,789	139,103,901,472	93,199,655,346		435,641,795
2	Burera	6,122,512,427	6,109,889,204	261,913,569	2,225,000	2,719,906,171
3	City of Kigali	179,503,402,399	65,817,755,820	19,387,369,209	41,356,695	342,847,771
4	Gakenke	54,244,095,698	1,244,660,627	1,469,332,573		1,124,261,903
5	Gasabo			21,161,289		
6	Gatsibo	85,694,238	1,108,631,238	368,778,370	6,640,904	
7	Gicumbi	600,100	1,985,511,283	3,386,099,728	43,496,279	297,615,651
8	Gisagara	7,455,030,714	40,938,168,829	391,594,556	358,472,623	582,963,969
9	Huye	6,197,718,779	211,497,973	637,034,123	111,421,288	477,934,608
10	Kamonyi	87,664,166,622	9,095,142,053	70,109,893,981	880,319,549	316,668,000
11	Karongi	38,909,058,807	4,160,271,951	251,159,528	426,368,458	539,901,923
12	Kayanza	266,231,074	520,701,951	1,487,595,091	501,152,202	16,683,370
13	Kicukiro			2,252,991,178		2,820,134,236
14	Kirehe	22,618,819,213	144,584,419,470	2,685,977,854	1,190,769,886	1,555,698,649
15	Muhanga	18,638,628,644	3,508,344,005	12,756,404,697	18,501,842	425,834,286
16	Musanze	328,357,095	6,238,511,196	1,566,490,832	735,394,835	2,813,220,746
17	Ngoma	3,318,698,823	7,272,139,959	523,113,150	922,568,920	1,699,255,194
18	Ngororero		68,899,897	206,183,303		
19	Nyabihu	27,150,800	144,029,996,818	183,557,502	787,424,575	209,418,643
20	Nyagatare	22,245,280	27,708,738,173	20,407,412,182	1,295,358,866	1,721,832,533
21	Nyamagabe	164,996,166	23,171,170,469	338,202,563	4,895,415,766	429,162,248
22	Nyamasheke	483,625		1,358,126	1,400,000	136,355,661
23	Nyanza	2,587,903,909	427,482,182	4,621,180,936		199,549,190
24	Nyarugenge			2,802,419,867	1,709,471,223	5,002,674,886
25	Nyaruguru		19,076,008,986	59,484,206,423	1,076,358,094	6,285,640
26	Rubavu	6,132,078,945		6,220,360,325		17,122,155,487
27	Ruhango	1,698,015,454	2,351,920,923	12,047,527,493		672,955,189
28	Rulindo	16,809,945,055	17,375,096,061	6,174,360,583	155,511,151	77,134,847
29	Rusizi	19,883,200	926,580,981	634,102,677	5,956,532,068	138,145,360
30	Rutsiro	126,783,085,371	3,646,448,857	909,229,076	378,963,849	8,761,602,802
31	Rwamagana	36,972,000	2,575,523,008	3,375,624,327	248,956,245	465,540,754
	Total	581,543,464,227	673,257,413,386	328,162,290,457	21,744,080,318	51,111,381,512

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2017-2022)

For the clarity of the category of PFM weaknesses reported under poor bookkeeping, the following examples can help readers:

- Review of taxpayers' database in Huye district, auditors found a difference of Frw 813,335,285 between expected revenue as per taxpayers' database of Frw 6,854,782,800 and targeted revenue amount as per revised budget of Frw 6,041,447,515.
- The audit noted unexplained difference of Frw (6,122,512,427) between tax liability balance reported in Burera district financial statements for the year ended 30 June 2022 and tax liability as per Rwanda Revenue Authority confirmation letter ref:063/RRA/D'1'D/DMD/'I'AMU/23
- The audit noted overpayment amounting to Frw 1,417,399,060 for PAYE and 15% withholding tax. NGOMA District did not provide any evidence of making reconciliation with RRA.
- The audit noted unexplained difference of Frw 1,677,831,881 between the tax liability (relating to Pay As You Earn, Value Added Tax, 3% and 5% withholding taxes and 30% WHT on sitting allowances paid to board members) of Frw 57,067,459 reported by Nyanza District in the financial statements as at 30 June 2022 and the related balance of Frw 1,734,899,340 confirmed by Rwanda Revenue Authority (RRA) on 28 February 2023.
- In Rubavu district, the audit noted that the district reported in its financial statements revenue collections amounting to Frw 2,966,963,719 however, no evidence that reconciliation between expected revenue as per taxpayers' database kept in Rwanda Automated Local Government Taxes Management System (LGTMS) and actual collections. The concern has been highlighted in the district previous audit reports.

Additionally, regarding the issue of failing to achieve the set target of revenues collection, during the focus group discussion, district staff said that it is hard to fully comply with regulations of revenue collection as many factors may affect revenue collection process. For example, a landlord might not pay tax when his/her house doesn't have a client while during the budget the district has targeted this income. Better for auditors to note this finding for management but not base on it to qualify the audit report.

### 4.3.3 POSTING ERRORS

For the analysed fiscal year none of districts and City of Kigali was reported with public financial management related to posting errors. This finding underlines the contribution of using technologies in PFM in public institutions.

## 4.4 WEAKNESS INVESTMENT PERFORMANCE

This section provides details on the value and geographical location of investments with various compliance and performance issues as well as main causes for idle assets and possible solutions proposed by districts PFM staff.

#### 4.4.1 IDLE ASSETS

Idle assets may be the result of the absence or the incomplete/poor quality of feasibility studies, lack of capacities, of poor maintenance or of poor quality of construction or equipment. For the fiscal year 2021-22, auditors noted idles assets amounted to Frw3.5 billion opposed to FRW 9.4 billion reported in fiscal year 2020-21 in decentralized entities. This audit revealed huge amount of recurrent investment weaknesses as per table12. It is the Southern, Eastern and western Provinces that are more affected by idle asset among other. Entities with PFM weaknesses related to unproductive investments uncovered more inconsistency to offset such weaknesses.

Current report shows that districts and City of Kigali invested more efforts to reducing weaknesses related to idle assets compared to the last fiscal year report. Recurrent and inconsistency observed in management of investments are indicators that many districts are not yet able to learn from made mistakes observed in previous investments made. The facts and experience policymakers, implementers and beneficiaries got from management of existing public investments, should appropriately inform future public investment decisions. Experience also calls each institution to pay more attention on the importance of detailed feasibility and profitability studies that would prevent to use state funds to unproductivity investments/ projects. It is strongly recommended to conduct need assessment, determine the relevance of the project, demand analysis, risks assessment, financing options and sustainability analysis (MINECOFIN, 2018).

Normally, a project that fulfils all the above elements would not result into idle asset. Additionally, the national investment policy in Rwanda, insists too much on the fact of the any project/investment to first consider its relevance to the community, its effective management and ensuring transparency and accountability along the implementation processes (MINECOFIN, 2017). Generally, there should not be unproductive investments, as projects must be approved competent organ before their implementation-using district own budget or earmarked revenues. The investment committee/District council/board of directors should not approve any project without a convincing and detailed study.

During the focus group discussions, district PFM staff provided an example of some project (post-harvest warehouse, cross border market, local factories program, and health posts) came from central level and are implemented in districts without comprehensive studies. Thus, the main reasons of idle assets are due to poor planning for projects and limited focus in validation of feasibility studies that result into idle assets. A repeated information from 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 institutions and other partners that plan implement their projects at district level.



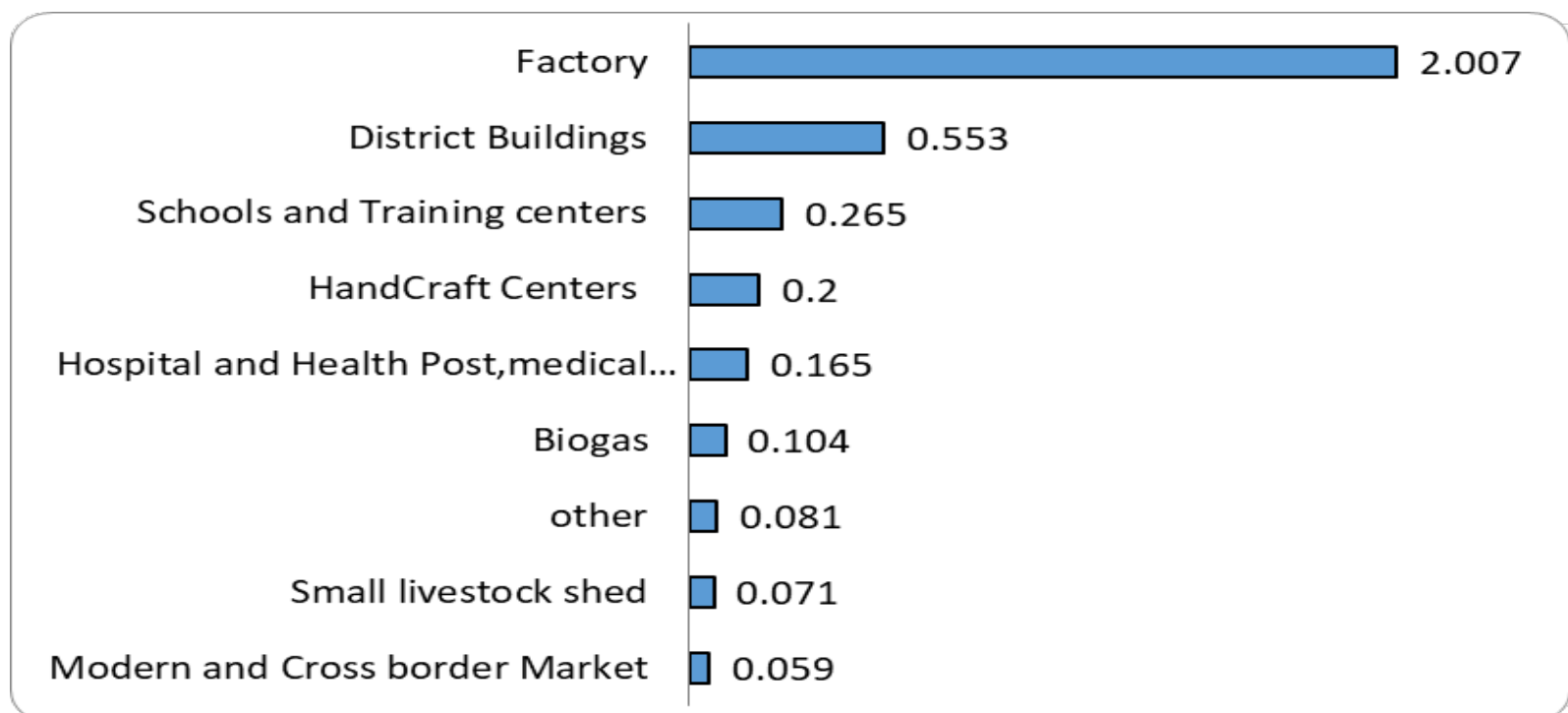
**Table 12: Amount of idle assets per District**

No	District	Amount FY 2021-22(FRW)	Amount FY 2020-21(FRW)	Amount FY 2019-20(FRW)	Amount FY 2018-19(FRW)	Amount FY 2017-18 (FRW)
1	Bugesera	22,395,000	251,933,981			93,018,720
2	Burera	337,062,407	1,515,778,004		2,708,366,489	554,478,470
3	City of Kigali	39,160,190	194,287,564			
4	Gakenke	8,400,000				
5	Gatsibo		1,035,331,593			
6	Gicumbi		69,131,400			
7	Gisagara					534,309,928
8	Huye					
9	Kamonyi					
10	Karongi		205,259,892	1,779,019,291		1,573,759,399
11	Kayonza	553,495,100	580,520,820			1,315,641,440
12	Kirehe		21,968,650			
13	Muhanga			44,918,140		33,621,019
14	Musanze	144,583,356	144,583,356			
15	Ngoma					
16	Ngororero	689,203,596	752,336,859	862,696,988		
17	Nyabihu	56,088,000	76,800,000			
18	Nyagatare		300,345,000			
19	Nyamagabe	19,357,000	38,977,714			237,858,235
20	Nyamasheke		72,300,000			
21	Nyanza	1,184,984,976	1,245,838,027			836,568,683
22	Nyaruguru		183,312,244			70,457,455
23	Rubavu	151,100,000	507,549,920		424,592,675	149,734,935
24	Ruhango	187,557,000	760,704,714	186,550,930		178,657,000
25	Rulindo		1,365,570,834			34,196,319
26	Rusizi	86,899,739	74,886,460	252,384,990	501,647,864	500,092,300
27	Rutsiro	29,405,082	29,405,082			381,184,857
28	Rwamagana					-
	Total	3,509,691,446	9,426,822,114	3,149,228,910	3,634,607,028	6,493,578,760

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2017-22)

Eventually, the effect of idle assets is deficiency in health posts, factories, IDP model village and cross-border market that facilitates inter-country trade which is expected to yield more benefits to individual citizens/companies of variety of goods and services and with significant contribution to the national economy in terms of taxes, transmission of knowledge and expertise. Additionally, unproductive investments are in category of handcraft canters, schools and training canters, health posts among others as there are clearly depicted in Figure 6.

**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 (2021-2022)*

Some of the most notable idle assets are the following:

- Low occupation rate of integrated craft production center of FRW 1,184,984,976 constructed in Nyanza district.
- In January 2017, Rulindo district constructed TVET in Kisaro sector under four (4) phases worth Frw 1,059,647,109 (15% tax inclusive). Rulindo district paid Frw 66,494,380 for office equipment and furniture to equip the constructed buildings. However, the field visit conducted on the site on 3 February 2022 revealed the followings: Low rate of students occupying the constructed buildings;
- On 28 June 2018, Ruhango district signed a contract of Frw 680,649,074 with E.CO.G.L Ltd to build youth center phase 4. The provisional handover of constructed building took place on 24 August 2020 and the final handover took place on 24 August 2021. However, the field visit conducted on 03 February 2022, 1 year and 5 months after the provisional handover, it was noted that the building was still idle and was not used by the district for its intended purpose. Furthermore, the audit did not obtain any plan of how the District Management will use this building.
- As highlighted in the previous audit reports, in 2013, Ngororero District completed construction of a cassava factory in Muhororo sector. The overall factory cost for both building and equipment was Frw 768,070,428 and the District made payments amounting to Frw 688,337,406 to this project. Review of available documentation revealed that the feasibility study of the plant was not properly carried out because there was no enough cassava grown in Ngororero District. Consequently, the District is unlikely to get value for money from the investment made. By the time of the physical verification conducted on 4

February 2023, the cassava factory was still idle ten (10) years after the machines were delivered (23 September 2013).

#### 4.4.2 INVESTMENTS RELATED WEAKNESSES

The weaknesses in districts' investments were analysed as a crosscutting issue since last six-year's editions of this analysis up today. The analysis of fiscal year 2021-22, informed that irregularities related to the investments increased to FRW 11.4 billion opposed to FRW 5.015 billion reported in FY 2020-21 as per table 13. As it was noted in the previous fiscal years, the big number of investments are not fully supported and others are not operational.

For this fiscal year, weaknesses related to investments has twice increased and many districts are still affected. For this time, individual district's investments are the most affected by PFM weaknesses contrast to the previous analyses' findings where districts' investments in Provincial corporations counted a largest portion of investments irregularities.

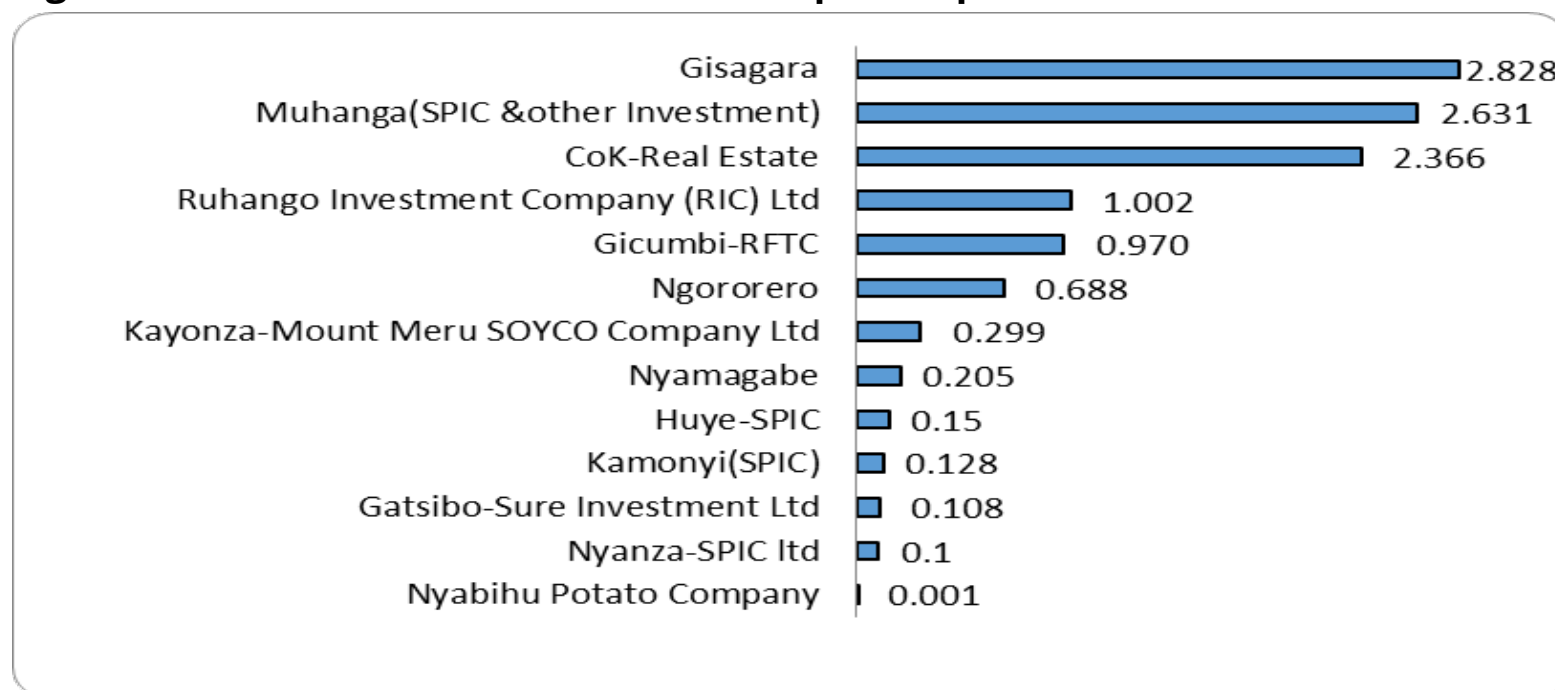
**Table 13: Investment-related weaknesses per corporation and District**

Corporation/District	Investment Issues FY 2021- 22 in FRW	Investment Issues FY 2020- 21 in FRW	Investment Issues FY 2019- 20 in FRW	Investment Issues FY 2018- 19 in FRW	Investment Issues FY 2017-18 in FRW	Investment Issues FY 2016-17 in FRW
<b>EPIC</b>	<b>407,735,640</b>	<b>1,280,130,640</b>	<b>2,067,013,726</b>	<b>1,155,132,003</b>		<b>24,934,703,304</b>
Kayonza (EPIC)			1,115,217,363			24,934,703,304
Kayonza(Mount Meru Soyco Ltd)	299,520,000	299,520,000	48,697,363	348,217,363		<b>4,168,246,774</b>
Kayonza(Kayonza Taxi Park)						<b>630,084,899</b>
Bugesera			152,500,000			
Bugesera Investment Group		22,395,000				
Nyagatare -MAIZE PROCESSING INDUSTRY		850,000,000	450,000,000			
Kirehe				698,000,000		
Rwamagana				699,000		
Gatsibo(Sure Investment Ltd)	108,215,640	108,215,640	300,599,000	108,215,640		
<b>SPIC&amp;Other investment</b>	<b>7,045,597,398</b>	<b>1,260,561,162</b>	<b>3,072,946,270</b>	<b>3,090,138,320</b>	<b>2,126,833,023</b>	<b>5,316,773,682</b>
Huye(SPIC)	150,000,000	150,000,000		150,000,000	50,000,000	622,886,841
Gisagara	2,828,799,189		105,000,000		523,772,061	<b>970,635,840</b>
Kamonyi(SPIC)	128,000,000	128,000,000	128,000,000	524,877,341	316,668,000	1,357,000,000
Munanga(SPIC & other investment)	2,631,313,152	222,761,162	2,277,261,213	528,251,212	425,834,286	1,357,000,000
Nyamagabe	205,100,000	205,100,000		105,000,000	52,603,487	1,357,000,000
Nyaruguru		20,000,000		209,000,000		
Nyanza	100,000,000	100,000,000	100,000,000		85,000,000	
Ruhango(RIC,GAPC&SPIC)	1,002,385,057	434,700,000	567,685,057	1,573,009,767	672,955,189	622,886,841
<b>WESPIC &amp; others</b>	<b>698,337,406</b>	<b>2,038,000,000</b>	<b>4,607,898,063</b>	<b>23,761,553</b>	<b>1,910,995,687</b>	<b>5,191,428,572</b>
Karongi						697,857,143
Ngororero	688,337,406				350,000,000	665,000,000
Nyabihu(WESPIC & OTHER )	10,000,000	10,000,000	1,313,231,396		350,000,000	760,000,000
Nyamasheke					355,000,000	992,857,143
Rubavu		2,028,000,000	1,557,742,868		355,000,000	650,000,000
Rusizi					355,000,000	782,857,143
Rutsiro(WESPIC)			1,736,923,799	23,761,553	145,995,687	642,857,143
<b>Northern</b>	<b>970,166,375</b>	<b>436,850,459</b>	<b>7,086,595</b>	<b>1,037,590,749</b>	<b>554,478,470</b>	<b>500,000,000</b>
Gicumbi-RFTC	970,166,375	7,086,595	7,086,595			
Burera Beach Resort				554,478,470	554,478,470	500,000,000
Burera College of Trade (BCT Ltd)		429,763,864				
Noguchi Holdings				483,112,279	<b>203,139,329</b>	<b>341,477,074</b>
CoK	<b>2,366,349,871</b>					
<b>Total</b>	<b>11,488,186,690</b>	<b>5,015,542,261</b>	<b>9,754,944,654</b>	<b>5,306,622,625</b>	<b>4,795,446,509</b>	<b>42,053,350,145</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2016-22)

Generally, weaknesses related to investment in many districts consist of persistent lack of full documentation of districts 'shares in the provincial/districts 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. Most of districts were reported either with issues of viability or lack of informative disclosure in the district financial statements. The figure 7, reports districts' investments with PFM weaknesses per corporation.

**Figure 7 Investment Related Weaknesses per Corporation**



*Source: Data from OAG's Report of State Finances (Financial Year 2020-21)*

## 4.5 IDLE FUNDS

Idle funds and assets were included as integral and separate category since in the fiscal year of 2015-16. For this fiscal year the amount of idle funds has drastically decreased compared from amount of FRW 1.9billion in FY2020-21billion as per table 14. This analysis revealed that idle funds have decreased more than 2 times as per table below. The decrease of idle funds is not only in monetary value rather it has been noticed in number of affected institutions where 13 districts and City of Kigali have been reported against 21 and City of Kigali are reported during the fiscal year 2020-21. **47.5% and 34.4%** of all idle funds are unutilized funds for VUP-Financial Services and Health programs-CHWs and **CHWs** funds kept on the districts 'accounts.

The finding related to idle funds of CHW reminds and calls the ministry of health to coordinate and follow up the utilization of community health workers' funds. The similar recommendation goes to ministry of agriculture and animal resources to ensure effective utilization of funds dedicated to the promotion of small-scale irrigation technology at district level. During the focus group discussion, district staff mentioned that though they are involved in the collection of CHW's funds but guidelines for utilisation are under the responsibilities of the ministry of health. They added that they do not understand how they can be accountable of idle funds being coordinated by the ministry of health.

**Table 14: Amount of idle funds per District**

No	District	Amount FY 2021-22(RWF)	Amount FY 2020 - 21(RWF)	Amount FY 2019-20(RWF)	Amount FY 2018-19(RWF)	Amount FY 2017-18 (RWF)
1	Bugesera		42,329,815			
2	Burera		13,059,195		28,520,667	297,668,151
3	City of Kigali	188,599,128	146,550,247			
4	Gakenke	77,373,380	10,035,300	22,262,400		
5	Gasabo					
6	Gatsibo	29,121,318				253,979,804
7	Gicumbi	10,086,300	27,827,720	129,945		
8	Gisagara		63,774,883			257,129,129
9	Huye		212,427,458			
10	Kamonyi	47,729,751	42,290,551			
11	Karongi	2,825,880	16,403,592		556,083,888	322,601,202
12	Kayanza	35,348,937	75,362,741		835,588,364	
13	Kicukiro					
14	Kirehe		38,291,850	63,856,805		
15	Muhanga				120,000,000	393,237,333
16	Musanze		28,643,559	3,688,163		
17	Ngoma	36,629,769				
18	Ngororero	89,039,304				
19	Nyabihu		143,447,609		15,542,247	
20	Nyagatare		47,580,276	17,502,402		
21	Nyamagabe	3,451,150	17,153,233			
22	Nyamasheke	29,221,369		21,271,545	11,972,700	
23	Nyanza		258,552,120			
24	Nyarugenge					
25	Nyaruguru		287,603,152	8,279,138		18,235,400
26	Rubavu		7,696,888	81,311,787		
27	Ruhango	46,296,303	227,964,322			128,429,215
28	Rulindo	3,668,100	163,556,154	8,774,333		
29	Rusizi	103,409,523	25,406,840			246,895,027
30	Rutsiro		13,141,954	985,229	1,873,295,011	268,975,741
31	Rwamagana					
	Total	702,800,212	1,909,099,459	228,061,747	3,441,002,877	2,187,151,002

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2017-22)

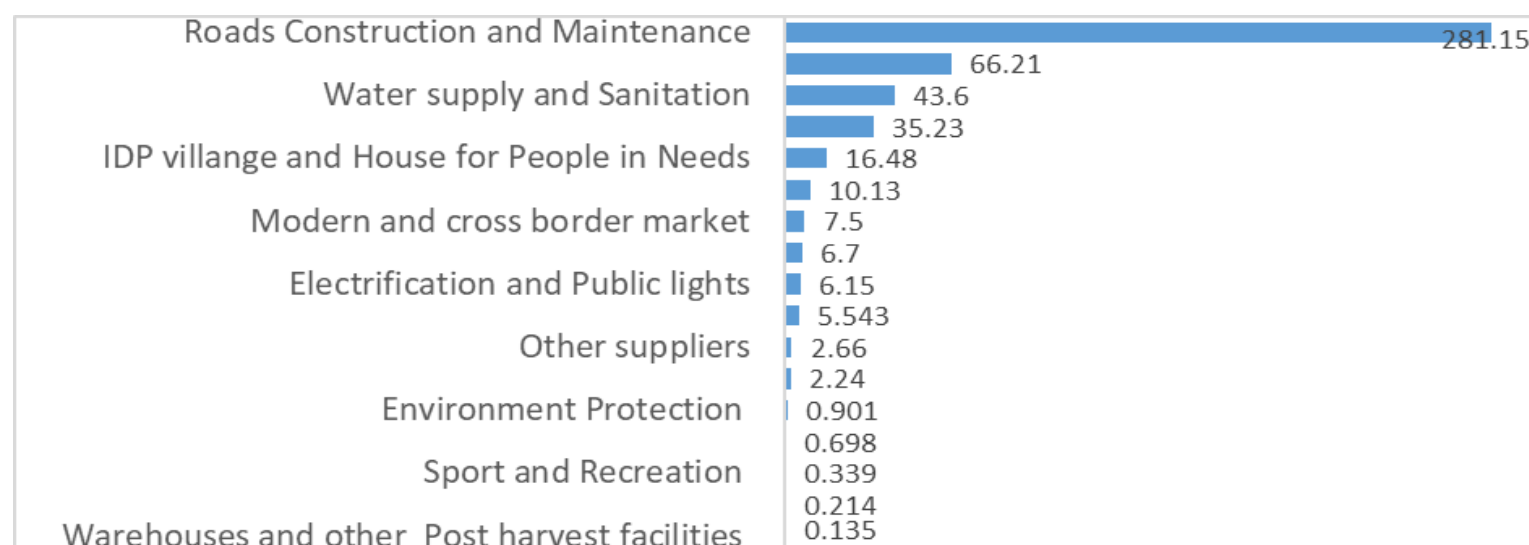
## 4.6 PUBLIC PROCUREMENT IRREGULARITIES

The analysis of this fiscal year informed that PFM weaknesses in public procurement continues to increase in volume and in monetary value. It has been found that monetary value of procurement related PFM weaknesses increased from FRW 382.2 billion in FY 2020-21 to FRW 485.5 billion in FY 2021-22. Additionally, the analysis of procurement transactions (idle assets excluded) based on procurement process as per figure 8, projects amounted to FRW 357.046 billion are reported with issues in contract management.

Among procurement weaknesses per project, the current analysis indicated that projects of construction and maintenance of roads and bridges are the most affected with a proportion of 57.9 % of total amount of PFM weaknesses in public procurement. Procurement irregularities observed in TVT, schools and craft centers, water supply and sanitation, hospital and health centers, health posts, houses of citizens in need and hotels and guests houses as well as construction of modern markets projects have been reported among procurement transactions, with PFM weaknesses.

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 and sustainable development aspirations 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 government has successfully managed to mobilize required funds.

**Figure 8: Key Procurement weaknesses by project type (in billion FRW)**



Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2021-22)

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

- Review of procurement processes revealed that the district internal tender committee recommended the award of nine (9) tenders worth Frw 7,364,618,176. However, the audit could not access the signed contracts of nine (9) tenders worth Frw 7,364,618,176 through the e-contract portal of the e-procurement system. It is worth to note that the audit was provided with the offline copies of the contracts signed in E-procurement while these contracts could not be accessed in E-procurement.
- The review of procurement process revealed that Burera district signed four (4) contracts worth Frw 6,189,063,744 with delays of between 14 and 251 days.
- On 07 July 2020, MINEDUC signed an implementation agreement with City of Kigali for the construction of classrooms and latrines. The total funds transferred to City of Kigali was Frw 6,379,820,184 and the execution period was five (5) months from

the date of signing the implementation agreement by both parties. Therefore, the works were expected to be completed by 7 December 2020. On 21 September 2021 the latest extension were signed to add 5 months of extension starting from 28 September 2021. During the field visit conducted from 17 to 24 March 2023 for the constructed classrooms the following irregularities were noted: Lack of water tanks to capture rain water from constructed classrooms, school not connected to water; lack of clean water at Cyankongi primary school; lack of fence; \* Lack of other necessary infrastructure.

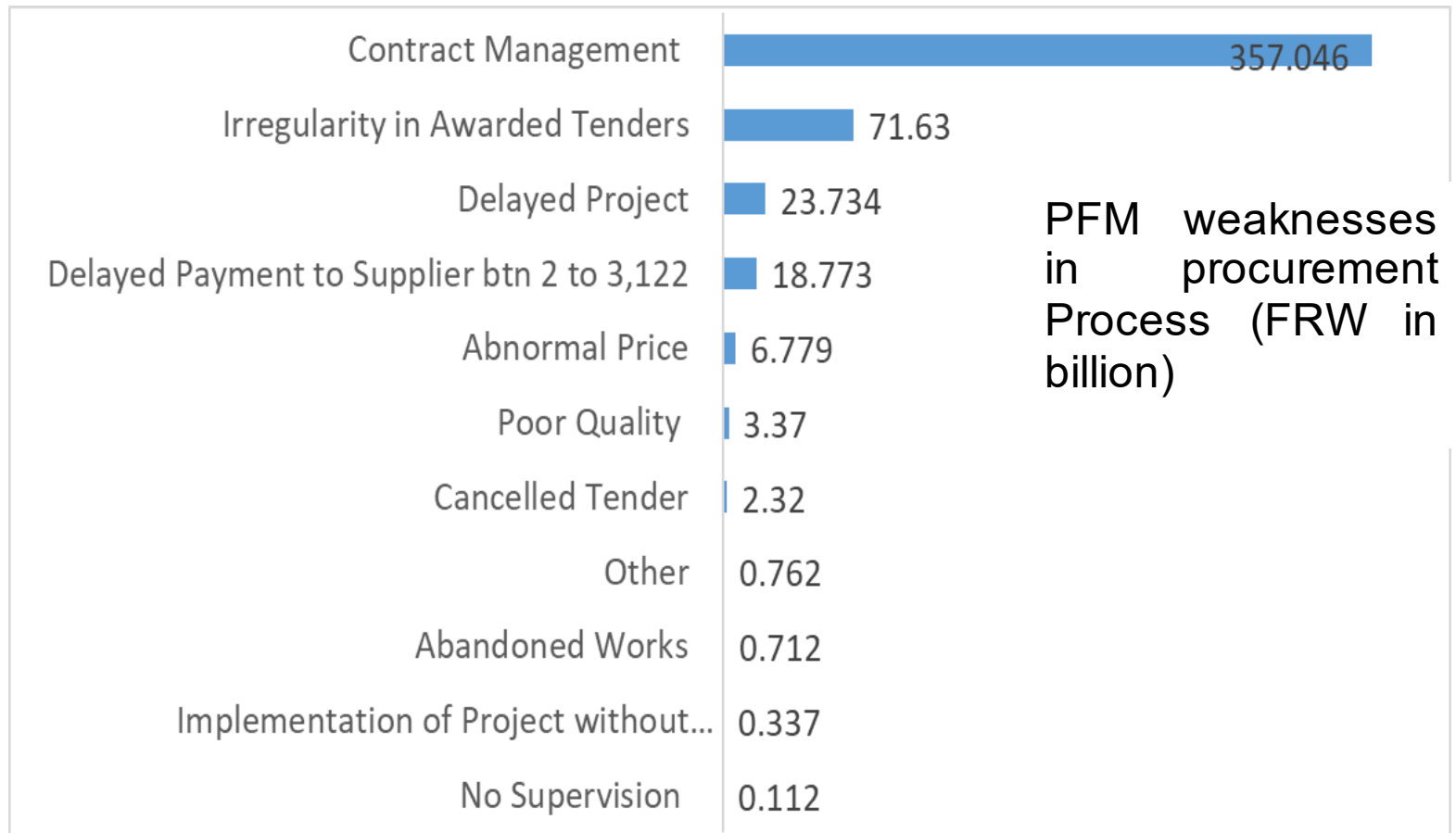
- On 10 January 2016, Kacyiru Hospital signed an agreement with FAIR CONSTRUCTION LTD for the construction of Ultramodern Hospital. The total contract amount was Frw 8,095,874,101 all taxes inclusive. As highlighted in previous audit report the review of this contract revealed the following irregularities: The construction works commenced on 08 February 2016 and stopped on 27 April 2016, when the hospital addressed a letter terminating the contract due to the hospital's shortage of funds. Physical verification conducted on 23 March 2023 at the construction site revealed that the constructions work stalled and some had started to be damaged.

The issue of delayed and abandoned projects amounted to Frw 24.4 billion during this fiscal year against FRW 35.3 billion reported during fiscal year 2020-21. It follows contract management and various irregularities in tendering process: various irregularities include illegal addendum, and cancellation of planned tenders, awarding unplanned tenders and irregularities in tenders among others. 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.

It is worrying to see a procuring entity that commits 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 FRW 10 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 2021, after sixteen years, may bring in mind the question that some procuring entities intentionally violate procurement laws and regulations.



**Figure 9: Most of Procurement weaknesses and their Value per procurement process (in billion FRW)**



Source: Data from OAG's Report of State Finances (Financial Year 2021-22)

#### 4.6.1 DELAYS IN CONTRACT EXECUTION

The respecting execution period in the implementation of contracts remained a key challenge for achieving an effective PFM in local government entities. Delays to performance-planned projects pose huge negative effects on the livelihood of beneficiaries and their socio-economic condition. This part underlines most procurement weaknesses faced by districts. A significant number of projects has been reported with delays in their implementation as per figure 10.

**Figure 10: Delayed contract execution by project type (in billion FRW)**



Source: Data from OAG's Report of State Finances (Financial Year 2021-22)

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.

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

During focus group discussions, district staff mentioned that delays in project implementation often led to increased costs, e.g., due to extended supervision periods and the loss of value of money. For them, the main cause of long delays is inability of some contractors to honour their contracts despite sufficient evidence for their capacities provided during the bidding process. PFM staff added that some contractors charge very low price and commit that they will implement the project but later you findi them failing and delaying implementation of planned activities.

#### 4.7 DELAYED PAYMENTS AND TRANSFERS

The report of Auditor General of 2021-22 reported delayed payments and transfers for FRW of FRW **16,143,769,210** opposed to FRW 6,917,006,464, reported in FY2020-21. The current analysis found a huge increase in amount and in number of districts affected by this weakness as per table 15. This analysis revealed an increase in number and in monetary value for delayed cash to be transferred to beneficiaries. This report informed that number of delayed days has massively increased from 143 days in 2019-20 to 1479 days in 2020-21 and 1,825 days for Transfers of direct support in cash other than capitation grants and school feeding, 1,898 for capitation grants and school feeding. 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 in risks.

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).

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. They added that SDMS takes time to be opened and yet district does not have right of system management.

**Table 15 Delays in transfer (DS, NSDS, Capitation and School Feeding grants) per District**

#	District	FY-2021-22		FY-2020-21		FY2019-20	
		Delay (days)	Amount (FRW)	Delay (days)	Amount (FRW)	Delay (days)	Amount (FRW)
1	Bugesera	6-124	221,803,003	"7-21	4,095,446	57-69	144,250,610
2	Burera	54-193	67,436,120	10-720	693,028,435	8-108	542,900,578
3	City of Kigali						
4	Gakenke	"7-1846	261,738,549	1221-1479	143,134,849	26-63	675,729,453
5	Gasabo					30	227,481,600
6	Gatsibo					10-141	1,815,369,650
7	Gicumbi	52-121	584,510,200	72-142	143,134,849	36-49	571,911,663
8	Gisagara	"4-114	2,584,033,965	24-122	614,051,258	30	42,527,721
9	Huye	"5-164	1,091,736,853	35-47	407,329,110	90-105	382,729,774
10	Kamonyi					20-121	602,211,422
11	Karongi	34-110	458,555,250	34-82	570,668,883	6-32	565,930,223
12	Kayonza	51-87	352,969,500	13-79	255,022,837	5-83	524,746,970
13	Kicukiro					10-49	288,428,335
14	Kirehe	14-1898	2,219,075,400			31-123	308,016,052
15	Muhanga	32-151	762,640,022	17-196	245,612,250	25-66	462,055,937
16	Musanze	18-759	76,739,136			3-68	481,654,975
17	Ngoma	"4-83	1,436,077,180	21	212,500,202		
18	Ngororero	"10-79	398,426,058				
19	Nyabihu	"7-89	1,566,506,692	13-34	281,952,184	11-141	513,023,564
20	Nyagatare			"7-72	499,457,744	1-28	607,938,258
21	Nyamagabe	"10-81	713,342,300			24-109	804,069,399
22	Nyamasheke	30-121	513,994,300			32-121	600,715,402
23	Nyanza	44-1825	50,363,227			37-83	711,712,932
24	Nyarugenge					3-43	164,551,800
25	Nyaruguru	45-221	830,784,875	48-127	974,978,952	16-29	381,372,898
26	Rubavu	18-71	1,208,553,680	14-53	578,299,883	3-70	555,813,922
27	Ruhango					35-138	11,102,218
28	Rulindo			3-244	510,385,082	12-139	119,600,493
29	Rusizi			3-244	783,354,500	29-32	244,394,740
30	Rutsiro	"87	744,482,900			29-51	472,530,693
31	Rwamagana					31-41	430,412,315
	Total		16,143,769,210		6,917,006,464		13,253,183,597

*Data from OAG's Report of State Finances (Financial Year 2019-22)*

## 4.8 MONITORING OF AUDIT RECOMMENDATIONS

This analysis informed that Auditor General issued a total number of 1,615(FY2020-21) recommendations to 27 districts and City of Kigali against 1,589 recommendations issued in FY 2019-20. It is worthy to policy and decision-makers to revisit operational environment of local government and analyse and check what challenge local government entities to comply with laws and procedures at high rate as in many years ago compliance with laws and procedures was identified as most hindering factor to the effective PFM in local government entities. Considering the implication of PFM related weaknesses on the livelihood of citizens, issued recommendations indicate that a big amount of funds was not successfully used to improve citizens' development as it was intended.

As far as the level of implementation is concerned, the average level of full implementation of audit recommendations is still under 75% as it stands at 57% during FY2021-22 for local administration entities and City of Kigali. However, four district (Huye, Nyaruguru, Gisagara and Rwamagana) have fully implemented at the rate of which is more than 75%, 19 districts have fully implemented audit recommendation between 60%-73%. During the previous focus group discussions, PFM staff in consulted districts mentioned that they still facing the issue of being requested to implement audit recommendations that they are not able to implement not simply they are not willing or able to implement them but because those audit recommendations, they are beyond of their control. For example, "delays of capitation grants and school feeding due to the delayed disbursement while request was done on time, this should not qualify district audit report. The audit recommendation should go to MINEDUC or MINECOFIN. The same case also applies to the issues related to the late payment for suppliers of seeds and fertilizers as well the delays of supplying them which should be charged to MINAGRI that is managing this contract. PFM staff said". The issue of inconsistency in implementation of audit recommendations is still observed for districts and City of Kigali in last five fiscal years as it is indicated in below table 16.

**Table 16: Implementation of FY 2020-21 audit recommendations per District**

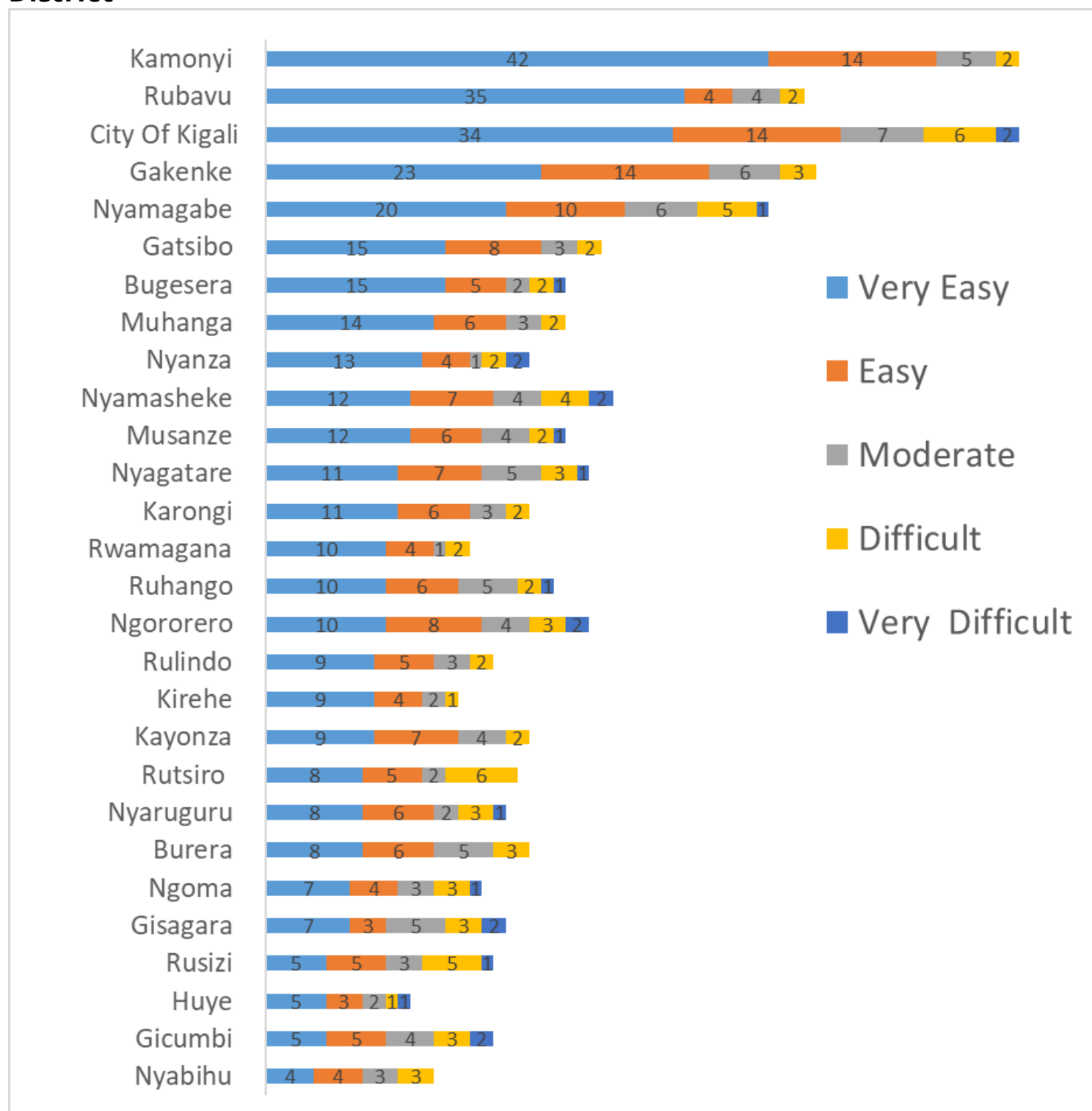
No	District	FY 2020- 21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
1	Huye	85%	68%	71%	24%	62%	56%	74%
2	Nyaruguru	79%	62%	51%	63%	69%	60%	71%
3	Rwamagana	79%	36%	69%	60%	73%	72%	81%
4	Gisagara	77%	48%	60%	21%	58%	67%	57%
5	Nyabihu	73%	38%	60%	51%	45%	43%	41%
6	Burera	72%	57%	37%	52%	39%	39%	60%
7	Rusizi	70%	60%	61%	70%	53%	49%	42%
8	Musanze	69%	35%	43%	41%	30%	52%	44%
9	Nyanza	69%	67%	65%	57%	55%	52%	41%
10	Rubavu	68%	63%	49%	57%	41%	42%	50%
11	Gatsibo	67%	52%	40%	51%	46%	56%	41%
12	Kirehe	67%	48%	65%	52%	41%	59%	68%
13	Muhanga	67%	57%	61%	44%	53%	38%	28%
14	Nyamasheke	67%	65%	71%	63%	60%	39%	23%
15	Bugesera	65%	61%	64%	59%	65%	67%	62%
16	Kayonza	65%	49%	41%	39%	67%	67%	53%
17	Karongi	64%	37%	42%	59%	54%	56%	44%
18	Ngoma	63%	60%	49%	68%	56%	63%	55%
19	Ruhango	63%	57%	43%	64%	50%	57%	45%
20	Rulindo	63%	66%	26%	62%	46%	57%	51%
21	Gicumbi	62%	68%	49%	62%	49%	46%	42%
22	Nyagatare	62%	49%	19%	47%	55%	39%	43%
23	Ngororero	61%	61%	47%	32%	49%	51%	21%
24	City of Kigali	52%	35%	58%	69%	55%	53%	63%
25	Kamonyi	51%	53%	63%	57%	53%	49%	44%
26	Nyamagabe	51%	16%	55%	37%	58%	65%	54%
27	Rutsiro	47%	63%	40%	40%	56%	50%	43%
28	Gakenke	36%	42%	47%	46%	49%	59%	60%

*Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-22)*

Based on the results from the analysis conducted in last fiscal years revealed that the level of fully implemented audit recommendations should not be only measured by the proportion of fully implemented recommendations alone due to the following two reasons. (i) the number of recommendations issued by the auditors differs significantly between the districts, (ii) the complexity of the recommendations issued varies strongly in regard with how difficult they are to be implemented.

This fiscal year, not fully implemented recommendations for all districts and City of Kigali were analysed as follows: 49% were very easy, 23% of easy audit recommendations means that 72% of received audit recommendations were easily to implement. Audit recommendations that required moderate resources and skills were at 13% and difficult recommendations represented 10.5% and very difficult recommendations were 2.5% of total recommendations as per below figure shows the total number of recommendations issued per decentralized entity and their difficulty level.

**Figure 11: Number and difficulty of recommendations not fully implemented per District**



Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2020-21)

The number of recommendations per District varies from 35 to 114 during the fiscal year 2020-2021. Huye district is ranked as the best performer in the implementation of recommendations for last consecutive fiscal years. Huye has received 35 recommendations including eight not applicable recommendations and it has fully implemented 23 of them.

For this analysis, 28 and 15 entities including City of Kigali have received difficult and very difficult audit recommendations, respectively. The Additionally, it is important to note that districts are still facing recommendations that are very hard to implement. 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. Staff from the districts have mentioned that the majority of not implemented recommendations are linked to the issues related to revenue collection, VUP-Financial services, biogas, seeds and fertilizers, CHW, capitation grants and school feeding as well as direct support among others. They added that as long as audit findings related to the above-mentioned programs are continued to be considered on districts alone, they would not be implemented.

## 5. RECOMMENDED ACTIONS TO IMPROVE PFM AT LOCAL LEVEL

Based on the findings from this analysis, districts and institutions at central Government level that implement their projects at local must work closely to increase the level of compliance, and value for money, which is at low level compared to the set targets in NST1. Compliance in Procurement process should be more promoted.

1. **Districts and CoK** must put in place appropriate and consistent strategies that can help them to reduce amount of wasteful expenditures. Especially loss of court cases.
2. **Districts and CoK** must put more efforts in feasibility studies that inform their investment decisions in order to reduce and avoid the idle assets continuously reported by the OAG.
3. **Districts, CoK and Earmarking Institutions** 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.
4. **Districts and CoK** 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. **MINALOC and RALGA** should further strengthen peer review and peer learning between Districts, particularly in the domain of public procurement and implementation of audit recommendations. District councillors should also be considered in training of PFM.
6. **RPPA and partners** should continuously work together in order to promote the compliance in public procurement process.
7. **MINALOC, LODA and MININFRA** should strongly support Districts in carrying out high quality in-depth feasibility studies for infrastructure projects in order to properly evaluate the needs and ensuring sustainability of projects.
8. **RPPA, MININFRA, MINIJUST** should reinforce regulations on contract management as current findings informed that there are many infrastructure projects affected by poor quality despite involvement of contract managers and supervising companies.
9. **MINALOC and MINAGRI** should work together to ensure that seeds and fertilizers are timely distributed and reach to famers and suppliers are paid on time as well.
10. **Anti-corruption institutions and RPPA** should promote preventive monitoring and Regulatory interventions especially in procurement of big projects to avoid losses.







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ANALYSIS OF THE AUDITOR GENERAL'S REPORTS OF THE DECENTRALIZED ENTITIES  
FOR THE FISCAL YEAR THAT ENDED 30TH JUNE 2022



P.O. Box. 6252- Kigali, Rwanda, Phone: (+250) 788309583  
Toll free: 2641 (to report cases of corruption) – Email: [info@tirwanda.org](mailto:info@tirwanda.org)  
Website: [www.tirwanda.org](http://www.tirwanda.org)

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