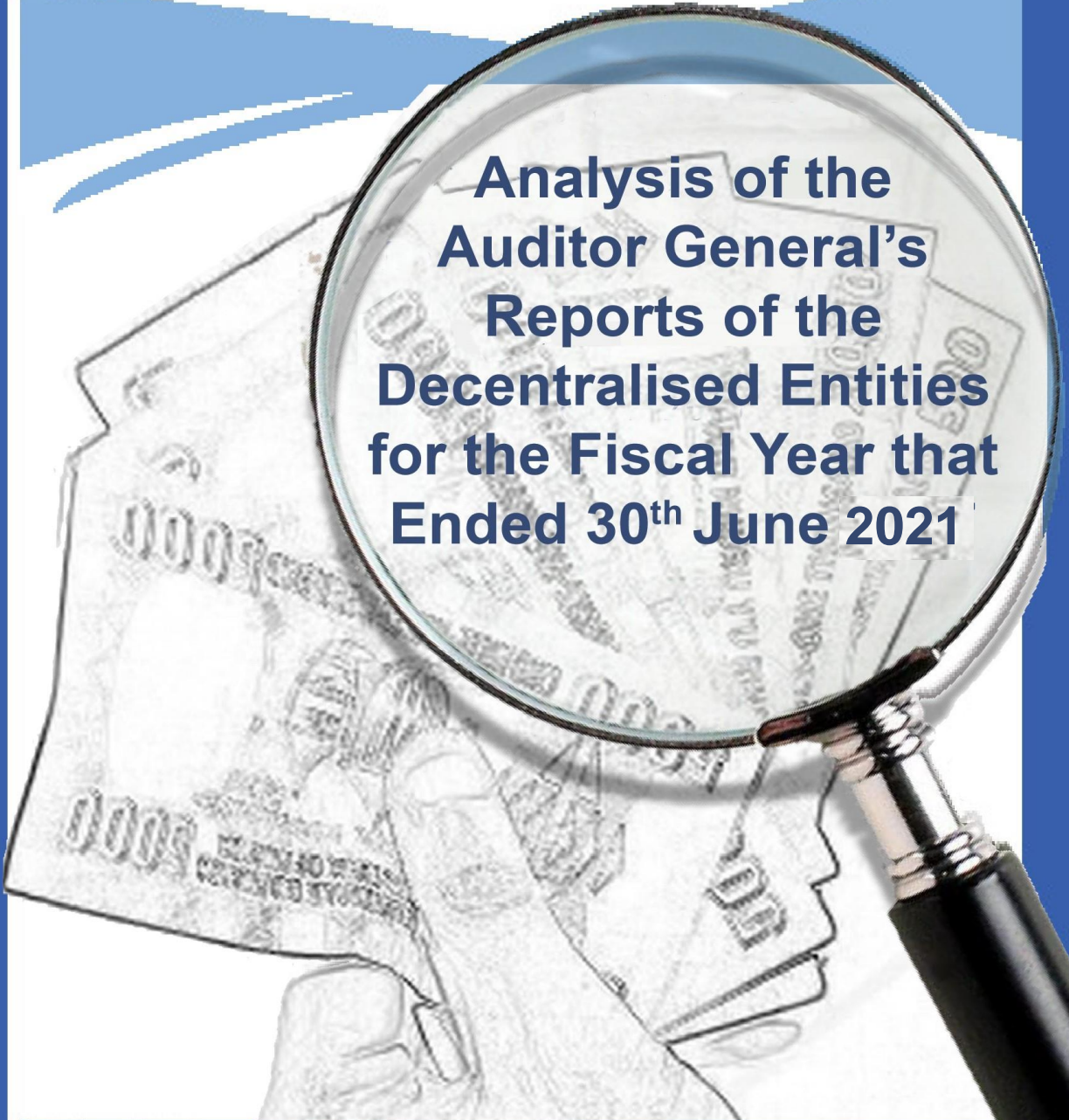




**TRANSPARENCY  
INTERNATIONAL**



Rwanda



**Analysis of the  
Auditor General's  
Reports of the  
Decentralised Entities  
for the Fiscal Year that  
Ended 30<sup>th</sup> June 2021**



**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 2021**

© 2023 Transparency International Rwanda. All rights reserved.

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 March 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 a priority of the Government of Rwanda. It aims to achieve better and quick service delivery and develop instruments that fruitfully and strategically allocate available resources for sustainable national economic growth and development. The GoR welcomes all stakeholders whose contributions strengthen the public financial management (PFM) in public entities to attain the number of entities obtaining unqualified audit opinions 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 the GIZ's 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 with the Government of Rwanda's aspirations but also responds to the 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 at 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 2020 -2021 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, the Office of Auditor General, MINECOFIN, RPPA, and District staff who helped us to access the required data. Finally, I want also to thank the TI-RW team, who professionally conducted this analysis and delivered such an informative product of quality.

Effective planning and rational use of available resources will allow for achieving consistent Economic growth and sustainable development, which is a 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

## Table of Contents

	Acknowledgement	2
	List of figures	4
	List of tables	5
	Executive Summary	6
1	Background and Context	8
1.1.	PFM Institutional Framework	8
1.2.	PFM Legal Framework in Rwanda	9
1.3.	PFM Reform in Rwanda	10
2	Objectives	11
3	Methodological Approach	12
3.1.	Data	12
3.2.	Primary Data	14
4	Presentation of Findings	15
4.1.	Analysis of the Financial and Non-Financial Weaknesses of Decentralised Entities for the FY 2020-21	15
4.1.1.	Expenditure-Related Weaknesses	16
4.1.2.	Non-Expenditure-Related Weaknesses	22
5	Recommended Actions to Improve PFM at Local Level	46
	Bibliography	48

## List of figures

Figure 1: Amount of PFM weaknesses (in billion FRW) per FY .....	15
Figure 2: Amount of expenditure-related weaknesses per FY (in billion FRW).....	16
Figure 3: Expenditure-related weaknesses by thematic subcategory (in billion FRW).....	18
Figure 4: Amount of non-expenditure-related weaknesses (in billion FRW).....	22
Figure 5: Non-Expenditure-Related Weaknesses by Thematic Subcategory (in billion FRW) ...	23
Figure 6: Amount of idle assets per type (in billion FRW) .....	31
Figure 7: Investment Related Weaknesses per Corporation .....	34
Figure 8: Key Procurement weaknesses by project type (in billion FRW) .....	36
Figure 9: Most frequent Procurement weaknesses and their Value per procurement process (in billion FRW) .....	39
Figure 10: Delayed contract execution by project type (in billion FRW) .....	39
Figure 11: Number and difficulty of audit recommendation per District .....	43

## List of tables

Table 1: Weakness category definitions .....	12
Table 2: Definitions of the difficulty level of recommendations implementation.....	14
Table 3: Change in amount of expenditure-related weaknesses per District.....	17
Table 4: Amount of unsupported expenditure per District .....	18
Table 5: Amount of wasteful expenditure per District .....	19
Table 6: Amount of fraudulent expenditure per District.....	21
Table 7: Amount of overstated expenditure per District.....	21
Table 8: Change in amount of non-expenditure-related weaknesses per District (asset included).....	24
Table 9: Amount of non-respect of laws and procedures per District (Assets Included) .....	25
Table 10: Amount related to poor bookkeeping per District (Assets included) .....	27
Table 11: Amount of idle assets per District.....	30
Table 12: Investment-related weaknesses per corporation and District .....	33
Table 13: Amount of idle funds per District .....	35
Table 14: Delays in transfer (DS, capitation and school feeding grants) per District .....	41
Table 15: Implementation of FY 2019-20 audit recommendations per District.....	42
Table 16: Recommendations related to Revenue Collections Affect Implementation of Audit recommendations .....	44

## Executive Summary

Transparency International Rwanda (TI-RW) considers the monitoring of public financial management (PFM) closely associated to its mission of preventing corrupt behaviours, 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) 2020-21. 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 OAG auditors.

Additionally, all reported weaknesses are classified into thematic categories 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, their difficulty level, and their link to weakness categories. The quantitative data compiled is complemented by primary data collected through ten focus group discussions (FGDs) at District level.

For this fiscal year, the total amount of expenditure and non-expenditure-related weaknesses of the decentralised entities as identified by the OAG have drastically increased from, respectively, FRW 0.53 billion and FRW 498.03 billion for FY 2019-20 to FRW 21.01 billion and FRW 726.22 billion for FY 2020-21. For the management of Districts' assets, the finding of inefficiency has increased from FRW 560.64 billion in FY 2019-20 to FRW 665.15 billion.

Furthermore, a number of cross-cutting issues that affected Districts' PFM in various weakness categories were identified. Irregularities in public procurement, including delayed or abandoned construction works of public projects, have increased from FRW 203.84 billion in FY 2019-20 to FRW 382.2 billion, including FRW 150.02 billion of contract management issues in different projects. Furthermore, the Issues related to Districts' investments in provincial investment corporations and other private ventures have decreased from FRW 9.863 billion in 2019-20 to FRW 5.015 billion for FY 2020-21.

There is still a significant delay in transfers to beneficiary households of social protection schemes (direct support), which puts vulnerable citizens and students at risk of descent 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 a source of health problems for children.

There is some evidence 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 the City of Kigali to consider the below key recommendations enlightened by analysis findings to address identified PFM's challenges. Spending funds based on realistic planning and corrected and comprehensive feasibility studies is necessary to avoid idle assets and unprofitable investments. Districts must closely work together with concerned partners to make regular and predictable cash transfers to VUP Direct support beneficiaries and timely disburse capitation and school feeding grants.

Districts need to improve the level of compliance with laws and procedures governing PFM (procurement laws, tax law, financial guidelines, and VUP guidelines on value for money). Among other things, cases of procurement processes with various irregularities should be examined closely. Here, Districts and RPPA must enhance the mechanisms, such as upgrading E-procurement systems to accommodate contract management and e-payment. Furthermore, this provides more information that can allow doing deep due diligence in bids evaluation process to avoid a high rate of delayed/abandoned contracts in execution.



## 1. Background and Context

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

- Economic Transformation
- Social Transformation
- Transformational Governance

The participatory planning, monitoring and evaluation are strongly encouraged under the pillar of Transformational Governance’s priorities. The governance based on a bottom-up approach is expected to be enhanced and mainstreamed at all levels in all government entities. It is expected that citizens-centred 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 an 80% clean audit for financial statements on the scope to be audited by FY 2023-2024, from 50% for fiscal year 2015/2016. It will also achieve, for the same scope, 50% of audit reports complying with laws and regulations from 30% in FY 2016/17 (GoR, 2019).

Efficient and effective public financial management is considered 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 as increased professionalization of the public finance officials. The next two subsections provide details on the PFM initiatives.

### 1.1. PFM Institutional Framework

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

- The Parliament: The constitution of Rwanda stipulates the Parliament with its Chamber of Deputies and Senate has the main functions of passing laws and monitoring government activities. Both the Chamber of Deputies and Senate 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 queries for deep investigation and prosecution for further

actions. The Senate plays a crucial role for PFM. Apart from voting for the Organic Law of State Finances and Property, it approves the appointments of both the Ombudsman and the Auditor General of State Finances, among other appointed high officials. It also expresses its opinion on the State Finance Bill before the adoption of the 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 the Ombudsman, as an independent public institution, has the mandate to carry out many responsibilities. These mainly include the prevention of and fight against injustice, corruption and other related offences in public and private administration. Additionally, it includes receiving declarations 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 article 165 of the Constitution which provides for the Office of Auditor General to ensure transparent and accountable use of the state finances. Additionally, 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 previously 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, the 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 for corruption in all public procurement activities.
- Board of Directors and Councils: Each Public institution has a board of Directors to strategically advise the institution and each decentralized entity has a council to perform advisory and approval functions. The Ministerial order No 002/09/10/GPIA by The Ministry of Finance and economic planning was passed on 12/02/2009 to set out an 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 public financial management.

- Organic Law N° 12/2013/OL of 2013 is enlightened by the constitution and is the key law on the management of state finances in Rwanda. As per article 13 of this law, the enforcement of the Organic law on State Finances and Property falls under the responsibility of the Minister in charge of finance, including prescribed standards of accounting practices and uniform classification systems, in central and local Government administrative entities.
- Ministerial order N0 001/16/10/TC of 26/01/2016 relating to the Financial Regulation. It provides more details for the smooth implementation of the Organic Law on State Finances and Property of 2013.
- Laws and regulations on public procurement: The public procurement in Rwanda is governed by the law N°62/2018 of 25/08/2018 to ensure that all procurement procedures are clearly prescribed and well implemented. Additionally, there is Ministerial Order N° 002/20/10/TC of 19/05/2020 establishing regulations on public procurement in public institutions in Rwanda that provides standard procedures of procurement plan up to the conclusion of the contracts.
- Ministerial Instruction No 001/11/10/TC of 24/01/2011 establishing the professional code of ethics governing public agents' involvement in public procurement.

National Investment policy: It provides guidance on how investments from central and local institutions should be made to respond to the 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) improving the implementation based on execution feedback as well as (ii) engaging the private sector and leveraging alternative sources of financing by ensuring a credible pipeline of projects and systematically investing in strategic investments. State finances should only be allocated to those projects that will respond to citizens' 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 enable better service delivery and develop 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). 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. This will facilitate data sharing between the entities and allow regular bank reconciliations.
- 2) Accounting and financial reporting: The Country is moving to the accrual IPSAS1 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 facilitating better understanding of the Government's financial position, support efficiency in budget execution to improve the quality of strategic planning, management of public finances, and development of economic policy, and 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 supports 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 are implemented through workshops, conferences, study tours, and professional training supported by the Institute of Certified Public Accountants of Rwanda (ICPAR). Professional accountants will assist in the implementation of IPSAS.

Despite the tremendous efforts invested in improving PFM at all levels, the report of the 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, idle funds, long outstanding receivables, gaps in corporate governance of District hospitals, high rates of non-operating biogas plants in local government, and delays in transferring funds under school feeding and capitation grants 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 queries related to expenditure- and non-expenditure-related weaknesses of PFM of decentralised entities.

---

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

The current assignment was funded by GOPA through DGG and intends to collect qualitative data from concerned stakeholders, aggregate and scrutinize data for 31 OAG audit reports of decentralised entities for the FY that ended June 2019, and make findings available to the public. The outcomes of this scrutiny are beneficial for:

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

### 3. Methodological Approach

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

#### 3.1. Data

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

**Table 1: Weakness category definitions**

Expenditure-related weaknesses	
<b>Unsupported expenditure</b>	Absence of supporting documents to justify the expenditure.
<b>Wasteful expenditure</b>	Expenditures which could have been avoided including expenditures for unplanned and unnecessary activities such as fines, penalties, etc.
<b>Overstated expenditure</b>	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.
<b>Fraudulent expenditure</b>	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.
<b>Payment to non-existent staff</b>	Payment of wages and salaries to ghost employees.
Non-expenditure-related weaknesses	
<b>Non-respect of</b>	Remarks on non-compliance with existing laws and procedures of public

<b>laws and procedures</b>	financial management.
<b>Poor bookkeeping</b>	Accounting errors that refer to no entry of financial data, inconsistent usage of accounting methods, lack of reconciliation of books with bank statements, incomplete or a lack of inventory, lack of accurate records and a poor filing system, and the failure to make taxes payable entries to the books of accounts while taxes have been duly deducted.
<b>Posting errors</b>	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.
<b>Idle assets/funds</b>	
Assets/funds that are not being used/utilised, severely underused or used for a purpose other than the intended one.	
<b>Recurrence of audit query</b>	
There is a recurrence of audit query to a District /CoK if it has received more than one during the last three fiscal years.	
<b>Inconsistent implementation</b>	
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 there are no consistent or appropriate measures to avoid such an audit query.	

In addition, each weakness identified was also categorized thematically and according to the related subsidiary entity or programme. Furthermore, the review of audit reports provides a tabulation of all audit recommendations made by OAG auditors in their reports of the previous year with their current implementation status, the category of complaint that the recommendation refers to and an assessment of the difficulty of the implementation of the recommendation.

The purpose of the categorization is to determine the likeliness of different types of recommendations to lead to immediate PFM improvements of the decentralised entities. A resulting table that indicates the level of implementation of recommendations of different categories for each decentralized entity is compared with the performance in each weakness category for the respective decentralised entity. This allows for identifying relationships between the 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, and required technical skills and resources, as described in Table 2.

**Table 2: Definitions of the difficulty level of recommendations implementation**

Difficulty	Requirement for selection of difficulty level to implement a recommendation
<b>Very easy</b>	Implementation only requires the management’s and the staff’s commitment. No additional staff, technical skills, or resources are 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 focus group discussions (FGD) and key informant interviews (KII) conducted at the level of decentralised entities as well as at national level.

The collection of primary data has involved five (5) FGD sessions to eight (8) Districts including: Gisagara, Karongi, Musanze, Rwamagana and the City of Kigali together with Gasabo, Kicukiro and Nyarugenge. To effectively collect first-hand data reflecting real context, 10 participants who closely dealt with public financial management and related activities were required to participate in FGDs. Necessarily, respondents would include Executive Secretaries/ Corporate services Division Managers, Directors of Finance, Directors of Planning, Directors Chairman of audit Committee, Accountants, Budget Officers, Internal Auditors, Logistics Officers and Procurement Officers.

The criteria for choosing a District for FGD were as follows:

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

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

## 4. Presentation of Findings

Findings are classified into six (5) main categories related to: expenditure-related weaknesses, non-expenditure weaknesses, investment performance, management of Districts' assets and status of the implementation of recommendations.

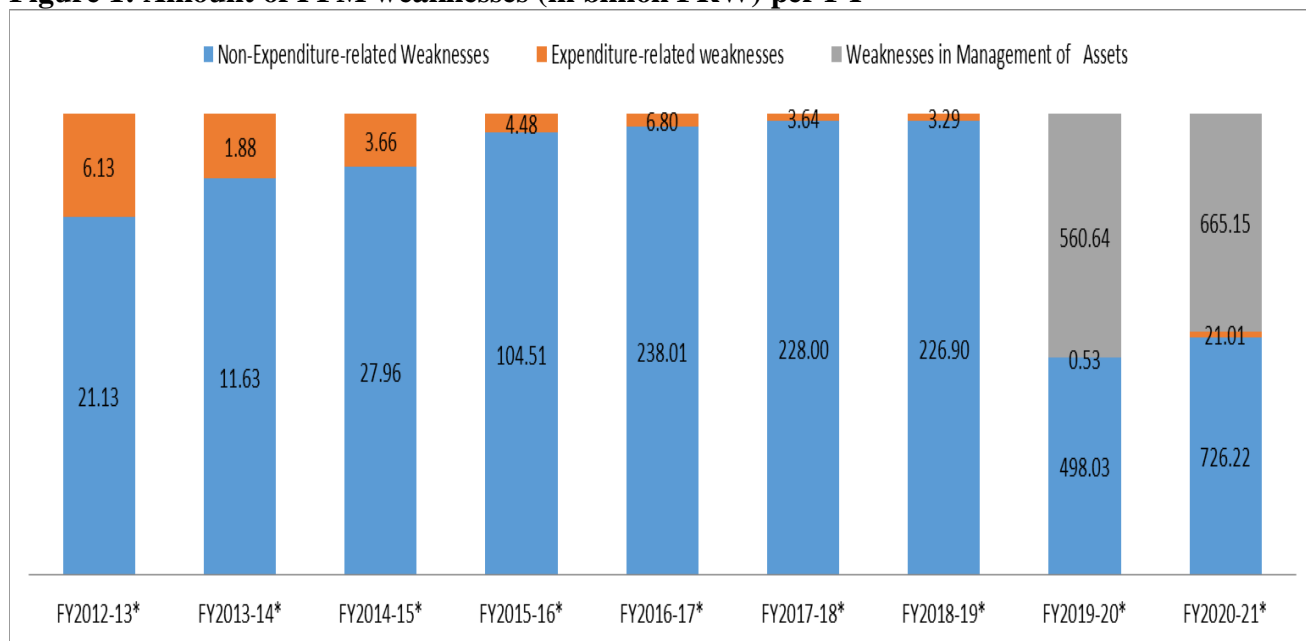
### 4.1. Analysis of the Financial and Non-Financial Weaknesses of Decentralised Entities for the FY 2020-21

The current analysis revealed that the total amount for expenditure-related weaknesses, non-expenditure weaknesses, and inefficient management of District assets of decentralised entities and the City of Kigali have massively increased compared to the two previous fiscal years. The current analysis informed that expenditure-related weaknesses kept decreasing over the last three fiscal years while there is inconsistency in fighting against non-compliance with laws and procedures, increasing the rate of implementing audit recommendations as well as in the management of District assets.

The expenditure-related weaknesses have significantly increased from FRW 0.53 billion to FRW 0.53 billion, while non-expenditure-related weaknesses have hugely increased from FRW 226.9 billion during the FY 2018-19 to FRW 498.03 billion in the fiscal year 2019-2020 and Districts and the City of Kigali assets valued at FRW 560.64 billion.

Figure 1 below indicates how both expenditure and non-expenditure-related weaknesses have changed compared to previous findings. Further details are provided in the following subsections on expenditure-related 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 (2013-21)



### 4.1.1. Expenditure-Related Weaknesses

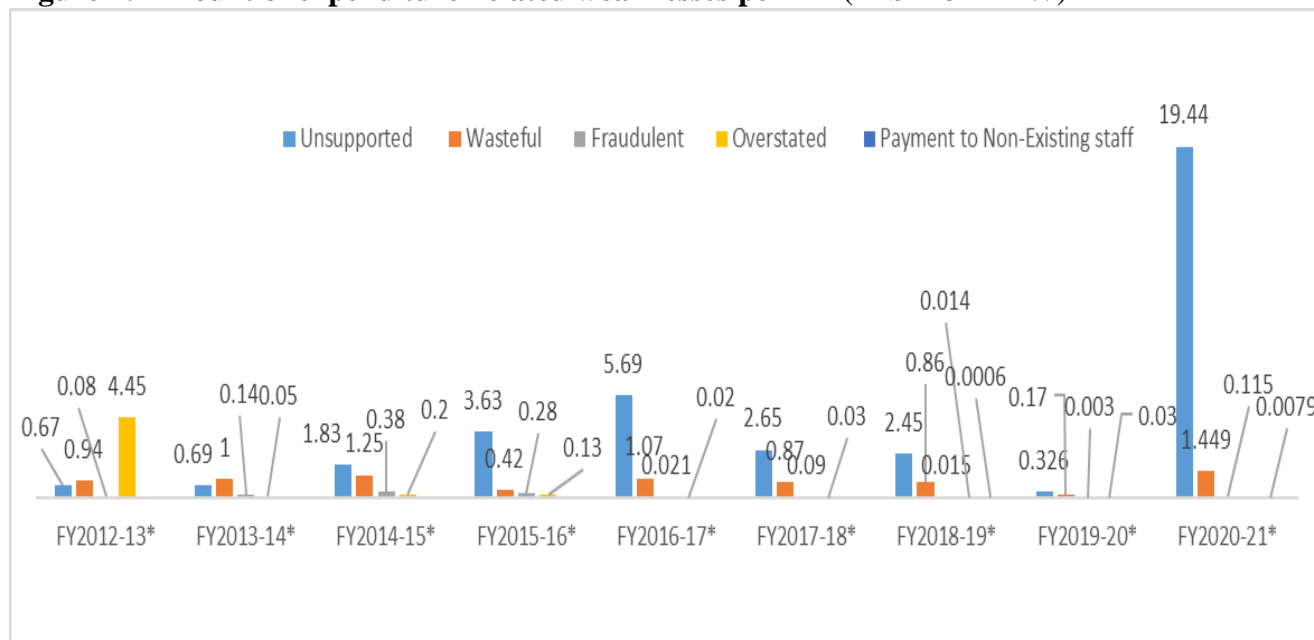
Results from this analysis revealed that unsupported expenditures (FRW 19.44bn) and wasteful (FRW 1.44bn) are the most subcategories of weaknesses that have contributed to the total expenditure related weaknesses at 92.5% and 6.8%, respectively.

Another important finding is that all categories of expenditure-related weaknesses (*unsupported, wasteful, fraudulent, overstated expenditure*) except payment to non-existing staff have jointly and individually increased compared to the previous fiscal years. This report has also indicated that one District has been reported with findings related to a fraudulent case of District funds embezzled by one of its former staff.

This finding of a fraudulent case reminds us that local government entities need to strengthen their control mechanisms in PFM, especially for sensitive and risky programs and projects. Fraudulent findings were reported in capitation grants and school feeding and Girinka Program, where ghost students and ineligible beneficiaries were included on the list during the previous fiscal years.

Some Districts (Nyagatare, Rwamagana and Nyamagabe) have been found with the weakness of paying non-existing staff during the fiscal year under the analysis. Though it is one case for each mentioned District, it reminds us that appropriate mechanisms for payment approval need to be strong and functional in order to pay such ineligible expenses. This fact is a sign of inconsistency in the implementation of control mechanisms of PFM as all Districts have been able to mitigate that weakness in previous years as per Figure 2.

**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 (2013-21)

It is evident that most of the categories of expenditure-related weaknesses have significantly increased compared to the previous fiscal years. It is the first time that unsupported expenditures have increased at this level in nine years.

Additionally, the unsupported expenditure still is the major component of the expenditure-related weaknesses and has affected 25 Districts and the City of Kigali in this fiscal year as opposed to 12 Districts in the previous fiscal year, as per Table 3.

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

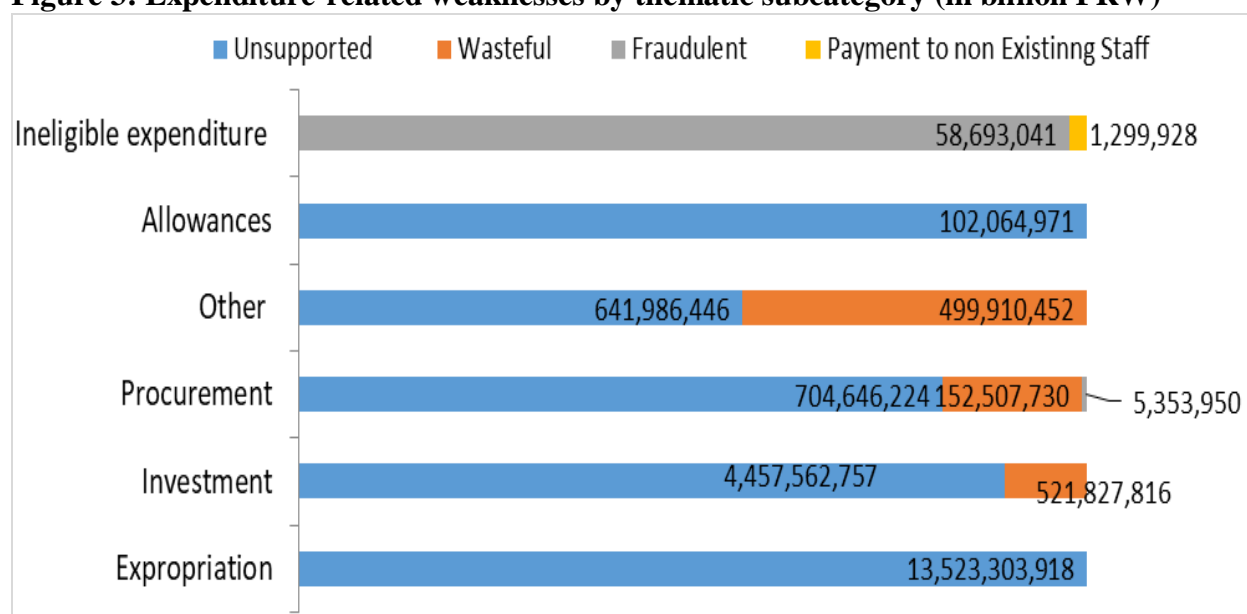
District	Amount of exp.-related weaknesses FY 2020-21(FRW)	Amount of exp.-related weaknesses FY 2019-20(FRW)	Amount of exp.-related weaknesses FY 2018-19 (FRW)	Amount of exp.-related weaknesses FY 2017-18 (FRW)	Amount of exp.-related weaknesses FY 2016-17 (FRW)	Amount of exp.-related weaknesses FY 2015-16 (FRW)	% change2019-20to 2020-21
Bugesera	45,206,833	150,000,000	120,987,129	50,117,929	21,172,232	385,264,414	-70%
Burera	223,399,836	-	58,986,289	210,739,329	354,443,926	12,603,057	
the City of Kigali	14,355,065,645	62,230,910	5,750,000	18,365,673	198,053,311	86,832,691	22967%
Gakenke	2,621,000	-	139,744,135	-	64,490,051	103,596,250	
Gasabo	-	-	212,100,238	20,579,679	33,183,259	9,247,028	
Gatsibo	307,537,677	-		261,578,902	46,200,000	201,650,809	
Gicumbi	36,894,435	28,856,479	31,226,563	235,552,359	138,473,624	316,045,571	28%
Gisagara	196,608,827	105,000,000	-	-	728,804,288		87%
Huye	159,291,522	-	158,204,122	56,771,484	121,618,608		
Kamonyi	136,850,000	-	298,668,000	-	6,961,500	39,551,562	
Karongi	48,553,916	48,744,400	11,922,898	245,960,150	901,766,052	95,668,368	0%
Kayonza	446,485,523	3,731,714	136,881,616	10,848,000	3,500,300	79,744,015	11865%
Kicukiro	-	-	9,338,097	39,585,354	31,327,647	21,190,900	
Kirehe	690,887,801	-	3,865,300	12,587,349			
Muhanga	242,797,636	-		-	5,462,500	73,180,174	
Musanze		-	61,886,710	77,442,188		220,368,126	
Ngoma		-		3,569,550		29,335,120	
Ngororero	5,059,050	33,631,514	12,475,610	350,000,000	701,427,680	28,162,100	-85%
Nyabihu	10,000,000	2,000,000	17,241,659	373,556,500	760,000,000	72,943,425	400%
Nyagatare	901,025,578			138,286,003		3,759,128	
Nyamagabe	234,268,787	7,281,875	149,044,185	131,305,587	186,576,000	149,688,849	3117%
Nyamasheke	1,552,441		18,708,714	355,000,000	1,062,935,509	60,052,768	
Nyanza	119,624,145	3,718,201	1,401,146	36,480,000		64,063,555	3117%
Nyarugenge	-		23,412,432	9,279,250	77,234,149	209,816,324	
Nyaruguru	18,048,878		209,000,000	20,119,040			
Rubavu	2,180,507,730		30,027,470	365,014,400	665,325,664	542,059,153	
Ruhango	550,270,746	18,977,498	1,573,009,767	69,437,220		93,726,867	2800%
Rulindo	82,722,033	-	824,640	-		317,030,682	
Rusizi	4,050,463	-	44,001,230	355,000,000	17,680,000	870,925,559	
Rutsiro	13,336,657	65,178,454		188,275,852	673,428,273	2,244,399	-80%
Rwamagana	4,269,519	-	13,000,000	6,570,000		5,370,000	
<b>Total</b>	<b>21,016,936,678</b>	<b>529,351,045</b>	<b>3,341,707,950</b>	<b>3,642,021,798</b>	<b>6,800,064,573</b>	<b>4,094,120,894</b>	<b>3870%</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2015-21)

#### 4.1.1.1. Unsupported Expenditure

This section presents more details on findings related to unsupported expenditure related weaknesses. The analysis goes for a comparison of the total volume of unsupported expenditure over time, the most affected Districts, and thematic consideration. Figure 3 and Table 4 illustrate in deep the status of unsupported expenditure.

**Figure 3: 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 (2015-21)

Unsupported expenditure amounts to FRW 19.44 billion and thus accounts for roughly 92.5% of all expenditure-related weaknesses. The number of unsupported expenditures increased by 58.6 % compared to the previous fiscal year as per Table 4.

The number of Districts affected by unsupported weaknesses is up to 20 and the City of Kigali for this fiscal year as opposed to eight Districts during the fiscal year 2019-20. Table 4 indicates that 14 Districts are inconsistent in addressing unsupported expenditures in PFM.

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

District	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
City of Kigali	13,510,673,005	62,230,910				
Gakenke			1,790,000		-	53,709,000
Gatsibo	109,669,835				-	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	136,850,000		298,668,000			29,430,000
Karongi		48,744,400		237,010,000	721,394,264	-
Kayonza	299,520,000	3,731,714	3,166,993			15,000,000
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						
Ngororero	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	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	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>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 (2015-21)

For this fiscal year, unsupported expenditures have too much increased by unsupported expropriation of FRW13.5billion (the City of Kigali, Gisagara and Nyanza) and unsupported Districts' investments of FRW 4.45billion as per table 13.

#### 4.1.1.2. Wasteful Expenditure

The amount of wasteful expenditure has increased from FRW 170, 856,479 in FY2019-20 to FRW **1,449,069,998** during the fiscal year 2020-21. This report tracks a trend for the four last fiscal years as appears in Table 5.

The current analysis found that 17 Districts and the City of Kigali are affected by wasteful expenditure in fiscal year 2020-21 as opposed to three Districts that have been during FY 2019-20. If you compare the last three fiscal years, it is clear that there is much inconsistency in how Districts deal with the avoidance of wasteful expenditure.

It is worthwhile to acknowledge commendable and consistent efforts made by Districts (Kamonyi, Kirehe, Musanze, Ngoma, Ngororero, Nyabihu, Nyagatare, Nyamasheke and Rwamagana) that have managed to avoid wasteful expenditures for at least two consecutive years in four fiscal years.

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

District	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	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
the City of Kigali	833,660,140		5,750,000	18,365,673	198,053,311	86,832,691
Gakenke	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		-	<b>226,885,212</b>	<b>46,200,000</b>	

						-
Gicumbi		28,856,479	-	18,545,000	-	-
Gisagara	859,500	105,000,000	-	-	12,264,288	-
Huye	1,087,400	-	8,204,122	-	-	-
Kamonyi		-	-	-	-	2,474,122
Karongi	4,189,084	-	11,922,898	8,950,150	179,720,050	7,000,000
Kayonza	146,328,623	-	133,714,623	<b>10,848,000</b>	<b>3,500,300</b>	<b>10,058,049</b>
Kicukiro		-	-	<b>39,585,354</b>	<b>31,327,647</b>	<b>21,190,900</b>
Kirehe		-	-	12,587,349	-	-
Muhanga	18,283,174	-	-	-	5,462,500	6,210,144
Musanze		-	22,348,935	<b>41,442,188</b>	-	<b>16,186,600</b>
Ngoma		-	-	3,569,550	-	29,335,120
Ngororero		-	-	-	15,393,080	-
Nyabihu		-	17,241,659	4,806,500	-	-
Nyagatare		-	-	138,286,003	-	-
Nyamagabe	4,404,525	-	10,647,444	13,723,240	-	12,811,109
Nyamasheke		-	-	-	-	58,025,678
Nyanza	500,000	-	-	<b>36,480,000</b>	-	<b>1,039,312</b>
Nyarugenge		-	14,645,127	-	-	-
Nyaruguru	1,635,353	-	-	20,119,040	77,234,149	25,507,667
Rubavu	152,507,730	-	30,027,470	10,014,400	15,325,664	-
Ruhango	960,000	-	-	-	-	67,939,049
Rulindo	43,340,474	-	-	-	-	15,220,628
Rusizi	3,976,663	-	28,984,500	-	-	-
Rutsiro	13,336,657	37,000,000	-	-	30,571,130	-
Rwamagana		-	-	6,570,000	-	5,370,000
<b>Total</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 (2015-21)

The largest part of wasteful expenditure consists in unproductive investment made by Districts with unrealistic planning, followed by the overpayment and misused funds. Gatsibo District did not recover investments in SURE INVESTMENT & PARTNERS Ltd of FRW 108,215,640 while it has decided to withdraw its shares from the above-mentioned company.

Similarly, Rubavu District paid wasteful expenditure related to duplication in the supervision of works of FRW 152,507,730 and the City of Kigali took an irrational decision that led to capitalization of interests of the grace period of FRW 420,047,964, to mention few.

#### 4.1.1.3. Fraudulent Expenditure

For this fiscal year of 2020-21, the number of affected Districts (10) and the City of Kigali as well as the monetary value have increased compared to the previous fiscal year. The monetary value has increased from FRW 3,718,201 for FY 2019-20 to FRW 115,497,475 in FY 2020-21.

Almost all cases related to fraud are for embezzled and overpaid funds by District staff. This means that the payment approval process should be strengthened enough. Analysts may not only relate such audit finding to fraud but also to corruption as these transactions lack transparency in the approval and payment procedures. The payment approval is supposed to be done by more than one person under the approval process.

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

District	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						49887250
Gatsibo				34,693,690		
Karongi	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	652,586		8061270			
Muhanga	1,753,300					
Kamonyi					6961500	6,961,500
Rulindo	39,381,559					
Rusizi	73,800		7256730		17680000	
Rutsiro				42280165		
<b>Total</b>	<b>115,497,475</b>	<b>3,718,201</b>	<b>15,318,000</b>	<b>86,253,105</b>	<b>24,641,500</b>	<b>259,037,880</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2015-21)

#### 4.1.1.4. 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 a majority of other PFM weaknesses.

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

District	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>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 (2015-21)

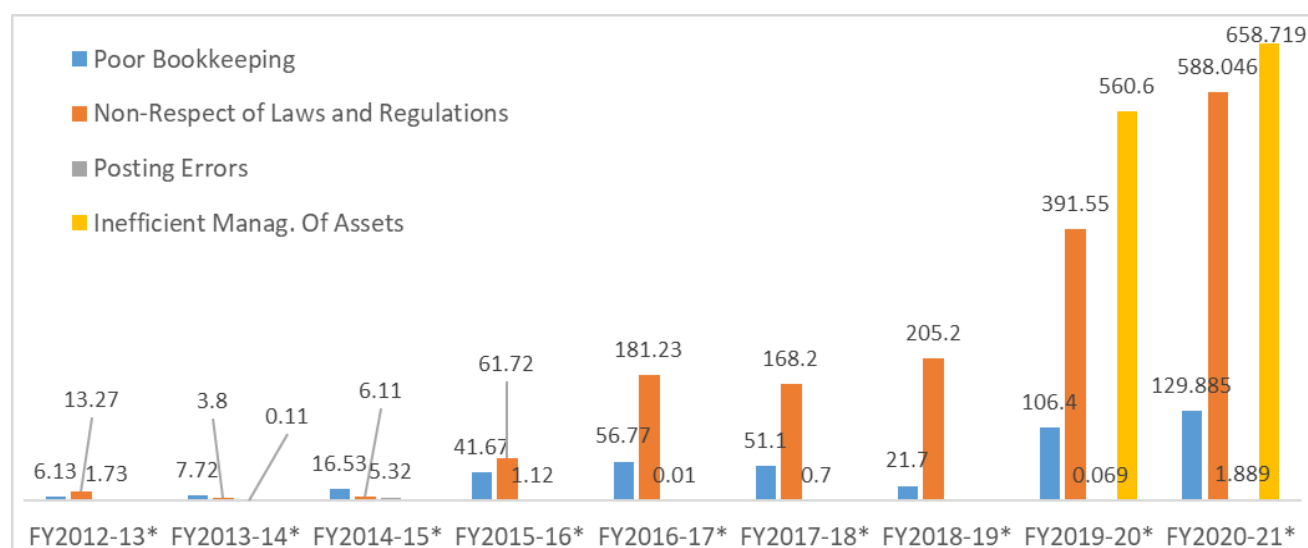
#### 4.1.1.5. Payment to Non-Existent Staff

During the fiscal year of 2020-21, three Districts (Nyagatare, Nyamagabe and Rwamagana) have received the audit finding of payment to staff who were no longer in service.

#### 4.1.2. Non-Expenditure-Related Weaknesses

Non-Expenditure-related weaknesses have very hugely increased compared to the previous fiscal years. They have increased by 30.2% (inefficient management of Districts ‘assets included). It is also found that non-expenditure-related weaknesses have even increased by 44.5% (inefficient management of Districts’ assets excluded) compared to the results of the last fiscal year. Referring to 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 as well as poor bookkeeping, which have hugely increased as opposed to the previous results. Moreover, the current report indicates that 2 Districts (Bugesera, Gastibo, Huye, Kirehe, and Rwamagana) have been affected by issues related to posting errors.

**Figure 4: Amount of non-expenditure-related weaknesses (in billion FRW)**



Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2012-2021)

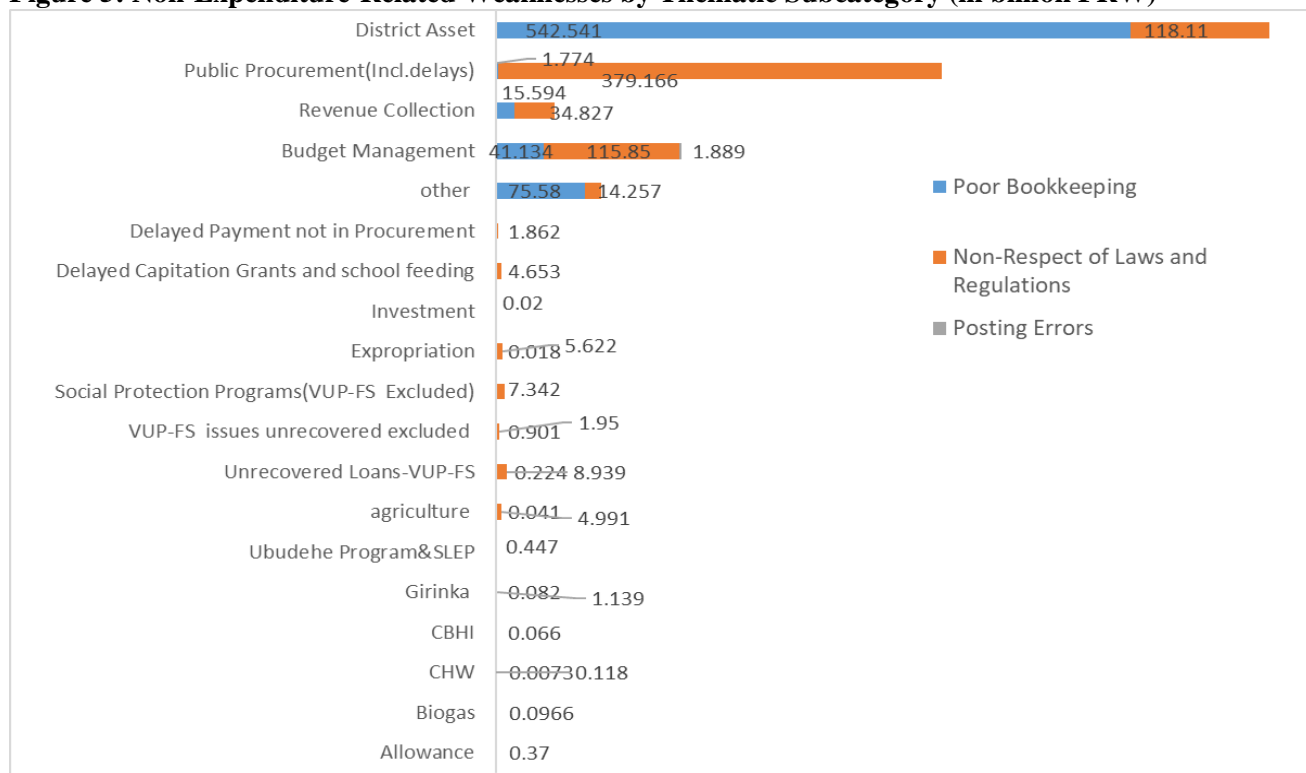
For this FY, the non-expenditure-related weaknesses have been much affected by weaknesses in public procurement such as contract management, and irregularities in awarding tender delays of execution of contracts, issues in and poor quality of acquired infrastructure among other. All procurement weaknesses count 27.1% of total PFM-related weaknesses, while procurement transactions that suffered from non-compliance with laws and procedures counts 27.8% 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 for effective PFM in local government entities. Additionally, the analysis found that long delays in payments other than capitation grants, school feeding and direct support 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 expropriation have been found to affect living conditions of beneficiaries.

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

**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 (2020-21)

In various focus group discussions for different fiscal years, District staff said that the fact that procurement issues take the 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 experience 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 leads to 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, which is superficially designed. For example, here they mentioned construction schools and health posts.



**Table 8: Change in amount of non-expenditure-related weaknesses per District (asset included)**

No	District	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 FY2019-20 to FY 2020-21
1	Bugesera	<b>156,960,498,773</b>	98,545,996,495	22,363,700,376	6,975,443,482	59%
2	Burera	11,507,378,977	4,493,963,944	5,523,289,960	12,951,298,401	156%
3	City of Kigali	<b>305,659,787,563</b>	163,967,599,774	74,502,198,424	38,698,403,646	86%
4	Gakenke	<b>35,842,511,197</b>	11,644,035,251	3,621,439,329	3,647,091,218	208%
5	Gasabo		2,003,879,440	2,966,898,632	1,605,373,187	
6	Gatsibo	15,439,134,258	28,178,591,739	2,650,760,136	3,282,199,895	-45%
7	Gicumbi	11,699,062,461	13,154,689,491	686,997,953	4,169,659,192	-11%
8	Gisagara	<b>52,665,213,599</b>	5,035,963,501	440,476,678	5,764,131,768	946%
9	Huye	4,246,519,515	59,134,880,450	698,783,108	2,362,020,495	-93%
10	Kamonyi	<b>86,215,962,001</b>	76,154,316,212	988,794,289	11,892,073,881	13%
11	Karongi	9,706,177,306	30,844,334,005	22,833,779,741	5,098,724,042	-69%
12	Kayonza	10,223,100,119	10,082,262,035	2,451,122,342	3,173,774,583	1%
13	Kicukiro		7,644,479,934	3,860,772,374	8,076,901,918	
14	Kirehe	<b>156,898,892,761</b>	6,140,993,000	2,544,650,522	3,885,902,442	2455%
15	Muhanga	5,734,114,637	27,903,747,874	673,458,662	4,063,363,329	-79%
16	Musanze	17,608,836,348	5,614,013,478	1,803,771,499	8,109,695,436	214%
17	Ngoma	21,351,065,974	32,461,280,571	1,832,348,715	6,590,013,485	-34%
18	Ngororero	10,397,561,265	13,048,321,010	11,511,864,437	784,310,043	-20%
19	Nyabihu	<b>159,551,779,227</b>	46,103,713,753	2,229,811,709	2,825,495,768	246%
20	Nyagatare	<b>54,943,880,137</b>	99,020,615,378	1,868,809,336	7,261,070,280	-45%
21	Nyamagabe	<b>63,473,674,606</b>	7,397,522,704	5,020,885,092	3,640,542,601	758%
22	Nyamasheke	9,167,248,722	66,662,312,049	6,856,911,155	8,662,041,207	-86%
23	Nyanza	<b>48,870,203,450</b>	8,736,393,951	4,666,921,750	3,607,434,769	459%
24	Nyarugenge		10,754,889,739	12,812,040,593	7,421,514,444	
25	Nyaruguru	29,127,678,396	65,848,069,384	1,634,802,289	8,528,763,763	-56%
26	Rubavu	25,571,649,650	94,251,221,627	12,088,851,140	25,352,433,458	-73%
27	Ruhango	17,337,079,484	15,583,815,592	3,858,679,295	7,883,455,378	11%
28	Rulindo	28,313,940,891	11,472,999,261	764,613,541	1,825,064,858	147%
29	Rusizi	14,761,456,748	2,844,170,680	8,272,338,474	3,861,874,112	419%
30	Rutsiro	7,741,208,275	25,409,045,871	3,174,674,784	13,978,380,198	-70%
31	Rwamagana	9,079,705,303	8,461,900,173	380,512,813	2,775,738,744	7%
	<b>Total</b>	<b>1,380,095,321,643</b>	<b>1,058,600,018,366</b>	<b>225,584,959,148</b>	<b>228,754,190,023</b>	<b>30%</b>

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-21)

#### 4.1.2.1. Change in Non-Respect of Laws and Procedures (including Districts 'assets)

Audit findings revealed that all Districts and the City of Kigali are recurrently affected by non-respect of laws and procedures during the last four fiscal years. Auditors identified cases of non-respect of laws and procedures, including non-compliance in the treatment and management of Districts' assets valued at an amount of FRW 700 billion. 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, and unrecovered loans for VUP financial services. The rest of the audit findings for this category are issues related to asset management and irregularities in investments that should not be neglected, as investments should yield returns.

**Table 9: Amount of non-respect of laws and procedures per District (Assets Included)**

No	District	Amount FY 2020-21(RWF)	Amount FY 2019-20(RWF)	Amount FY 2018-19(RWF)	Amount FY 2017-18 (RWF)	Amount FY 2016-17 (RWF)	Amount FY 2015-16 (RWF)
1	Bugesera	17,839,049,101	5,346,341,149	22,363,700,376	6,446,782,967	1,599,453,392	925,923,254
2	Burera	5,397,489,773	4,216,142,995	2,814,923,471	9,379,245,609	5,844,992,886	67,123,166
3	the City of Kigali	239,842,031,743	144,580,230,565	74,460,841,729	38,355,555,875	37,643,302,717	690,012,518
4	Gakenke	34,597,850,570	10,174,702,678	3,621,439,329	2,522,829,315	4,681,151,078	245,761,223
5	Gasabo		1,982,718,151	2,966,898,632	1,605,373,187	2,086,534,899	712,418,329
6	Gatsibo	14,002,366,848	27,796,884,418	2,644,119,232	3,028,220,091	4,021,525,696	653,150,888
7	Gicumbi	9,713,551,178	9,768,589,763	643,501,674	3,872,043,541	176,132,245	4,742,243,648
8	Gisagara	11,727,044,770	4,644,368,945	82,004,055	4,389,728,742	3,729,293,629	1,665,413,049
9	Huye	4,034,545,232	58,497,846,327	587,361,820	1,884,085,887	3,682,504,699	2,252,369,178
10	Kamonyi	77,120,819,948	6,044,422,231	108,474,740	11,575,405,881	1,592,767,489	409,566,467
11	Karongi	5,545,905,355	30,593,174,477	22,368,344,833	2,662,461,518	8,046,536,589	5,397,069,891
12	Kayonza	9,702,398,168	8,594,666,944	1,114,381,776	1,841,449,773	31,122,795,052	2,540,762,861
13	Kicukiro		5,391,488,756	3,860,772,374	5,256,767,682	317,015,837	127,600,203
14	Kirehe	12,314,356,291	3,455,015,146	1,353,880,636	2,330,203,793	3,518,945,322	15,528,579
15	Muhanga	2,225,770,632	15,147,343,177	654,956,820	3,210,670,691	5,151,818,826	1,309,673,665
16	Musanze	11,370,325,152	4,047,522,646	1,068,376,664	5,296,474,690	1,574,892,821	1,445,485,178
17	Ngoma	14,078,926,015	31,938,167,421	1,297,362,891	4,890,758,291	3,956,620,536	370,552,608
18	Ngororero	10,328,661,368	12,842,137,707	11,511,864,437	784,310,043	3,699,771,125	5,113,206,498
19	Nyabihu	15,521,782,409	45,920,156,251	1,426,844,887	2,616,077,125	2,591,168,577	3,385,584,766
20	Nyagatare	27,229,264,397	78,613,203,196	573,450,470	5,539,237,747	7,274,303,098	509,428,827
21	Nyamagabe	40,301,204,209	7,059,320,141	125,469,326	2,973,522,118	4,706,808,676	3,268,346,680
22	Nyamasheke	8,739,766,540	66,660,953,923	6,855,511,155	8,525,685,546	6,698,439,203	3,563,916,743
23	Nyanza	44,161,100,433	4,115,213,015	4,666,921,750	2,571,316,896	1,268,978,753	838,050,577
24	Nyarugenge		7,952,469,872	11,102,569,370	2,418,839,558	6,050,108,479	721,944,254
25	Nyaruguru	10,051,669,410	6,363,862,961	588,444,195	8,433,785,268	7,103,215,301	3,225,880,612
26	Rubavu	25,571,649,650	88,030,861,302	11,984,292,465	8,080,543,036	11,755,209,593	2,393,845,694
27	Ruhango	14,985,158,561	5,482,705,331	3,858,679,295	6,903,413,974	2,151,153,519	1,771,906,597
28	Rulindo	10,939,844,830	5,298,638,678	609,102,390	1,009,996,265	195,822,821	1,121,575,639
29	Rusizi	13,834,875,767	2,210,068,003	1,814,158,542	2,976,741,425	3,848,274,209	3,092,297,146
30	Rutsiro	4,094,759,418	24,499,816,795	922,415,924	4,566,616,798	4,773,634,078	2,914,805,129
31	Rwamagana	4,960,028,117	5,086,275,846	131,556,568	2,310,197,990	362,871,141	888,553,415
	<b>Total</b>	<b>700,232,195,885</b>	<b>732,355,308,810</b>	<b>198,182,621,826</b>	<b>168,258,341,322</b>	<b>181,226,042,285</b>	<b>56,379,997,282</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2015-2021)

**A number of examples of the 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 the Nyabugogo area that has put the risk of different major infrastructures such as citizen houses and roads, as well as business activities and people's lives. The field visit conducted on March 29th 2022, revealed that works were far from being completed where some works were not yet completed on the Channel constructed aside from the second Bridger. Furthermore, the audit revealed that the Bridger was at start up point.
- Weaknesses in the project of constructing modern Kibungo Car park were noted in a contract signed on September 22nd 2020 worth Frw 1,175,747,611 between Ngoma District with Jali Investment Ltd for the above construction. A review of the above contract revealed the following irregularities of failure to comply with District Council resolution during contract signature: signing a contract which allowed the right to terminate for only one

party, significant delay for construction works of the first phase of Kibungo car park, garage and toilets, and loss incurred by the district due to transferring the land of Kibungo car park by to Jali Investment Ltd.

- Absence of water in the constructed drinking water supply system of Higiroy - Kigembe-Mukindo in Gisagara District. The total contract amount is equivalent to Frw 919,693,250 as revised in the second amendment of the initial MOU dated on January 13th 2020. As highlighted in the previous year's audit report for the year ended June 30th 2020, the final report done by supervising company on July 23rd 2020 indicated that the system was not functioning well due to insufficient water. In addition, there was no water in the tank though the provisional handover took place on July 24th 2020. Therefore, Gisagara District needed to work with Nyaruguru District and WASAC to look for a long-term solution in order to increase water production and maintain this pipeline functioning as planned. However, during the current year audit and field visit carried out from the 22nd to the 25th of February 2022, it was noted that on October 1st 2021, a final handover took place and yet the drinking water supply system was not functioning.
- Though the cases of non-respect of laws and procedures are persistent in District transactions as per Auditor General's Reports, the current analysis questions why Districts and the City of Kigali are repeatedly queried about not complying with laws and procedures. This occurs 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.

#### **4.1.2.2. Poor Bookkeeping**

All decentralized entities including CoK have been recurrently affected by weaknesses of poor bookkeeping, amounting to FRW 673.2 billion in FY 2020-21 as opposed to FRW 328.16 billion in FY2019-20 as per Table 10. Large parts of this amount are related to inefficiency in management of District assets, budget management and execution, and 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 of the absence of updated data on tax and fee debtors, as well as 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 are affected by the weakness of failing to provide appropriate explanations of either the difference between approved and executed budgets or the under/over budget performance on some budget lines and inappropriate budgeting of grants and budget. In the case of deviations from the set targets, Districts' PFM staff continue to show that it is hard for them to meet targets of revenue collection as taxpayers and taxes are not static in nature.

When businesses or economic activities are performing well/disrupted, taxes increase/decrease and any change is beyond the district's control. It would be better to fix a range of marginal

deviations for revenue collections otherwise, since it is not possible to get an equality of targeted and collected taxes.

**Table 10: Amount related to poor bookkeeping per District (Assets included)**

No	District	Amount FY 2020-21(FRW)	Amount FY 2019-20 (FRW)	Amount FY 2018-19 (FRW)	Amount FY 2017-18 (FRW)	Amount FY 2016-17 (RWF)	Amount FY 2015-16 (RWF)
1	Bugesera	139,103,901,472	93,199,655,346		435,641,795	2,176,877,417	1,752,148,729
2	Burera	6,109,889,204	261,913,569	2,225,000	2,719,906,171	1,149,953,745	1,138,685,979
3	City of Kigali	65,817,755,820	19,387,369,209	41,356,695	342,847,771		
4	Gakenke	1,244,660,627	1,469,332,573		1,124,261,903	14,452,185,878	659,254,581
5	Gasabo		21,161,289			1,801,635,437	6,109,538,483
6	Gatsibo	1,108,631,238	368,778,370	6,640,904		958,214,076	1,153,551,742
7	Gicumbi	1,985,511,283	3,386,099,728	43,496,279	297,615,651	3,300,859,093	1,076,883,793
8	Gisagara	40,938,168,829	391,594,556	358,472,623	582,963,969	936,868,597	424,736,615
9	Huye	211,497,973	637,034,123	111,421,288	477,934,608	670,579,464	266,379,731
10	Kamonyi	9,095,142,053	70,109,893,981	880,319,549	316,668,000	1,366,312,337	1,736,717,435
11	Karongi	4,160,271,951	251,159,528	426,368,458	539,901,923	534,027,970	2,263,839,871
12	Kayonza	520,701,951	1,487,595,091	501,152,202	16,683,370	343,670,436	4,449,540,254
13	Kicukiro		2,252,991,178		2,820,134,236	8,000,202,894	478,731,258
14	Kirehe	144,584,419,470	2,685,977,854	1,190,769,886	1,555,698,649	1,003,555,678	2,760,231,035
15	Muhanga	3,508,344,005	12,756,404,697	18,501,842	425,834,286	694,671,906	286,911,264
16	Musanze	6,238,511,196	1,566,490,832	735,394,835	2,813,220,746	1,267,797,100	231,941,657
17	Ngoma	7,272,139,959	523,113,150	922,568,920	1,699,255,194	353,954,086	732,565,513
18	Ngororero	68,899,897	206,183,303			832,327,222	1,645,374,421
19	Nyabihu	144,029,996,818	183,557,502	787,424,575	209,418,643	1,540,243,477	53,115,285
20	Nyagatare	27,708,738,173	20,407,412,182	1,295,358,866	1,721,832,533	2,139,719,048	886,728,871
21	Nyamagabe	23,171,170,469	338,202,563	4,895,415,766	429,162,248	119,696,986	335,271,001
22	Nyamasheke		1,358,126	1,400,000	136,355,661	203,666,312	2,304,115,876
23	Nyanza	427,482,182	4,621,180,936		199,549,190	1,211,512,192	440,249,259
24	Nyarugenge		2,802,419,867	1,709,471,223	5,002,674,886	986,193,422	2,327,279,619
25	Nyaruguru	19,076,008,986	59,484,206,423	1,076,358,094	6,285,640	949,448,896	576,655,677
26	Rubavu		6,220,360,325		17,122,155,487	1,721,960,856	244,025,403
27	Ruhango	2,351,920,923	12,047,527,493		672,955,189	206,638,120	0
28	Rulindo	17,375,096,061	6,174,360,583	155,511,151	77,134,847	127,212,768	916,683,585
29	Rusizi	926,580,981	634,102,677	5,956,532,068	138,145,360	2,605,496,350	2,254,342,801
30	Rutsiro	3,646,448,857	909,229,076	378,963,849	8,761,602,802	2,105,690,982	563,679,961
31	Rwamagana	2,575,523,008	3,375,624,327	248,956,245	465,540,754	3,013,579,176	0
<b>Total</b>		<b>673,257,413,386</b>	<b>328,162,290,457</b>	<b>21,744,080,318</b>	<b>51,111,381,512</b>	<b>56,774,751,921</b>	<b>38,069,179,699</b>

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-2021)

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

- Gisagara consolidated financial statements include a disclosure note for summary of physical and intangible assets with a total value of Frw 73,548,688,719. However, review of this disclosure note revealed a difference amounting to Frw 40,881,498,868 between the total amount incurred on capital expenditure for the year ended June 30th 2021 and the value of additions for the year under review as per summary of physical assets disclosure note to District consolidated financial statements for the year ended June 30th 2021.
- Bugesera District consolidated financial statements include a disclosure note for summary of physical assets value of Frw 122,316,272,912 on 30 June 30th 2021. Review of this disclosure note revealed the following irregularities: Failure to reconcile hard copies of the asset register with the records in the asset management module in IFMS; - Differences noted between the total amount of capital expenditure for year-end 30 June 2021 and the corresponding amount (additions) in the summary of physical assets disclosure note.
- The review of accounting records noted that the district had consolidated its financial statements with sectors and two District Public Hospitals. Normally, transactions recorded in expense accounts are usually debited. However, the audit noted that the Nyagatare District made numerous adjustments amounting to Frw 27,126,112,703 to reverse or correct transactions on expenditure accounts (credits). It should be noted that all these reversals were made at the district level only.
- Review of monthly reports of internally generated revenue revealed a difference of Frw 24,858,595 between expected monthly revenues to be billed to the medical insurers of Frw 660,339,322 and the actual amounts billed to medical insurers of Frw 635,480,726.
- Review of the Bugesera budget execution report revealed differences between the amount used in preparation of budget execution report in the financial statements and the amount as per the revised approved budget by the District Council on March 5th 2021. Further, District management did not provide documented evidence justifying the reasons why the budget approved by District Council was not considered. As the revised budget approved by District council is Frw 2,461,337,550 while the revised budget as per the performance execution report is Frw 7,821,912,850. Therefore, the difference is Frw 5,360,575,300.
- Review of reports for VUP financial services reported to LODA by Rwamagana District for 3rd scheme revealed that loans amounting to Frw 326,590,740 were granted to beneficiaries. However, the management did not separate the loan disbursed during the year ended June 30th 2021 from the one disbursed in the previous year ended on June 30th 2020. Hence, the audit was unable to confirm whether the loans granted were repaid within the agreed time without delays. Only Frw 102,148,400 representing 31% was recovered from beneficiaries during the year under review. Hence, an amount of Frw 224,442,340 was still outstanding as of June 30th 2021.
- Review of available documentations of revenue collected by Rwamagana District revealed that revenues amounting to Frw 620,948,029 were collected during the year under review whereby they were not supported by sufficient supporting documents such as various contracts signed between taxpayers and District, database on various category of revenue, etc.

- Review of the action plan of Burera District and budget revealed that the action plan has fewer funds than the initial budget of the district. There is a difference of Fnv 2,451,454,067. It was also noted that there is an unexplained difference of Frw 3,650,517,799 between the amount as per the action plan and the revised budget of the district.

Additionally, regarding the issue of failing to achieve the set target of revenue 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 the 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 it on it to qualify the audit report.

#### **4.1.2.3. Posting Errors**

For the analysed fiscal year, only Districts of Bugesera, Gatsibo, Kirehe, Huye and Rwamagana were found affected by the posting errors amounted to FRW 1.885 billion. The Eastern province and Southern Province are still being affected by posting errors. This finding underline that some Districts are still facing PFM weaknesses of posting errors despite the usage of technology being implemented in public institutions.

#### **4.1.2.4. 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 District PFM staff.

##### **▪ Idle Assets**

Idle assets may be the result of the absence or the incomplete/poor quality of feasibility studies, of lack of capacities, of poor maintenance or of poor quality of construction or equipment. For the fiscal year 2019-20, auditors noted that idle assets amounted to 9.4 billion as opposed to FRW 3.15 billion reported in the last fiscal year in decentralized entities. This audit revealed a huge amount of recurrent investment weaknesses, as per Table 11. It is the Southern Province that is less affected by idle assets among other provinces and CoK. Entities with PFM weaknesses related to unproductive investments uncovered more inconsistency to offset such weaknesses.

The current report shows that Districts and the City of Kigali reduced efforts to resolve weaknesses related to idle assets compared to the last fiscal year report. Recurrent inconsistency observed in management of investments is an indicator 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 for each institution to pay more attention to the importance of detailed feasibility and profitability studies that would prevent to use of state funds for unproductive investments and projects. It is strongly recommended to conduct a needs 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 in idle assets. Additionally, the national investment policy in Rwanda insists too much on the fact of 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 by competent organs before their implementation using District's 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 projects (post-harvest warehouse, cross border market, local factories program, and health posts) that came from the central level and were implemented in Districts without comprehensive studies. Thus, the main reasons for idle assets are due to poor planning for projects and limited focus on the validation of feasibility studies that result in idle assets.

Repeated information from FGDs with staff in consulted Districts insisted on the strategy of joint planning as a sustainable remedy to idle assets. This recommendation is addressed to the central government institutions and other partners that plan to implement their projects at District level.

**Table 11: Amount of idle assets per District**

No	District	Amount FY 2020-21(FRW)	Amount FY 2019-20(FRW)	Amount FY 2018-19(FRW)	Amount FY 2017-18 (FRW)	Amount FY 2016-17 (FRW)	Amount FY 2015-16 (FRW)
1	Bugesera	251,933,981			93,018,720		
2	Burera	1,515,778,004		2,708,366,489	554,478,470		
3	the City of Kigali	194,287,564				-	222,116,624
4	Gakenke					8,500,000	-
5	Gatsibo	1,035,331,593				420,818,254	-
6	Gicumbi	69,131,400				-	78,700,500
7	Gisagara				534,309,928		
8	Huye						
9	Kamonyi					122,324,790	1,827,586
10	Karongi	205,259,892	1,779,019,291		1,573,759,399		
11	Kayonza	580,520,820			1,315,641,440		
12	Kirehe	21,968,650				509,455,506	-
13	Muhanga		44,918,140		33,621,019	-	402,516,321
14	Musanze	144,583,356				-	111,728,605
15	Ngororero	752,336,859	862,696,988			1,052,071,098	778,546,830
16	Nyabihu	76,800,000				-	27,484,155
17	Nyagatare	300,345,000				-	59,120,298
18	Nyamagabe	38,977,714			237,858,235	173,354,723	244,249,489
19	Nyamasheke	72,300,000				-	64,599,307

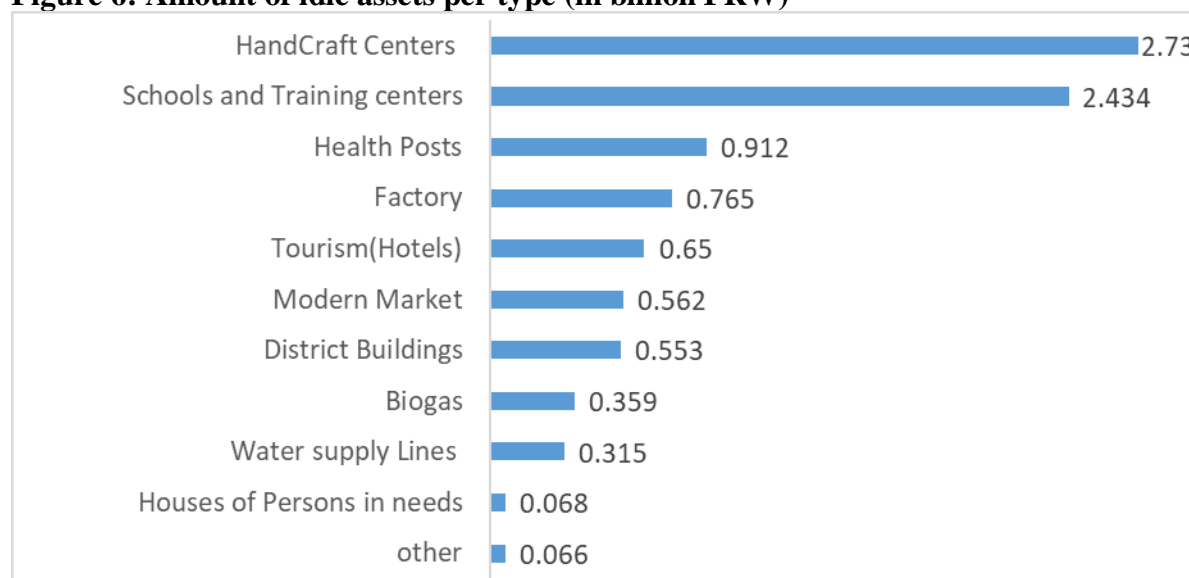
20	Nyanza	1,245,838,027			836,568,683	1,430,816,345	89,848,638
21	Nyarugenge		23,658,571			-	149,485,020
22	Nyaruguru	183,312,244			70,457,455	300,658,539	-
23	Rubavu	507,549,920		424,592,675	149,734,935		
24	Ruhango	760,704,714	186,550,930		178,657,000	218,851,858	12,100,000
25	Rulindo	1,365,570,834			34,196,319	134,693,894	-
26	Rusizi	74,886,460	252,384,990	501,647,864	500,092,300	337,848,574	168,583,919
27	Rutsiro	29,405,082			381,184,857	-	12,758,340
28	Rwamagana				-	-	-
	<b>Total</b>	<b>9,426,822,114</b>	<b>3,149,228,910</b>	<b>3,634,607,028</b>	<b>6,493,578,760</b>	<b>4,709,393,581</b>	<b>2,423,665,632</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2015-21)

Eventually, the effect of idle assets are deficiencies in health posts, factories, IDP model villages, and cross-border markets that facilitates inter-country trade which are expected to yield more benefits to individual citizens and companies.

These benefits are a variety of goods and services, and significant contributions to the national economy in terms of taxes and transmissions of knowledge and expertise. Additionally, unproductive investments are in the categories of handcraft centers, schools and training centers, and health posts among others as 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 (2020-2021)

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 the Kisaro sector under four 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 February 3rd 2022 revealed the following: a low rate of students occupying the constructed buildings;

- On June 28th 2018, Ruhango District signed a contract of Frw 680,649,074 with E.C.O.G.L. Ltd to build a youth center in phase 4. The provisional handover of the constructed building took place on August 24th 2020, and the final handover took place on August 24th 2021. However, during the field visit conducted on February 3rd 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.

- **Investments related Weaknesses**

The weaknesses in Districts' investments were analysed as a crosscutting issue in the last five-years' editions of this analysis up to today. The analysis of fiscal year 2020-21, informed that irregularities related to the investments decreased from FRW 9.75 billion in FY 2019-20 compared to FRW 5.015 billion reported in FY 2020-21 as per Table 12. 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 have moderately decreased though many Districts are still affected. For this time, individual Districts' investments are the most affected by PFM weaknesses in contrast to the previous analyses' findings where Districts' investments in Provincial corporations counted as the largest portion of investment irregularities.

**Table 12: Investment-related weaknesses per corporation and District**

Corporation/District	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>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	48,697,363	348,217,363		<b>4,168,246,774</b>
Kayonza(Kayonza Taxi Park)					630,084,899
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	300,599,000	108,215,640		
<b>SPIC&amp;Other investment</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	50,000,000	622,886,841
Gisagara		105,000,000		523,772,061	<b>970,635,840</b>
Kamonyi(SPIC)	128,000,000	128,000,000	524,877,341	316,668,000	1,357,000,000
Muhanga(SPIC &other Investment)	222,761,162	2,277,261,213	528,251,212	425,834,286	1,357,000,000
Nyamagabe	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		85,000,000	
Ruhango(RIC,GAPC&SPIC)	434,700,000	567,685,057	1,573,009,767	672,955,189	622,886,841
<b>WESPIC &amp; others</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				350,000,000	665,000,000
Nyabihu(WESPIC &OTHER )	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>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	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>
<b>Total</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 (2016-21)

Generally, weaknesses related to investment in many Districts consist of a persistent lack of full documentation of Districts' shares in the provincial or District investments. The key missed supporting documents include: Memorandum of Understanding, articles of association, a

business plan, projected cash flows and profits, investment returns, minutes of Board of Directors meetings, informative certificate of shares, and audited financial statements. Most Districts were reported either with issues of viability or lack of informative disclosure in the District financial statements. 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)

- **Idle Funds**

Idle funds and assets were included as integral and separate categories since in the fiscal year of 2015-16. For this fiscal year, the amount of idle funds has increased too much compared to the amount of FRW 0.228 billion in FY 2019-20 to FRW 1.9 billion as per Table 12. This analysis revealed that idle funds have increased more than 8 times as per the Table below. Also, 21 Districts and the City of Kigali are reported to be affected by idle funds compared to 10 Districts reported in the previous analysis. For this time, a large proportion (53.1%) of idle funds are related to undisbursed loans in VUP- financial services, unutilised funds related to CHW, biogas, and irrigation, among others.

The finding related to idle funds of CHW reminds and calls on the Ministry of Health to coordinate and follow up on the utilization of community health workers’ funds. A similar recommendation goes to The 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, guidelines for utilisation are under the responsibilities of the Ministry of Health. They added that they do not understand how they can be accountable for idle funds being coordinated by the Ministry of Health.

**Table 13: Amount of idle funds per District**

No	District	Amount FY 2020-21(RWF)	Amount FY 2019-20(RWF)	Amount FY 2018-19(RWF)	Amount FY 2017-18 (RWF)	Amount FY 2016-17 (RWF)	Amount FY 2015-16 (RWF)
1	Bugesera	42,329,815				-	33,130,001
2	Burera	13,059,195		28,520,667	297,668,151		
3	the City of Kigali	146,550,247					
4	Gakenke	10,035,300	22,262,400			3,900,720	-
5	Gasabo						
6	Gatsibo				253,979,804	369,008,622	62,777,600
7	Gicumbi	27,827,720	129,945			-	87,582,992
8	Gisagara	63,774,883			257,129,129	60,000,000	-
9	Huye	212,427,458				19,721,136	-
10	Kamonyi	42,290,551				592,174,202	1,666,530
11	Karongi	16,403,592		556,083,888	322,601,202	645,414,519	319,523,070
12	Kayonza	75,362,741		835,588,364		310,118,007	68,608,314
13	Kicukiro					130,521,023	50,737,225
14	Kirehe	38,291,850	63,856,805			-	425,085,431
15	Muhanga			120,000,000	393,237,333	520,685,580	501,722,083
16	Musanze	28,643,559	3,688,163			143,231,309	-
17	Ngoma					-	208,862,370
18	Ngororero						
19	Nyabihu	143,447,609		15,542,247		-	71,947,591
20	Nyagatare	47,580,276	17,502,402			229,596,532	30,502,933
21	Nyamagabe	17,153,233				45,974,446	269,700,595
22	Nyamasheke		21,271,545	11,972,700		-	381,389,125
23	Nyanza	258,552,120				27,866,925	-
24	Nyarugenge					112,229,971	20,000,000
25	Nyaruguru	287,603,152	8,279,138		18,235,400	501,220,177	514,779,055
26	Rubavu	7,696,888	81,311,787			-	18,600,000
27	Ruhango	227,964,322			128,429,215	366,558,604	510,672,573
28	Rulindo	163,556,154	8,774,333			260,353,483	-
29	Rusizi	25,406,840			246,895,027	335,761,703	-
30	Rutsiro	13,141,954	985,229	1,873,295,011	268,975,741	-	910,086,967
	<b>Total</b>	<b>1,909,099,459</b>	<b>228,061,747</b>	<b>3,441,002,877</b>	<b>2,187,151,002</b>	<b>4,674,336,959</b>	<b>4,487,374,455</b>

Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2016-21)

#### 4.1.2.5. Public Procurement irregularities

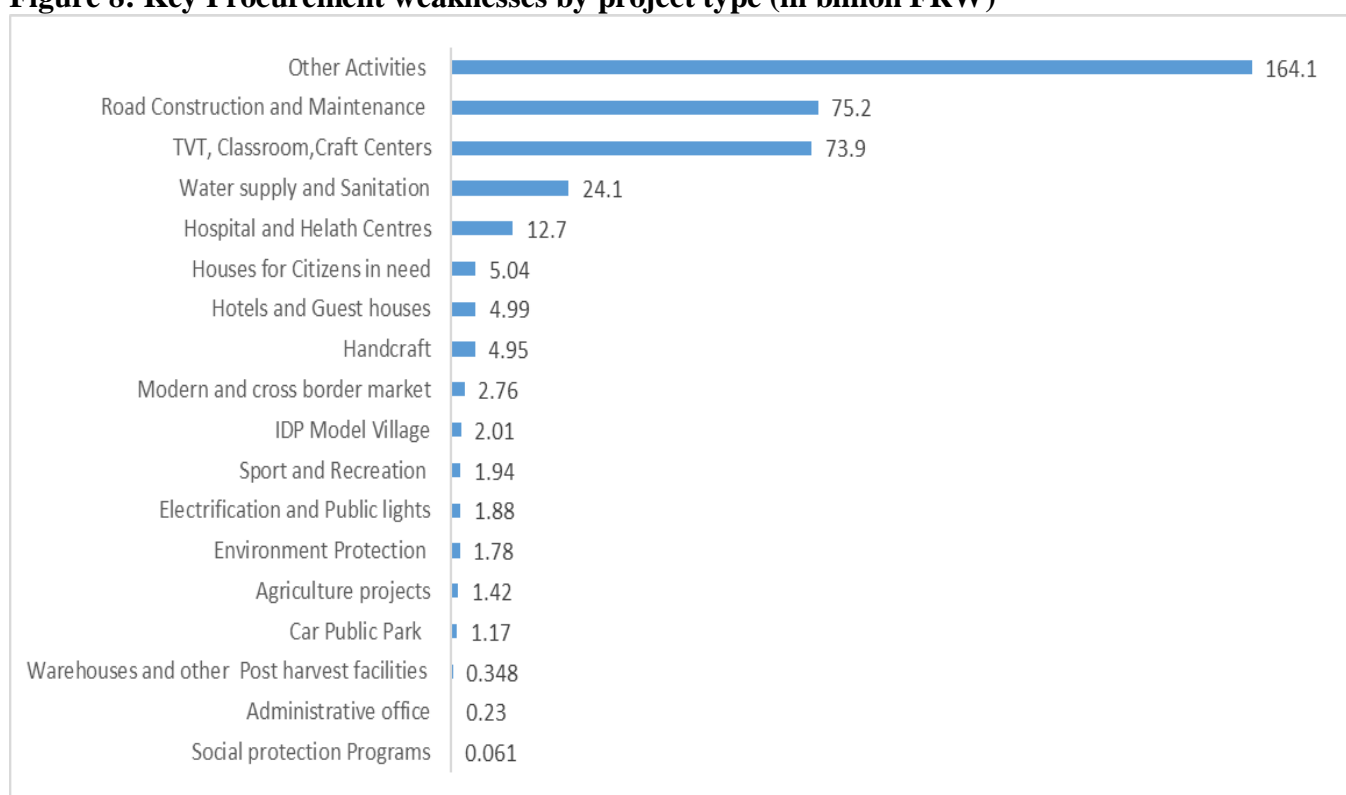
The analysis of this fiscal year informed that PFM weaknesses in Public procurement continue to increase in volume and in monetary value. It has been found that the monetary value of procurement related PFM weaknesses increased from FRW 203.84 billion in FY 2019-20 to FRW 382.2 billion in FY 2020-21. Additionally, the analysis of procurement transactions (idle assets excluded) based on the procurement process as per Figure 8, projects amounted to FRW 150.01 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

19.6 % of the 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 guest houses. Furthermore, the construction of modern markets projects has been reported among procurement transactions, with PFM weaknesses.

The above-mentioned audit findings revealed that though Government is doing its 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 the 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 from OAG's Report of State Finances (Financial Year 2020-21)

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

On January 10th 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. Review of this contract in 2022 revealed the following irregularities: a) Stalled construction works (stopped in 2016); b) Wasteful expenditure incurred as a result of termination of the construction contract.

- On June 14th 2018, the City of Kigali signed a contract with Horizon Construction Ltd worth Frw 5,090,794,300 for the construction of large works of Nyarugenge Sector (Agatare) infrastructure upgrading project (package 1 and 2). Subsequently, the contract

amount was increased to Frw 8,281,760,329. The contract was to be completed in twenty months ending February 17th 2020. The completion date was later extended by sixteen months to June 15th 2021. The works were provisionally accepted on June 30th 2021. During the field visit conducted on March 30th 2022, the audit revealed that the contractor constructed water drainage within the neighbourhood of Agatare Cell and did not put the cross paths on the constructed drainage to facilitate ease of movement of the people in the area.

- Bugesera District in partnership with WASAC constructed the Kanyonyomba Water Supply Treatment plant, including a supply system. The construction works were done by Ilydraulique, Genie Civil & Batiment Limited (HYGEBAT Ltd) at a total cost of Frw 4,744,285,898. The construction works started in January 2016, and the final handover took place on December 29th 2020. On November 29th 2021, a field visit was conducted at the Kanyonyomba Water Supply Treatment plant to check whether the control room was operating. The audit noted that the SCADA system (control room) at the Kanyonyomba water treatment plant was operating, but it could not show the information on intake and information on the water clear tank, which is distributing water from inside of the water treatment plant to outside.
- On July 22nd 2020, Gicumbi District signed a contract with the Ministry of Education for school construction program in FY 2020-2021, implemented through the home-grown school construction approach under Rwanda Quality basic Education for Human Capital Development Project, for a period of five (5) months. The purpose of this agreement was to construct 351 classrooms and 439 latrines at 59 sites. The Ministry of Education was to avail Frw 2,359,472,314 for the implementation of these activities. However, the physical verification conducted from March 15th 2022 up to March 18th 2022 revealed the following weaknesses: construction works not yet completed 7 months after the deadline set by the Ministry of Education for school construction works, a damaged wall on the latrine construction due to a lack of piping to channel rainwater, constructed classrooms not equipped with chairs and desks at GS Mutandi, and the physical verification conducted on March 18th 2022 at GS Mugera revealed cracks on floor pavement on various sides outside the building.
- On June 22nd 2020, Ruhango District signed an agreement With MINEDUC for school construction Program B 2020/2021 implemented through the Home-Grown school construction approach. This is conducted under the Rwanda Quality Basic Education for Human Capital Development Project financed by the World Bank with an amount of Frw 938,890,990. Under this agreement, it was planned to construct 142 classrooms and 150 latrines in Ruhango District. On July 7th 2020, MINEDUC issued guidelines for construction of additional schools to be financed by the Government of Rwanda. In Ruhango Districts they planned to construct 360 classrooms, 771 latrines and 75 kitchens were planned to be constructed during the year ended June 30th 2021. For this purpose, MINELUC earmarked funds amounting to Frw 1,802,763,722 to be used in the construction of these schools. Other materials were purchased at the central level, such as iron sheets, cement, etc. The review of reports on schools constructed both on World Bank and Government funds identified that Ruhango District constructed all the planned classrooms, latrines and kitchens, which means that Ruhango District constructed in total 502

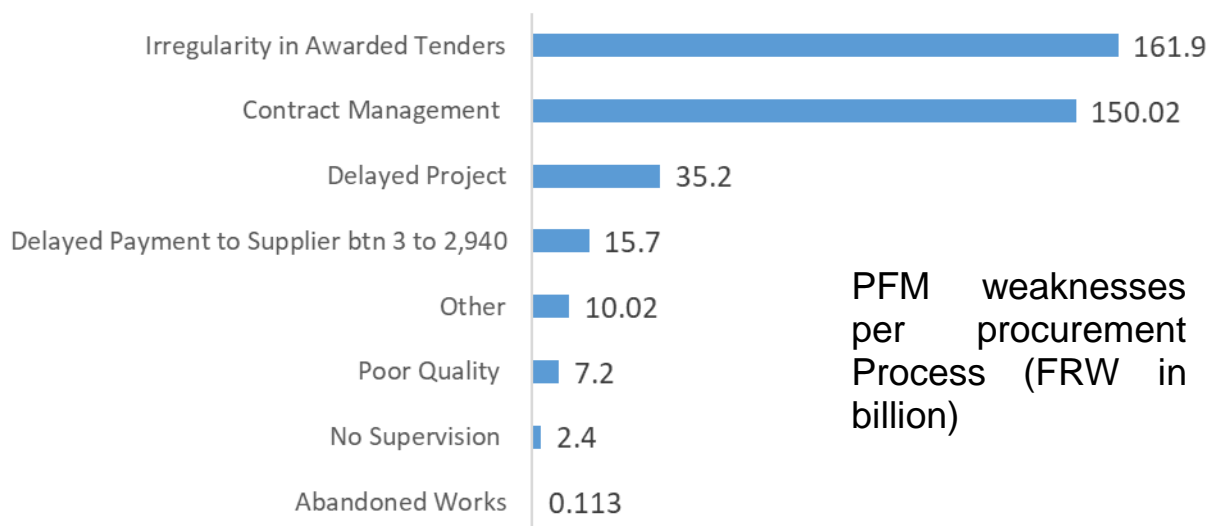
classrooms, 921 latrines, and 75 kitchens. From the 1st to the 3rd February 2022, a physical verification was conducted in various schools constructed, and the following irregularities were noted: poor water drainage systems in schools constructed, failures to fix and install the toilets for disabled students in constructed latrines, failures to make electrical paths in school constructed, retaining walls and guard rails not constructed.

- Rubavu District entered into an Agreement on October 29th 2019 with the Joint Venture of Fair Construction Ltd and CSC&EC (Proprietary) for construction works of Asphalt roads and drainage in the City of Rubavu. The total contract price with its variations was Frw 7,229,565,502, including taxes. Despite the partial provision handing over dated August 21st 2021, during the site verification of January 25th 2022, the audit noted that an uncorrected defect where the water pipeline passes the road in Buhuru center. The audit also observed no access to the existing earth road. From the review of handing over minutes, we noted that the provision and final inspections did not capture the above defects and outstanding works for access to the existing earth road, which were required to be attended to before taking over the road.

The issue of delayed and abandoned projects takes amounts to FRW 35.3 billion (9.2%) of all PFM weaknesses related to public procurement transactions audited in this fiscal year. It follows contract management and various irregularities in tendering process: various irregularities include illegal addendum, cancellation of planned tenders, awarding unplanned tenders and irregularities in tenders, among others. The largest part of this amount refers to non-compliance with laws and procedures. Public procurement law and procedures are put in place to ensure that all transactions are lawful.

It is worrying to see a procuring entity that commits itself to providing work to contractors without supervision and this fact is a violation of regulator guidelines. The circular No10/2005-1215/NTB published on September 8th 2005, requested all public procuring entities that any tender for works of value equal or exceeding 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 to mind the question that some procuring entities intentionally violate procurement laws and regulations.

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

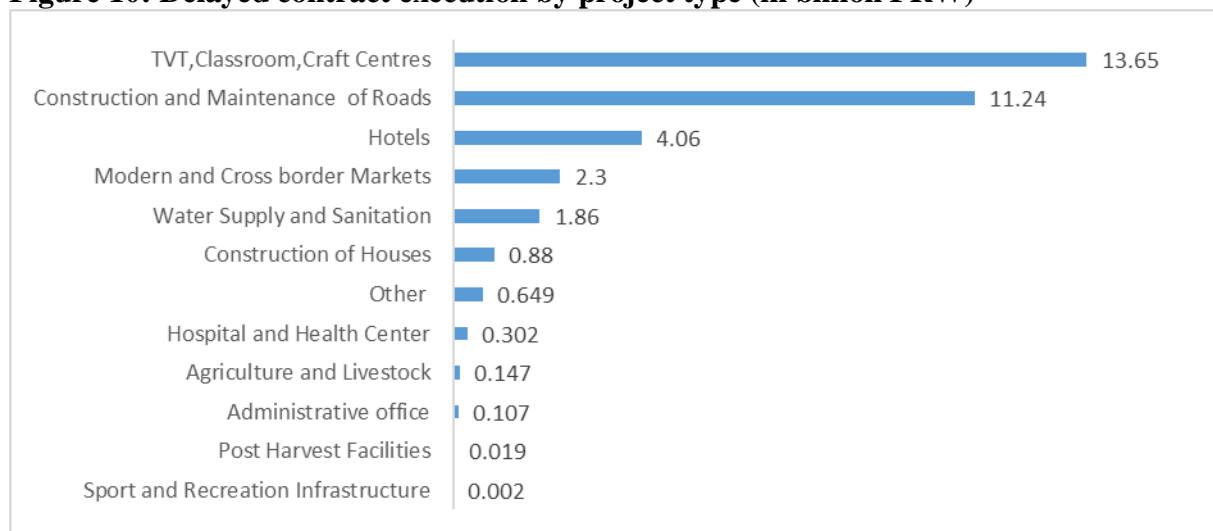


Source: Data from OAG’s Report of State Finances (Financial Year 2020-21)

▪ **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 2020-21)

Based on key findings related to the public procurement issues presented above, most delayed projects are ones of construction and maintenance of roads, water supply projects, and 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 to what extent local communities suffer from a lack of



health facilities near them, as well as how a lack of roads affects them. The same lack of clean water is an indicator of poor living conditions.

Abebit (2013) revealed that the most common causes of delay in project implementation are ineffective planning and scheduling by owners, tight conditions for funds disbursement, shortage of equity contribution, and limited capacities to identify, mitigate and manage risks. 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 the 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 prices and commit that they will implement the project. However, later you find them failing and delaying the implementation of planned activities.

#### ▪ **Delayed Payments and Transfers**

The report of Auditor General of 2020-21 reported delayed payments and transfers for FRW of FRW 6,917,006,464, as opposed to FRW 13,253,183,597 reported in FY2019-20. The current analysis found a decrease in the amount and in the number of Districts affected by this weakness, as per Table 14. Despite the decrease in number and in monetary value, this report informed that the number of delayed days has massively increased from 143 days in 2019-20 to 1479 days in 2020-21 for both direct support and capitation grants as well as 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 livelihoods at risk.

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. 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 the 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 the district does not have the right to system management.

**Table 14: Delays in transfer (DS, capitation and school feeding grants) per District**

#	District	FY-2020-21		FY2019-20		FY2018-19		FY2017-18	
		Delay (days)	Amount (FRW)	Delay (days)	Amount (FRW)	Delay (days)	Amount (FRW)	Delay (days)	Amount (FRW)
1	Bugesera	7-21	4,095,446	57-69	144,250,610				
2	Burera	10-720	693,028,435	8-108	542,900,578	7-38	112,557,500		
3	City of Kigali								
4	Gakenke	1221-1479	143,134,849	26-63	675,729,453	9-87	5,100,000		99,904,050
5	Gasabo			30	227,481,600	12-62	131,788,232	4-84	156,653,300
6	Gatsibo			10-141	1,815,369,650				
7	Gicumbi	72-142	143,134,849	36-49	571,911,663			4-109	423,901,550
8	Gisagara	24-122	614,051,258	30	42,527,721			18-108	213,634,600
9	Huye	35-47	407,329,110	90-105	382,729,774			11-78	418,720,450
10	Kamonyi			20-121	602,211,422			14-349	301,700,600
11	Karongi	34-82	570,668,883	6-32	565,930,223	10-32	69,136,300		
12	Kayonza	13-79	255,022,837	5-83	524,746,970				
13	Kicukiro			10-49	288,428,335	5-38	54,827,050		
14	Kirehe			31-123	308,016,052				
15	Muhanga	17-196	245,612,250	25-66	462,055,937			40-91	47,826,550
16	Musanze			3-68	481,654,975				
17	Ngoma	21	212,500,202						
18	Ngororero					8-114	139,008,300		
19	Nyabihu	13-34	281,952,184	11-141	513,023,564				26,429,700
20	Nyagatare	7-72	499,457,744	1-28	607,938,258				106,400,596
21	Nyamagabe			24-109	804,069,399			11-103	219,827,400
22	Nyamasheke			32-121	600,715,402				
23	Nyanza			37-83	711,712,932	5-152	151,884,800		
24	Nyarugenge			3-43	164,551,800			7-40	22,535,900
25	Nyaruguru	48-127	974,978,952	16-29	381,372,898			28-80	201,435,200
26	Rubavu	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			17-78	87,053,500
29	Rusizi	3-244	783,354,500	29-32	244,394,740		128,155,000		
30	Rutsiro			29-51	472,530,693			26-86	236,782,000
31	Rwamagana			31-41	430,412,315				
	Total		6,917,006,464		13,253,183,597		792,457,182		2,562,805,396

*Data from OAG's Report of State Finances (Financial Year 2016-21)*

#### 4.1.2.6. Monitoring of Audit Recommendations

This analysis informed that Auditor General issued a total number of 1,589 recommendations to 27 and the City of Kigali against 1,514 recommendations issued in FY 2018-19. It is worthy to policy and decision-makers to revisit the operational environment of local government and analyse and check what challenges local government entities to comply with laws and procedures at a high rate, as for many years compliance with laws and procedures was identified as the 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 implementation of audit recommendations is still under 75% for local administration entities. However, one District has fully implemented at the rate of 75%, and 13 Districts have fully implemented audit

recommendations between 60%-69%. During the focus group discussion, PFM staff in consulted Districts mentioned that they are still facing the issue of being requested to implement audit recommendations that they are not able to implement.

This is not simply because they are not willing or able to implement them but because those audit recommendations are beyond their control. For example, PFM staff said “capitation grants and school feeding were delayed due to the delayed disbursement while the request was done on time. This should not qualify for the 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”. The issue of inconsistency in the implementation of audit recommendations is still observed for Districts and the City of Kigali in the last five fiscal years as it is indicated in below table 15.

**Table 15: Implementation of FY 2019-20 audit recommendations per District**

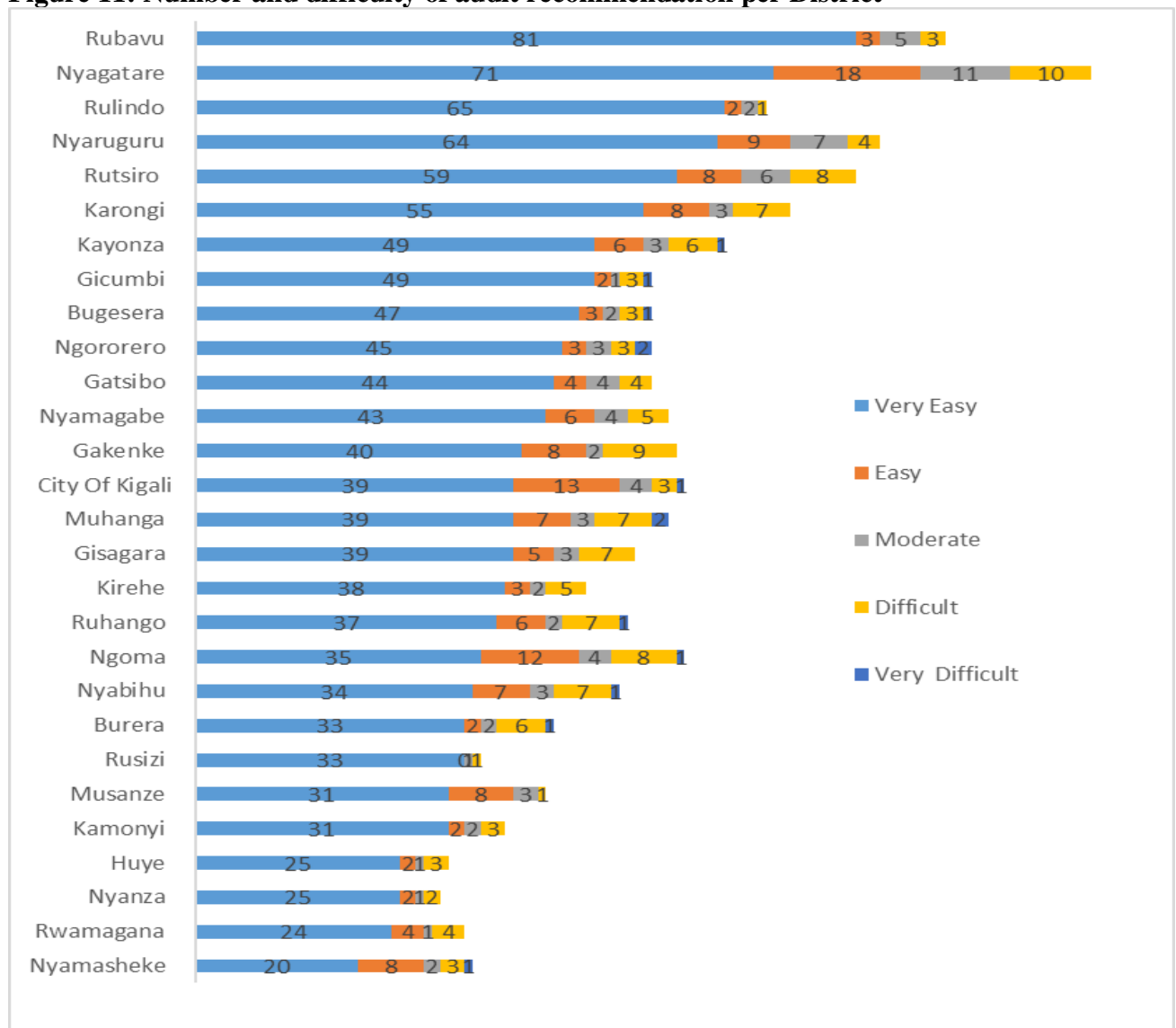
No	District	FY2019-20	FY2018-19	FY2017-18	FY2016-17	FY 2015-16	FY 2014-15
1	Huye	75%	71%	24%	62%	56%	74%
2	Nyaruguru	69%	51%	63%	69%	60%	71%
3	Rubavu	69%	49%	57%	41%	42%	50%
4	Nyanza	69%	65%	57%	55%	52%	41%
5	Gicumbi	68%	49%	62%	49%	46%	42%
6	Nyamasheke	67%	71%	63%	60%	39%	23%
7	Rulindo	67%	26%	62%	46%	57%	51%
8	Ngororero	64%	47%	32%	49%	51%	21%
9	Rutsiro	64%	40%	40%	56%	50%	43%
10	Bugesera	63%	64%	59%	65%	67%	62%
11	Ngoma	62%	49%	68%	56%	63%	55%
12	Muhanga	61%	61%	44%	53%	38%	28%
13	Rusizi	60%	61%	70%	53%	49%	42%
14	Ruhango	60%	43%	64%	50%	57%	45%
15	Burera	57%	37%	52%	39%	39%	60%
16	Kamonyi	56%	63%	57%	53%	49%	44%
17	Nyagatare	55%	19%	47%	55%	39%	43%
18	Gatsibo	54%	40%	51%	46%	56%	41%
19	Kirehe	52%	65%	52%	41%	59%	68%
20	Gisagara	51%	60%	21%	58%	67%	57%
21	Kayonza	50%	41%	39%	67%	67%	53%
22	Gakenke	46%	47%	46%	49%	59%	60%
23	Nyabihu	41%	60%	51%	45%	43%	41%
24	Karongi	40%	42%	59%	54%	56%	44%
25	Rwamagana	38%	69%	60%	73%	72%	81%
26	Musanze	36%	43%	41%	30%	52%	44%
27	City of Kigali	36%	58%	69%	55%	53%	63%
28	Nyamagabe	17%	55%	37%	58%	65%	54%

Source: Data compiled from OAG audit reports of the 30 Districts and the City of Kigali (2015-21)

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 to how difficult they are to be implemented.

This fiscal year, most Districts and the City of Kigali received 75% of very easy and 10.1% of easy audit recommendations, which means that 85% of received audit recommendations were easy to implement. Audit recommendations that required moderate resources and skills were at 5.5%, difficult recommendations represented 8.4 %, and very difficult recommendations were 0.8% of total recommendations. These numbers are illustrated in Figure 11, which shows the total number of recommendations issued per decentralized entity and their difficulty level.

**Figure 11: Number and difficulty of audit recommendation 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 30 to 110 during the fiscal year 2019-2020. Huye District is ranked as the best performer in the implementation of recommendations

for the last consecutive fiscal years. Huye has received 31 recommendations including three not applicable recommendations, and it has fully implemented 21 of them.

For this analysis, 27 and 11 entities have received difficult and very difficult audit recommendations, respectively. 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 in difficult and very difficult audit recommendations that might be linked to more efforts that different stakeholders have invested in PFM at local level, Districts still have a large 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 in Districts alone, they would not be implemented.

They have suggested that the line entities for any program must be accountable for its implementation, especially by conducting assessments of known early areas for improvement at policy and at implementation levels. They added that it would be better if Auditor General does not consider joint- recommendations to qualify audit reports, especially those contracts managed by the central government.

In order to know the extent at which audit recommendations related to revenue collection affect implementation of audit recommendations as continuously mentioned by PFM staff, this analysis has made further scrutiny on this specific audit finding.

**Table 16: Recommendations related to Revenue Collections Affect Implementation of Audit recommendations**

N0	District Name	Total Audit Recommendations received by each district	Issued recommendations not Applicable	Total Audit recommendations either partially or not implemented	#Recomm. not Implemented Related to Revenue collection	% recomm. related to Revenue Collection not fully implemented
1	Rwamagana	33	1	20	8	40%
2	Gisagara	54	3	25	9	36%
3	Nyanza	30	1	9	3	33%
4	Kirehe	48	4	21	6	29%
5	Kamonyi	38	2	16	4	25%
6	Nyabihu	52	3	29	7	24%
7	Burera	44	0	19	4	21%
8	Ngororero	56	3	19	4	21%
9	Ruhango	53	3	20	4	20%
10	Ngoma	60	2	22	4	18%
11	Rulindo	70	1	23	4	17%

12	City of Kigali	60	1	38	6	16%
13	Rubavu	92	8	26	4	15%
14	Bugesera	56	2	20	3	15%
15	Musanze	43	1	27	4	15%
16	Huye	31	3	7	1	14%
17	Nyaruguru	84	9	23	3	13%
18	Kayanza	65	1	32	4	13%
19	Nyamagabe	58	5	44	5	11%
20	Gakenke	59	5	29	3	10%
21	Karongi	73	6	40	4	10%
22	Muhanga	58	4	21	2	10%
23	Nyagatare	110	12	44	4	9%
24	Gatsibo	56	2	25	2	8%
25	Rusizi	35	0	14	1	7%
26	Rutsiro	81	1	29	2	7%
27	Gicumbi	56	0	18	1	6%
28	Nyamasheke	34	1	11	0	0%

*Source: Data compiled from OAG audit reports of the 27 Districts and the City of Kigali (2020-21)*

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

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

1. **Districts and CoK** must request partner institutions from the central level to consider each District context before implementing any project from the central level (Construction of schools, health posts, post-harvest facilities, etc..).
2. **Districts and CoK** must put in place appropriate and consistent strategies that can help them to reduce the number of unsupported expenditures.
3. **Districts and CoK** must put more effort into studies that inform their investment decisions in order to reduce the idle assets continuously reported.
4. **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.
5. **Districts and CoK** need to timely prepare a list of capitation and school feeding grants and make follow up on the disbursement in order to ensure the proper operation of schools.
6. **LODA**, as an experienced government entity in social protection, should work with Districts and MoH in order to link 3 **UNCONNECTED** systems that are being used to provide **Nutrition Sensitive Direct Support (NSDS) in order to reduce the time for data entry.**
7. **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 the training of PFM.
8. **MINALOC, RALGA, RRA, OAG** should work together and agree upon standard deviations that can be accepted in revenue collection, as it will not be possible to collect what has been planned otherwise, this audit recommendation will persist.
9. **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 need and the needed finances as well as ensuring the sustainability of projects.
10. **RPPA, MININFRA, and MINIJUST** should reinforce regulations on contract management as current findings informed that there are many infrastructure projects affected by poor quality while contract managers and supervising companies have been involved.
11. **RPPA** should train PFM staff on new public procurement law and help them to understand how old guidelines have to work with new procurement law, as new guidelines have to come.
12. **MINALOC and MININFRA** should take actions on challenges experienced by implementers during the implementation of BIOGAS.

13. **MINALOC and MINAGRI** should work together to ensure that seeds and fertilizers are timely distributed and reached to farmers and suppliers are paid on time as well.
14. Institutions (MINECOFIN-IFIMS, RPPA-Umucyo, RRA-LGT, MINAGRI-MOPA for Smart Nkunganire) that use digital tools for different programs that are being implemented at the District level should regularly plan induction trainings for newly recruited staff and refresher trainings to all users. *Especially for Umucyo and LGT systems should be upgraded and Districts and CoK must be consulted. Districts should also get access to MOPA System.*
15. **MINECOFIN, MINALOC, and MIFOTRA** must work together to see how they can increase incentives for PFM staff for retention purposes as high turnover of PFM staff affects too much effective PFM.
16. **Anti-corruption institutions and RPPA** should promote preventive monitoring and Regulatory interventions, especially in the procurement of big projects to avoid losses.





**Transparency International Rwanda**

P.O. Box 6252 Kigali, Rwanda

Tel. +250 (0) 788309583

Toll free : 2641 (to report cases of corruption)

E-mail : [Info@tirwanda.org](mailto:Info@tirwanda.org)

Website: [www.tirwanda.org](http://www.tirwanda.org)