

Office of the Auditor General of Rwanda



GREAT LAKES TRADE FACILITATION PROJECT (GLTFP) AUDIT REPORT ON FINANCIAL STATEMENTS

For The Year Ended 30 June 2021

OAG Core Values

Integrity

In public Interest

Innovation

Objectivity

Professionalism

**GREAT LAKES TRADE FACILITATION PROJECT (GLTFP)
AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE
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1. INTRODUCTION

1.1. Project Information

Project details	Project name: Great Lakes Trade Facilitation Project (GLTFP) Credit Number 5721 -RW
Project start date	Date of signing the financing agreement: 15 October 2015 The project effectiveness date: 25 January 2016
Project end date	The project completion date: 31 December 2020. On 13 August 2020, it was extended to 30 June 2022.
Project budget by donor	World Bank: USD 26,000,000
Total cost of the project	Loan: USD 26,000,000 to be contributed by World Bank
Implementing budget agency	SPIU-MINICOM (Ministry of Trade and Industry)
Line ministry of the project	MINICOM
Objective of the project/strategic goal	The development objective of this project is to facilitate cross-border trade by increasing the capacity for commerce and reducing the costs faced by traders, especially small-scale and women traders, at targeted locations in the borderlands.
Main components of the project/general achievement of strategic goals	<ul style="list-style-type: none"> • Improved core trade infrastructure and facilities in border areas; • Implementation of policy and procedural reforms and capacity building to facilitate cross-border trade in goods and services; • Performance-based management in cross-border administration; and • Implementation support, communication, monitoring and evaluation.
Outputs of the project/specific achievement of strategic goals	<ul style="list-style-type: none"> • Boarder infrastructure and facilities improved (Rusizi I); • Development of border markets and logistics platforms (Nyamasheke and Rusizi II); • Upgrading infrastructure at Kamembe Airport; • Training and capacity building for traders and officials; • Border management reformed; • Functional review of institutional effectiveness and efficiency at the Customs and Immigration; • Project Monitoring and Evaluation (M&E) and systems for monitoring small-scale cross-border trade; • Project communication strategy developed and implemented.

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<p>Specific key achievements of strategic goals/Outputs of the project as at 30 June 2021</p>	<p>(1) Improved core trade infrastructure and facilities in border areas:</p> <ul style="list-style-type: none"> • Border infrastructure: <ul style="list-style-type: none"> (i) Nyamasheke cross border market: 100% Construction works are completed and the Provisional handover has been done. (ii) Bugarama cross border market: Construction works have been completed and Provisional handover has been done. • Upgrading infrastructure at Kamembe Airport: <ul style="list-style-type: none"> (i) Supply, installation, testing & commissioning of aeronautical ground lighting, fence lighting, power & communications and all civil works (TP1): Progress was at 99.5% of completion as at 30 June 2021. (ii) Supply, installation, testing & commissioning of Automated Weather Observation System (AWOS) and Digital Automatic Terminal Information System (ATIS) (TP3): Progress was at 100 % of completion and Works have been handed over after successful commissioning and testing on 13 May 21 (iii) Supply, installation, testing and commissioning of special airport systems: AMHS & D-AIMS at Kigali and Kamembe International Airport (KGL&KME) (TP4): Works have been completed. (iv) Construction of the perimeter fence at Kamembe International Airport: Construction was completed. <p>(2) Implementation of Policy and Procedural Reforms and Capacity Building to facilitate cross-border trade in goods and services:</p> <ul style="list-style-type: none"> • Capacity building for cross border traders and officials enhanced: <ul style="list-style-type: none"> (i) 2,661 cross border traders and 298 Border officials trained in this financial year ended 30 June 2021 on cross border traders' complaints management tool, Gender and conflict sensitivity, Entrepreneurship, Business, Planning and financial literacy.
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	<p>(ii) 191 cross border traders (from Rusizi and Rubavu Districts) trained in regional agreements (COMESA and EAC), trade opportunities, Simplified Trade Regime (STR) and taxation system, clearance procedure of goods, different tax heads (Import duty, Excise duty, Withholding tax, and Domestic VAT).</p> <p>• Regional activities under COMESA:</p> <p>MINICOM has participated in below key activities organized by COMESA aiming at strengthening joint border committees, negotiations on simplified trade regime and discussion on standards:</p> <p>(i) Experts meeting from GLTFP member countries on the COMESA Simplified Trade Regime (STR);</p> <p>(ii) Meeting of experts on border infrastructure from GLTFP member countries;</p> <p>(iii) Induction training of Trade Information Desk Officers (TIDOs) for Bugarama cross border; and</p> <p>(iv) Regional Coordination Committee (RCC) meeting.</p>
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1.2. Funding summary

Source of funds	Donor commitment-	Donor commitment	Amount received to date – 30 June 2021	Amount received to date – 30 June 2021	Undrawn balance to date- 30 June 2021	Undrawn balance to date- 30 June 2021
	USD (A)	Frw (B)	USD (C)	Frw (D)	USD E=(A-C)	Frw F= E*987.139896
Loan						
World Bank	26,000,000	24,364,006,186	19,349,872.63	17,575,467,211	6,650,127.37	6,564,606,040

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1.3. Management of the Project

The management team that held office during the year ended 30 June 2021 and at the time of audit in November 2021 is:

N°	Name	Role	Designation	Period
1.	Yves Bernard NINGABIRE	Chief Budget Manager	Permanent Secretary	From 14 July 2021
2.	SEBERA Michel	Chief Budget Manager	Permanent Secretary	From 31 August 2017 to 14 July 2021
3.	NIWENSHUTI Richard	SPIU Coordination	SPIU Coordinator	From 29 July 2019
4.	NYIRAHABINE ZA Asterie	Directorate of Finance and Administration	Ag. Financial Management Specialist	From 29 December 2017
5.	URUJENI Hodari Evelyne	Trade Specialist	Trade Specialist	From 7 October 2019
6.	UWITONZE Marc	Monitoring and Evaluation (M&E) Specialist	M&E Specialist	From 11 November 2019

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2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Article 66 of the Organic Law N° 12/2013 of 12/09/2013 on State Finances and Property requires budget agencies to prepare and submit to the Ministry annual financial statements in a period of one month from the end of the fiscal year and submit their annual financial statements to the Auditor General of State Finances not later than 30th September of the following fiscal year.

Article 19 of the Organic Law N° 12/2013 further stipulates that the Chief Budget Manager is responsible for maintaining accounts and records of the budget agency, preparing reports on budget execution, managing revenues and expenditures, preparing, maintaining and coordinating the use of financial plans, managing the financial resources for the budget agency effectively, efficiently and transparently, ensuring sound internal control systems in the budget agency and safeguarding the public property held by the budget agency.

As Chief Budget Manager, I accept responsibility for the annual financial statements, which have been prepared using appropriate accounting standards applicable to Public entities as determined by Article 99 of the Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations.

These financial statements have been extracted from the accounting records of Great Lakes Trade Facilitation Project (GLTFP) and the information provided is accurate and complete in all material respects. The financial statements also form part of the consolidated financial statements of the Government of Rwanda.

In my opinion, the financial statements give a true and fair view of the state of the financial affairs of Great Lakes Trade Facilitation Project (GLTFP). I further confirm that Great Lakes Trade Facilitation Project (GLTFP) maintained proper accounting records which can be relied upon in the preparation of financial statements. I also confirm that adequate systems of internal control were maintained and operated effectively during the year to safeguard the assets of the budget agency.

Signature: _____

Digitally signed by
MINICOM(Permanent
Secretary)
Date: 2021.12.29
11:32:52 +02'00'

Yves Bernard NINGABIRE
Permanent Secretary of MINICOM

Date: _____



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3. REPORT OF THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

Mr. Yves Bernard NINGABIRE
Permanent Secretary of MINICOM

3.1. Opinion

As required by Article 165 of the Constitution of the Republic of Rwanda of 2003 revised in 2015, and Articles 6 and 14 of Law N° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances (OAG), I have audited the financial statements of **Great Lakes Trade Facilitation Project** for the year ended 30 June 2021. These financial statements comprise the statement of financial position as at 30 June 2021 and the statement of revenue and expenditure, statement of cash flows and budget execution report for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are set out on pages 9 to 28.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of **Great Lakes Trade Facilitation Project (GLTFP)** as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with the guidelines provided by Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations and Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property.

3.2. Basis for opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under ISSAIs are described in section 3.4 of this report.

I am independent of GLTFP and have fulfilled my ethical responsibilities in accordance with the ethical requirements that are relevant to my audit of financial statements of public entities as determined by the Code of ethics for International Organisation of Supreme Audit Institutions (INTOSAI). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3.3. Responsibilities of management for the Financial Statements

According to Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, management of GLTFP is responsible for keeping accounting records and books of account, and preparation of financial statements in accordance with the financial regulations prescribed by the Minister in Ministerial Order n° 001/16/10/TC of 26/01/2016 relating to financial regulations. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the GLTFP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Government either intends to discontinue operations of the GLTFP.

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3.4. Auditor General's Responsibilities for the audit of the financial statements

My objective when conducting an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Misstatements can arise from fraud or error and are considered material if individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

An audit conducted in accordance with ISSAIs requires an auditor to exercise professional judgment and maintain professional scepticism throughout the audit and involves:

- The identification and assessment of the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform procedures responsive to those risks and to obtain sufficient and appropriate audit evidence to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control.
- Evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the GLTFP's ability to continue delivering on its funding objectives within the remaining project duration.
- Evaluation of the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieved fair presentation.

**KAMUHIRE Alexis
AUDITOR GENERAL**

KIGALI



30th December, 2021

**GREAT LAKES TRADE FACILITATION PROJECT (GLTFP)
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4. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4.1. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

Description	Notes	Year ended 30 June 2021	Year ended 30 June 2020
		Frw	Frw
Revenue			
Proceeds from borrowings	2	8,403,208,757	3,258,993,890
Total revenue (A)		8,403,208,757	3,258,993,890
Expenses			
Use of goods and services	3	743,986,408	1,227,703,753
Capital expenditure	4	9,162,198,548	2,155,893,380
Other Transfers to non-reporting entities	5	32,270,118	0
Total expenses (B)		9,938,455,074	3,383,597,133
Other gains			
Exchange gain (C)	6	129,576,011	103,439,907
Surplus for the year (D=A+C-B)		(1,405,670,306)	(21,163,336)

These financial statements should be read in conjunction with the accompanying notes (including accounting policies).

The notes on pages 14 to 28 form an integral part of the financial statements.

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**4.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE
2021**

Description	Notes	Balance as at	Balance as at
		30 June 2021	30 June 2020
		Frw	Frw
Assets			
Current assets			
Bank balances	7	963,293,370	1,483,391,452
Advance payments	8	275,689,837	1,549,257,263
Total current assets		1,238,983,207	3,032,648,715
Total assets (A)		1,238,983,207	3,032,648,715
Equity and liabilities			
Current liabilities			
Accounts payable	9	24,725,019	420,393,924
Total current liabilities (B)		24,725,019	420,393,924
Equity/Net assets (A-B)		1,214,258,188	2,612,254,791
Accumulated opening balance	10	457,896,466	457,896,466
Accumulated surplus from previous years		257,630,324	1,663,300,630
Prior year adjustments	11	498,731,398	491,057,695
Total net assets/Equity		1,214,258,188	2,612,254,791

These financial statements should be read in conjunction with the accompanying notes (including accounting policies).

The notes on pages 14 to 28 form an integral part of the financial statements.

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**4.3. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
30 JUNE 2021**

Description	12 Months to 30 June 2021	12 Months to 30 June 2020
	Frw	Frw
Cash flows from operating activities		
Other revenue (exchange gain)	129,576,011	103,439,907
Payments for operating expenses		
Use of goods and services	(743,986,408)	(1,227,703,753)
Other transfers to non-reporting entities	(32,270,118)	0
<i>Adjusted for</i>		
Changes in receivables	1,273,567,426	(1,549,257,263)
Changes in payables	(395,668,905)	417,503,435
Adjustment during the period	7,673,703	472,267,410
Total payments for operating activities		
Net cash flows from operating expenses (A)	238,891,709	(1,783,750,264)
Cash flows from investing activities		
Capital expenditure	(9,162,198,548)	(2,155,893,380)
Net cash flow from investing activities (B)	(9,162,198,548)	(2,155,893,380)
Cash flows from financing activities		
Proceeds from borrowings	8,403,208,757	3,258,993,890
Net cash flow from financing activities (C)	8,403,208,757	3,258,993,890
Net increase in cash and cash equivalents (D=A+B+C)	(520,098,082)	(680,649,754)
Cash and cash equivalents at the beginning of the year (E)	1,483,391,452	2,164,041,206
Cash and cash equivalents at the end of the year (F=D+E)	963,293,370	1,483,391,452

These financial statements should be read in conjunction with the accompanying notes (including accounting policies).

The notes on pages 14 to 28 form an integral part of the financial statements.

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**4.4. CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/ EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

Description	Accumulated surplus/deficit 2018/2019	Movement during the year 2019/2020	Total 2019/2020
	Frw	Frw	Frw
Changes in net assets items	2,161,150,717	451,104,074	2,612,254,791
Accumulated opening balance	457,896,466	-	457,896,466
Accumulated surplus from previous	1,684,463,966	(21,163,336)	1,663,300,630
Cumulative adjustments	18,790,285	472,267,410	491,057,695
	Accumulated surplus/deficit 2019/2020	Movement during the year 2020/2021	Total 2020/2021
Changes in net assets items	2,612,254,791	(1,397,996,603)	1,214,258,188
Accumulated opening balance	457,896,466	-	457,896,466
Accumulated surplus from previous	1,663,300,630	(1,405,670,306)	257,630,324
Cumulative adjustments	491,057,695	7,673,703	498,731,398

The notes on pages 14 to 28 form an integral part of the financial statements.

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4.5. CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Budget A	Actual B	Variance A-B	Performance (%) D=B/A
	Frw	Frw	Frw	
RECEIPTS				
Other revenue: exchange gains	0	129,576,011	(129,576,011)	-
Proceeds from borrowings	8,617,518,156	8,403,208,757	214,309,399	98%
Total revenue	8,617,518,156	8,532,784,768	84,733,388	99%
EXPENDITURE				
Use of goods and services	1,084,828,535	743,986,408	340,842,127	69%
Transfer to non- reporting entities		32,270,118	(32,270,118)	-
Total payments				
Operating balance				
Capital expenditure	7,532,689,621	9,162,198,548	(1,629,508,927)	122%
Total expenditure	8,617,518,156	9,938,455,074	(1,320,936,918)	115%

The notes on pages 14 to 28 form an integral part of the financial statements.

Explanation for major variances:

- (i) **Other revenue:** This is foreign exchange gain because the Project bank account is in USD. It was not budgeted before as this cannot be reliably estimated.
- (ii) **Goods and services (69%):** COVID-19 Pandemic affected some of field visits works.
- (iii) **Capital expenditure (122%):** The advances paid to suppliers/ contractors during the year ended 30 June 2020 amounting to Frw 1,381,673,985 had been recovered during the current year ended 30 June 2021 and recorded under capital expenditure. These were not budgeted as they did not represent the actual cash outflow.

The financial statements of GLTFP were approved by management and were signed on its behalf by:

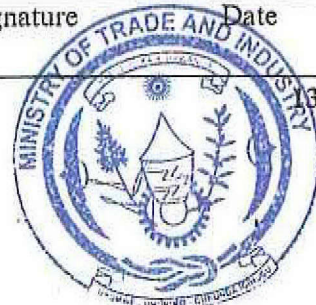
Prepared by: NYIRAHABINEZA Asterie  _____
(Ag. Financial Management Specialist) Signature Date

Checked by: Richard NIWENSHUTI  _____
(SPIU Coordinator) Signature Date

Checked by: Yves Bernard NINGABIRE  _____
(Permanent Secretary of MINICOM) Signature Date

Digitally signed by
MINICOM(Permanent
Secretary)
Date: 2021.12.29 11:33:09
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4.6. NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements

1.1. Statement of compliance

The financial statements have been prepared in accordance with the Organic Law N° 12/2013 of 12/09/2013 on State Finances and Property and related legal framework. These financial statements have been authorized for issue by the Chief Budget Manager on 31 July 2021.

The accounting policies used to prepare financial statements have been applied consistently throughout the period. The presentation and classification of items in the financial statements are consistent from one period to the next and takes into consideration of progressive improvements as contained in the Government of Rwanda roadmap to migrate to accrual IPSAS.

Reporting project

The Financial Statements have been prepared by **Great Lakes Trade Facilitation Project (GLTFP)** pursuant to Articles 19 and 66 of the Organic Law on State Finances and Property N° 12/2013 of 12/09/2013 that empowers the Chief Budget Manager to prepare the financial statements.

1.2. Basis of preparation

The financial statements have been prepared on the basis of historical costs unless otherwise stated. The cash flow statement is prepared using the direct method. In this context, modified accrual basis of accounting means that financial transactions and events shall generally be recognized in the books of account when they occur and not only when cash or its equivalent is received or paid, except in the following circumstances when transactions will be treated on a cash basis;

- (i) Public debt (principal and interest) – involving Treasury bills, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Ministry or any other debt the State may take on will be treated on cash basis and recognized as revenue during the year of receipt and as expenditure in the year of repayment. However, loans acquired directly by a public entity and any associated interest shall be treated on an accrual basis and recognized as liabilities.
- (ii) Inventories – these are assets:
 - a. in form of materials and supplies to be consumed in the production process,
 - b. in form of materials to be consumed in the rendering of services,
 - c. held for sale or distribution in the ordinary course of operations,
 - d. in process of production for sale or distribution.

Inventories include assets such as consumable stores, maintenance materials, and strategic stock piles e.g. fuel reserves. These will be treated on cash basis and recorded as expenditure during the year of acquisition and treated as revenue in the year of disposal.

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- (iii) Non-exchange transactions: - These arise where an entity receives value from another entity without giving approximately equal value in exchange. These include taxes, fines and penalties, transfers, gifts and donations and shall be recognised when cash is received.
- (iv) Non-current assets (tangible and intangible assets): - such as vehicles, furniture, equipment, finance leases, Plant and tools and investment property will be treated on cash basis and recorded as capital expenditure during the year of acquisition and revenue in the year of disposal.

The financial statements are presented in Rwanda Francs (Frw).

Reporting period

The Government of Rwanda fiscal year runs from 1st July to 30th June. These financial statements cover the period from 1st July 2020 to 30th June 2021. The comparative figures reflect the 12 months ended 30th June 2020.

Key assumptions and judgements

These financial statements, as a component of the Government consolidated financial statements, reflect the Government's financial position as at 30 June 2021, and the financial results of operations and cash flows for the year ended on that date. Included in these financial statements are a number of judgements, estimations and assumptions.

The assumptions are based on information available at the time of the preparation of the financial statements. It should therefore be noted that actual results may differ from the assumptions stated and thus have a material impact on the financial statements. The key assumptions are discussed below:

a. Presentation Currency

The functional currency of the Government of Rwanda is the Rwandan Franc. For reporting purposes, the financial statements are translated into Rwandan Francs. The rates used to translate foreign currency balances is the average rate applicable by National Bank of Rwanda as at 30 June 2021.

b. Areas of significant estimation

These financial statements do not have significant estimates so far. For the non-current asset and inventory balances disclosures, the acquisition cost before depreciation has been used.

c. Adoption of new and revised standards

The government is in the process of transitioning to IPSAS through a phased approach that involves a six-year implementation plan.

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Fair presentation and compliance with accrual basis IPSASs during the period of transition

IPSAS 33, First-Time-Adoption-of-Accrual-Basis-IPSASs, stipulates that where a first-time adopter has not recognized assets and/or liabilities under its previous basis of accounting, it is not required to recognize and/or measure the following assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs.

The IPSAS implementation roadmap as per blue print provides a six-year road map for implementing IPSAS accrual. The implementation is a process up to the six year. The government preferred incremental change instead of big bang.

Basing on the exemption relating to fair presentation and compliance provided by IPSAS 33, paragraph 33 to 62, the categories of assets and liabilities listed below have not been recognised but disclosed. Disclosing them is a first step in identification of assets and liabilities that have not been recognised in balance sheet. In addition, this is the second year of implementation, the identification is not yet completed and hence the disclosures might not be comprehensive. Further, though the approximate value is allocated to the non-current assets, the accuracy is not yet confirmed

The main ones include:

- a) Inventories (see IPSAS 12, Inventories);
- b) Investment property (see IPSAS 16, Investment Property);
- c) Property, plant and equipment (see IPSAS 17, Property, Plant and Equipment);
- d) Defined benefit plans and other long-term employee benefits (see IPSAS 25, Employee Benefits);
- e) Biological assets and agricultural produce (see IPSAS 27, Agriculture);
- f) Intangible assets (see IPSAS 31, Intangible Assets);
- g) Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see IPSAS 32, Service Concession Arrangements: Grantor);
- h) Public debts; and
- i) Government investments in public and private enterprises.

1.3. Significant accounting policies

The accounting policies set out in this section have been consistently applied by all consolidated entities and for all the years presented.

A. Revenue from non-exchange transactions

• **Other revenue**

This is revenue not classified in other classes of revenue. This is revenue from exchange gain resulting from translating balances from bank accounts denominated in foreign currencies.

Revenue from exchange transactions is recognized on accrual basis.

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- **Borrowings**

The Ministry of Finance and Economic Planning is the principal borrowing agent for Central Government. Public debt and associated interest is recognized on cash basis. Proceeds from loan borrowing is recognized as revenue during the year of receipt at cost and repayment as expenditure in the year of repayment. Cash is considered as received when recipient entity received a transfer advice from the partner rather than when cash is received in the bank account of the receiving entity.

B. Expenditure

All expenditure is recognised on accrual basis. However, the point of recognition may be different according to their categories.

- **Goods and services**

Goods and services consists of the value of goods and services used implementation of project's activities.

The value of goods or services is recorded when the goods or services are actually used rather than when they were acquired or paid for. In practice, these events often coincide for inputs of services but not for goods, which may be acquired some time in advance of their use. The value of goods purchased and held for resale is recorded as goods and services when they are sold.

- **Acquisition of fixed assets**

The expenditure on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as expenditure and income items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as revenue and as acquisition of fixed assets. Otherwise, it not recorded rather a fixed asset register which contains details of assets is maintained by each public entity.

C. Assets and Liabilities

- **Cash and cash equivalents**

Cash and cash equivalents are bank balances. Bank account balances are amounts held at the National Bank of Rwanda at the end of the reporting period.

- **Receivables**

These receivables are from advance payments.

- **Payables**

These mainly relate to invoices for goods and services which were outstanding on the date of the closure of the fiscal year. These are recognized as liabilities for that specific fiscal year. All goods received notes are recognised as liabilities if not yet paid as at the end of the year.

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D. Other relevant information

a) Foreign currency transactions

Transactions denominated in foreign currencies are initially translated to the Rwandan Franc at the foreign exchange rate at the date of transaction.

The National Bank of Rwanda provides exchange rates for major foreign currencies on a daily basis. These are presented for selling rate (rate the bank will sell foreign currency to its clients); buying rate (rate the bank will buy foreign currency from its clients); and average rate (average between the selling and buying rate).

During the year, revenue items are translated using the selling rate (this equals the Buying rate presented at BNR website) of the transaction day whereas the Expense items should be translated using the buying rate (this equals the Selling rate presented at BNR website) of the transaction day.

The associated exchange losses are recorded as other expenditure while exchange gains should be recorded as other revenue. At the end of the year, book balances, Assets (such as bank and cash and accounts receivable) and liability (such as accounts payable), denominated in foreign currencies are converted into the Rwanda Franc at the average rate of exchange ruling on that closing date, as issued by the National Bank of Rwanda. The associated exchange losses/gains are recorded as expenditure/income in the books.

b) Comparative figures

Adjustments have been made on the opening balances of the current financial period with respect to adjustments made by individual entities relating to the comparative periods.

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2021.

d) Changes in accounting policies and estimates

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

e) Related parties

The Government regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over it, or vice versa. Members of key management are regarded as related parties.

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f) Contingencies

The Project does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Project has no contingent assets.

g) Notes to the statement of comparison of budget and actual amounts

- The original budget for 2020/2021 was approved by the Parliament on 30 June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Government upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Government recorded additional appropriations of budget in accordance with specific instructions of the Cabinet/Parliament.
- Government's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the Statement of revenue and expenditure, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recasted from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

- Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for Government.
- Project differences occur when the budget omits program/activity or a project that is part of the project for which the financial statements are prepared.

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Explanatory notes

2. Proceeds from borrowings

During the year ended 30 June 2021, GLTFP received proceeds from borrowings from World Bank as detailed in the table below:

Account ID	Date of receipt	Amount disbursed	Exchange rate	12 Months to 30 June 2021	12 Months to 30 June 2020
		USD		Frw	Frw
		(A)	(B)	(C=A*B)	
162402	28/8/2020	916,136.9	940.2165	861,367,026	-
162402	12/10/2020	885,623.54	950.3343	841,638,454	-
162402	3/11/2020	232,781.56	954.2082	222,122,073	-
162402	3/11/2020	567,105.40	954.2082	541,136,632	-
162402	18/11/2020	404,346.85	957.0997	387,000,251	-
162402	14/12/2020	283,042.80	960.6544	271,906,324	-
162402	17/12/2020	198,129.96	961.3377	190,469,795	-
162402	15/01/2021	1,000,000.00	963.9859	963,985,855	524,492,880
162402	19/02/2021	809,383.85	966.9673	782,647,676	1,140,123,665
162402	19/02/2021	294,362.29	966.1664	284,402,959	411,167,546
162402	19/02/2021	173,364.90	966.1664	167,499,344	607,974,669
162402	19/02/2021	57,785.14	966.1664	55,830,062	575,235,130
162402	12/03/2021	874,463.94	968.665	847,062,633	-
162402	17/03/2021	137,637.62	968.665	133,324,748	-
162402	07/05/2021	608,309.20	972.635207	591,662,945	-
162402	28/05/2021	932,146.16	974.326666	908,214,860	-
162402	28/05/2021	362,236.95	974.326666	352,937,120	-
		8,736,857.06		8,403,208,757	3,258,993,890

3. Use of goods and services

During the year ended 30 June 2021, GLTFP consumed goods and services as detailed in the table below:

Account ID	Description	12 Months to 30 June 2021	12 Months to 30 June 2020
		Frw	Frw
2211+2212	General services	57,798,478	41,938,537
2221	Professional and research services	584,650,601	799,179,022
2231	Transport and travel	57,047,237	344,687,829
2241 + 2242	Maintenance, repairs and spare parts	-	700,500
2261	Training costs	44,490,092	2,756,502
22619	Other use of goods and services	-	38,441,363
	Total	743,986,408	1,227,703,753

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4. Capital expenditure

During the year ended 30 June 2021, GLTFP incurred capital expenditure as detailed in the table below:

ID Account	Description	12 Months to 30 June 2021	12 Months to 30 June 2020
		Frw	Frw
231	Acquisition of tangible assets (printers & laptops)	-	10,039,795
233	Non-residential buildings (Nyamasheke cross border market)	607,677,488	2,145,853,585
	Non-residential buildings (Rusizi cross border market)	903,551,947	-
	Non-residential buildings (Different infrastructure at Rwanda Airports Company)	7,650,969,113	-
	Total	9,162,198,548	2,155,893,380

5. Other transfers to non-reporting government entities

During the year ended 30 June 2021, GLTFP transferred fund to BNR to conduct cross-border survey as detailed in the table below:

ID Account	Description	12 Months to 30 June 2021	12 Months to 30 June 2020
		Frw	Frw
267399	Other transfers to non reporting government entities – BNR (to facilitate GLTFP to to conduct cross-border survey)	32,270,118	0

6. Exchange gain

During the year ended 30 June 2021, GLTFP realised foreign exchange gain as detailed in the table below:

ID Account	Description	12 Months to 30 June 2021	12 Months to 30 June 2020
		Frw	Frw
145	Exchange gain	129,576,011	103,439,907

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7. Bank balances

Bank Account	Account currency	Amount in foreign currency	Exchange rate	Balance as at 30 June 2021	Balance as at 30 June 2020
		USD (A)	(B)	Frw (C=A*B)	Frw
MINICOM 10000033754	Frw	0	0	0	0
MINICOM (Account No 1000036281)	USD	6,073.29	987.13989	5,995,187	48,987,583
LODA (Account No 1000046198)				0	75,999
LODA (Account No 1000036354)	USD	342,704.98	987.13989	338,297,758	566,994,635
RCAA (Account No 1000035878)	USD	627,064.41	987.13989	619,000,425	867,333,235
Total				963,293,370	1,483,391,452

8. Advance payments

The following were advance payments as at 30 June 2021:

ID Account	Debtor's name	Balance as at 30 June 2021	Balance as at 30 June 2020
		Frw	Frw
3121 + 3221	ETS Kazoza Justin and CIE EKJ and C Ltd	0	50,186,370
3122 + 3222	Uwitonze Marc	0	980,847
312801	Advance payments on works, goods and services contracts by RAC:		
	GECI ESPANOLA	166,602,431	924,404,067
	JOH ACHELIS AND SOEHNE GMBH	0	156,126,500
	ROYAL HASKONINGDHVTRADING AS NACO	0	100,089,515
	IDS North America Ltd	0	317,469,964
312802	Strong Construction Ltd	109,087,406	0
Total		275,689,837	1,549,257,263

Refer to section 12.4 for details.

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9. Accounts payable

The following were accounts payable as at 30 June 2021:

ID account	Description	Balance as at 30 June 2021	Balance as at 30 June 2020
		Frw	Frw
4121	Accounts payables -Third parties		
	Rwanda Broadcasting Agency	0	2,808,420
	Munyaneza Robert	0	26,130
	Nzawita Phocas	0	9,803
	Habuugisha Jean d`Amour	0	9,803
	Dusabimana Joselyne	0	9,803
	Returned payment	0	4,174
	MTN	0	983,459
	CSR	0	113,201
	ETS Kazoza Justin and CIE EKJ and C Ltd	0	416,429,131
	RwandAir Express	644,572	0
	CEBUDEMA	2,450,000	0
	TPGL	562,900	0
	DBSS	9,847,547	0
	Richard Emery RWOGERA	11,220,000	0
Total		24,725,019	420,393,924

Refer to section 12.5 for details.

10. Accumulated opening balance

These are accumulated opening balance as at 30 June 2021.

ID account	Description	Balance as at 30 June 2021	Balance as at 30 June 2020
		Frw	Frw
511101	Bank balances and cash equivalent opening balance	462,630,999	462,630,999
511103	Accounts payable opening balance	(4,734,533)	(4,734,533)
	Total	457,896,466	457,896,466

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11. Prior year adjustments

These are accumulated adjustments as at 30 June 2021.

Description	Balance as at 30 June 2021	Balance as at 30 June 2020
	Frw	Frw
Adjustments on bank balances	14,004,962	9,367,802
Adjustments on receivables	478,483,528	479,411,778
Adjustments on payables	6,242,908	2,278,115
Total	498,731,398	491,057,695

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12. IMPORTANT DISCLOSURES

12.1. Schedule for consolidation of financial

Description	FY 2020-2021						FY 2019-2020										
	MINICOM		RAC		LODA		Total		MINICOM		RCAA		LODA		Total		
	Frw		Frw		Frw		Frw		Frw		Frw		Frw		Frw		
Revenue																	
Other revenues: Exchange gain	124,921,477		(6,048,081)		10,702,615		129,576,011		57,105,740		40,696,876		5,637,291		103,439,907		
Proceeds from borrowings	8,403,208,757		-		-		8,403,208,757		3,258,993,890		-		-		3,258,993,890		
Total revenue	8,528,130,234		(6,048,081)		10,702,615		8,532,784,768		3,316,099,630		40,696,876		5,637,291		3,362,433,797		
Expenditure																	
Use of goods and services	426,348,557		115,043,400		202,594,451		743,986,408		756,287,024		174,705,431		296,711,298		1,227,703,753		
Capital expenditure	-		7,650,969,113		1,511,229,435		9,162,198,548		10,039,795		-		2,145,853,585		2,155,893,380		
Transfer to non-reporting entities	32,270,118		-		-		32,270,118										
Total expenditure	458,618,675		7,766,012,513		1,713,823,886		9,938,455,074		766,326,819		174,705,431		2,442,564,883		3,383,597,133		
Surplus/Deficit	8,069,511,559		(7,772,060,594)		(1,703,121,271)		(1,405,670,306)		2,549,772,811		(134,008,555)		(2,436,927,592)		(21,163,336)		
Financial Assets																	
Bank balances	5,995,187		619,000,425		338,297,758		963,293,370		48,987,583		867,333,235		567,070,634		1,483,391,452		
Receivables and advances	-		166,602,431		109,087,406		275,689,837		980,847		1,498,090,046		50,186,370		1,549,257,263		
Less financial liabilities	24,725,019		-		-		24,725,019		3,964,793		-		416,429,131		420,393,924		
Net financial assets	(18,729,832)		785,602,856		447,385,164		1,214,258,188		46,003,637		2,365,423,281		200,827,873		2,612,254,791		
Represented by																	
Accumulated surplus and opening balance as 1 July 2020	46,003,637		2,365,423,281		200,827,873		2,612,254,791		313,038,510		1,498,118,162		349,994,045		2,161,150,717		
Net surplus/deficit	8,069,511,559		(7,772,060,594)		(1,703,121,271)		(1,405,670,306)		2,549,772,811		(134,008,555)		(2,436,927,592)		(21,163,336)		
Adjustment for the year	7,673,703						7,673,703						472,267,410		472,267,410		
Total closing balances	8,123,188,899		(5,406,637,313)		(1,502,293,398)		1,214,258,188		2,862,811,321		1,364,109,607		(1,614,666,137)		2,612,254,791		

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12.2. Designated account reconciliation statement as at 30 June 2021

Project name: Great Lakes Trade Facilitation Project	USD
IDA CREDIT 5721-RW (Financing)	
Deposit Bank: National Bank of Rwanda / 1000036281	
1. Total cumulative advances to end of current reporting period IDA 5721-RWF	19,349,872.63
2. Cumulative expenditures to end of the reporting period	18,374,029.95
3. Opening designated account balance at beginning of reporting period (1 April 2021)	1,429,229.64
4. Add: Cumulative adjustments (if any)	0
5. Advances from World Bank during reporting period (last quarter ending 30 June 2021)	1,902,692.31
6. (Line 4 + Line 5)	1,902,692.31
7. Outstanding advances to be accounted for (Line 3+Line 6)	3,331,921.95
8. Closing designated account balance at end of current reporting period as at 30 June 2021 (Bank statement)	975,842.68
9. Add: Cumulative adjustments (if any)	-
10. Expenditures for current reporting period	2,356,079.27
11. (Line 9 + Line 10)	2,356,079.27
12. (Line 8 + Line 11)	3,331,921.95
13. Difference (if any and explanations) (Line 7 - Line 12)	-

12.3. Summary of physical assets and reconciled to the fixed asset register

Categories	Balance as at 1 July 2020	Acquisition of assets	Disposed of	Transfers	Balance as at 30 June 2021
	Frw	Frw	Frw	Frw	Frw
Printers and Laptops	10,039,795	-	-	-	10,039,795
Buildings	2,145,853,585	1,511,229,435	-	-	3,657,083,020
WIP		7,650,969,113			7,650,969,113
Total	2,155,893,380	9,162,198,548	-	-	11,318,091,928

12.4. Aging summary report for receivables

Payable Name	Date intervals			Total
	1-45 days	46-90 days	91 days to 2 above years	
	Frw	Frw	Frw	Frw
GECI ESPANOLA		166,602,431		166,602,431
Strong Construction Ltd		109,087,406		109,087,406
Total		275,689,837	-	275,689,837

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12.5. Aging summary report for payables

Creditor	Date intervals			Total
	1-45 days	46-90 days	91-365 days	
	Frw	Frw	Frw	Frw
RwandAir Express	-	644,572	-	644,572
TPGL	-	562,900	-	562,900
CEBUDEMA	2,450,000	-	-	2,450,000
BDSS	9,847,547		-	9,847,547
Richard Emery RWOGERA	11,220,000	-	-	11,220,000
Total	23,517,547	1,207,472	-	24,725,019

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12.6. Performance guarantees

This refers to the performance guarantees submitted by various contractors not yet returned or seized.

Contractor name	Object of the contract	Guarantor	Contract amount			Guaranteed amount			Return date
			Frw	USD	EURO	Frw	USD	EURO	
David Mugarula	CBT profiling and data automation	Prime insurance	29,911,500	-	-	1,495,575	-	-	01-07-2021
WIREDIN Ltd	supply happy or not devise	Prime Insurance	29,000,000	-	-	1,244,900	-	-	10-05-2022
ETS Kazoza Justin and CIE EKJ and C Ltd	Execution works for construction of Nyamasheke Cross boarder market at Rugari	Bank of Kigali	2,772,729,685	-	-	277,272,968	-	-	31-10-2021
ETS Kazoza Justin and CIE EKJ and C Ltd	Execution works for construction of Nyamasheke Cross boarder market at Rugari	Bank of Kigali	209,380,234	-	-	20,938,023	-	-	31-10-2021
Strong Constructions Ltd	Construction of Cross Border Market at Bugarama	GT Bank Rwanda	1,448,988,974	-	-	144,898,897	-	-	09-08-2022
GECI	Airfield ground lighting, apron floodlighting, fence lighting, new substation, improved power supply and new standby generator, communications and all civil works	MUA/Phoenix assurance Co	1,804,488,687	-	4,325,408.16	135,336,651	-	-	1 year after provisional reception
Joh achelis & VAISSALA	Meteorological AWOS & ATIS systems	Deutsche Bank AG, Hamburge	--	-	1,012,935.61	-	-	101,293	31-05-2021
IDS North America	D - AIM & AMHS systems	UAP	-	3,191,922	-	-	319,192	-	31-07-2021
Total			6,294,499,080	3,191,922	5,338,344	581,187,014	319,192	101,293	

DETAILED AUDIT FINDINGS

5. REVIEW OF INTERNAL CONTROL SYSTEM

5.1. Ineffective internal audit function

Observation

Section I of schedule 2 of the financing agreement signed on 26 October 2015 between the Government of Rwanda and IDA states that MINICOM shall appoint an internal auditor under SPIU. For efficiency purpose, MINICOM management decided that the Ministry's Internal Auditor will be auditing the projects implemented by SPIU.

However, the audit noted that the internal auditor of MINICOM had not audited GLTFP since the start of its activities in January 2016 to the time of current audit in November 2021.

It is worth noting that the similar issue was highlighted by the previous audit for the year ended 30 June 2020.

This gap is due to inadequate oversight by the Project management.

Risk

The Project is deprived of independent and objective assurance on effectiveness of internal control system. Hence, some of errors or irregularities affecting the Project operations may not be detected and addressed on time.

Recommendation

MINICOM should ensure that all project activities funded by development partners are regularly audited by internal auditor, going forward.

Management comment

This observation is noted and this was caused by the structure of SPIU which did not provide the requirement of the internal auditor. The discussion between MINICOM and World Bank team, is to see if it is still feasible to hire internal auditor, for a project which is closing by the end of this fiscal year. The temporary arrangement will be to seek the services of the internal auditor of MINICOM as we identify a sustainable solution.