

REPUBLIC OF RWANDA

Kigali, 23 DEC 2021
Ref No: 2911/SPIV/021



RWANDA TRANSPORT DEVELOPMENT AGENCY

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KIGALI

Task Team Leader/ Lake Victoria Transport Program

SOP1, Rwanda

The World Bank

Blvd. de la Revolution

SORAS Building

PO. Box 609 Kigali, Rwanda

KIGALI

Dear Sir,

Re: SUBMISSION OF THE AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2021 FOR LAKE VICTORIA TRANSPORT PROGRAM (LVTP) - NGOMA- NYANZA ROAD UPGRADING PROJECT LOT 2: KIBUGABUGA- GASORO (66.55 KM)

Reference is made to the letter no. 567/12/21/DCA/OAG dated 16th December 2021 from Office of Auditor General (OAG) submitting the final audit report for the year ended 30th June 2021 for the project, "LAKE VICTORIA TRANSPORT PROGRAM (LVTP) - NGOMA- NYANZA ROAD UPGRADING PROJECT LOT 2: KIBUGABUGA- GASORO (66.55 KM)", to Rwanda Transport Development Agency (RTDA).

Thus, we hereby write this letter to submit the above-mentioned report to your good office for your consideration.

We look forward for your usual support and cooperation.

Sincerely;

Imena MUNYAMPENDA
Director General





REPUBLIC OF RWANDA
OFFICE OF THE AUDITOR GENERAL OF STATE
FINANCES



Kigali,16 DEC 2021.....

N°...567/12/21/DCA/OAG

Imena MUNYAMPENDA
Director General
Rwanda Transport Development Agency (RTDA)
KIGALI

Dear DG,

RE: FINAL AUDIT REPORTS FOR THE YEAR ENDED 30 JUNE 2021

Enclosed herewith, please find the final audit reports for the listed below projects for the year ended 30 June 2021.

1. Upgrading of Base-Gicumbi-Rukomo - Nyagatare road (Phase I: Base -Rukomo 51.54 KM);
2. Lake Victoria Transport Program (LVTP): Ngoma-Nyanza Road Lot 2: Kibugabuga - Gasoro (66.55 km);
3. Lake Kivu Inland Water Transport Project (LKIWTP);
4. Rwanda Feeder Roads Development Project (RFRDP); and
5. Kagitumba Kayonza Rusumo Road Project (KKR)

I would like to take this opportunity to thank you and your finance team for all the support extended to my Office during the audit.

Yours sincerely,

KAMUHIRE Alexis
Auditor General



Cc: Minister of Infrastructure



**LAKE VICTORIA TRANSPORT PROGRAM
NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)**

AUDIT REPORT ON FINANCIAL STATEMENTS

For the year ended 30 June 2021

**LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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**LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

1. INTRODUCTION

1.1. Project information

Rwanda Transport Development Agency (RTDA) is the implementing agency of the Rwanda Lake Victoria Transport Program Project (LVTP) Ngoma-Nyanza Road Lot 2: Kibugabuga-Gasoro (66.55 Km). The Project is funded by the World Bank (WB), and aims to facilitate the sustainable movement of goods and people in the Lake Victoria region, whilst strengthening the institutional framework for transport safety. The details of the Project's information are summarized below:

Project Start Date:	<ul style="list-style-type: none"> - The project approval date is 25 May 2017 - The project signature of agreement date is 05 June 2017 - The project effectiveness date is 05 September 2017
Project End Date:	<ul style="list-style-type: none"> - The project completion date is 31 December 2023 - The project last disbursement date is 30 June 2024
Project Manager:	The Project Manager is Mr. Leon MUGWIZA
Project Budget by donor	World Bank : EUR= 75,900,000
Government of Rwanda	Government of Rwanda Counterpart: EUR 21,551,851.85
Total cost of the project	EUR: 97,451,851.85
Implementing Budget Agency	Rwanda Transport Development Agency (RTDA)
Line Ministry of the project	MININFRA
Strategic goals/objectives of the project	The project objective is to improve the efficient and safe movement of goods and people along the regional corridor from the border crossing at Rusumo to the border crossing at Nemba and Rusizi together with upgrades to road asset management and road safety in Rwanda.
Main component of the projects	The project objective will be realized by the following components: <ul style="list-style-type: none"> (i) Component 1: Improving the physical infrastructure and (ii) Component 2: Improving the institutional infrastructure and implementation assistance.
General achievement of strategic goals	With regard to Upgrading of Kibugabuga-Shinga-Gasoro (66.55 km), the contract was signed on 22 nd May 2019 and it was awarded to Hunan Road & Bridge Construction Group Co. Ltd under the design, build and maintenance (DBM). Construction works have commenced on the road section. Construction works commenced on the establishment of the campsite Boundary wall, the utilities and the Contractor's temporary works units. Design of the campsite for the Employer's side and Landscaping is under review.

**LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
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	The progress of the design phase and works at the end of August 2021 was 68.57% completed.
Expectations	Ngoma-Nyanza road sections, when upgraded, will play a key role in the regional EAC network, by shortening the distance (about 70 km) traversed by all transit traffic from Tanzania (Rusumo border) passing into Burundi and Eastern DRC in the South, and improve the connectivity between Southern Rwanda and the significant potential market in the hinterland of Lake Victoria. It will promote the socio-economic development of the area, by improving the road infrastructure, favouring the public transport, opening a new door to tourism, and being an import-export corridor promoting large-scale agricultural development.

1.2. Funding summary

The Project duration is 6 years from September 2017 to December 2023 with an approved budget of **EUR 97,451,851.85** as highlighted in the table below:

Source of funds	Donor Commitment	Amount received to date (30/06/2021)	Amount received to date (30/06/2021)	Undrawn balance to date (30/06/2020)		
				EUR	Exchange rate	Frw
	EUR	EUR	Frw	EUR	Exchange rate	Frw
	(A)	(B)	(C)	(D) = A-B	(E)	D*E
(i) LOAN						
IDA	75,900,000.00	16,167,414.16	19,197,603,335	59,732,585.84	1187.425716	70,928,008,510
(ii) Counter Part Fund						
GoR	21,551,851.85	1,497,918.88	1,778,667,394	20,053,932.97	1187.425716	23,812,555,720
Total	97,451,851.85	17,665,333.04	20,976,270,729	79,786,518.81		94,740,564,230

1.3. Management of the Project

Lake Victoria Transport Program (LVTP)-Ngoma-Nyanza Road Lot 2: Kibugabuga-Gasoro (66.55 Km) is under SPIU/RTDA (Single Project Implementation Unity/RTDA) which has been established in October 2014. The daily activities of SPIU are coordinated by the SPIU Coordinator who is supervised by the Director General of RTDA.

The management that served the project during the year ended 30 June 2021 is as follows:

**LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Name	Position
Imena MUNYAMPENDA	Director General from 18 th November 2018 to date.
MIZERO Solange	SPIU Coordinator, from 03 rd December 2018 to date.
MUCYO Come	Ag. Corporate Service Division Manager from 22 August 2019 to date.
NTIRENGANYA Napthal	Program Manager
HABIMANA Cyprien	Ag. Financial Management Specialist from 1 st July 2020 to date.
MUGWIZA Leon	Project Engineer
KAMPIRE Alice	Financial Management Specialist - SPIU
UWABABYEYI Emerita	Monitoring & Evaluation Specialist
HABYARIMANA Janvier	Project Accountant

**LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Article 66 of the Organic Law No. 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 No. 001/16/10/TC of 26/01/2016 relating to financial regulations.

These financial statements have been extracted from the accounting records of Lake Victoria Transport Project 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 Lake Victoria Transport Program Project. I further confirm that Lake Victoria Transport Program Project 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.



Imena MUNYAMPENDA
Director General/RTDA



Date:14.11.21.....2021

**3. REPORT OF THE AUDITOR GENERAL
REPORT ON THE FINANCIAL STATEMENTS**

**Mr. Imena MUNYAMPENDA
Director General/RTDA**

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 **Lake Victoria Transport Program 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 26.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Lake Victoria Transport Program Project as at 30th 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 on financial statements

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 Lake Victoria Transport Program Project 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. Emphasis of Matter

Without modifying my opinion, I draw attention to note 11 “Tax Liabilities” of the financial statements, which indicates non-payment of taxes that might lead to payment of unnecessary fines and penalties levied by the Tax Administration. This being a contravention to article 93 of the law No 026/2019 of 18/09/2019 on tax procedures providing that the Value Added Tax (VAT) on public tenders is withheld, declared and remitted to the Tax administration within fifteen (15) days following the end of the month in which the successful bidder has submitted the invoice.

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OAG has been noting recurring instances of non/delayed remittance of taxes during its annual audits of RTDA and its projects. Despite efforts deployed by RTDA through reminding letters to MINECOFIN on this issue, this has not been sorted out. By the time of audit in September 2021, Lake Victoria Transport Program (LVTP) did not pay VAT amounting to **Frw 755,608,217**. (*Refer to section 5.2.1 of the Compliance Audit Report*).

I also draw your attention to Disclosure Note 13.3 where RTDA/LVTP has not been able to pay the fair compensation amounting to **Frw 1,100,368,172** for **2,362** persons' affected properties. This has been very challenging to the project implementation progress. Further, no evidence that the said amount has been budgeted for during the financial year 2021/2022. (*Refer to section 5.3.1 of the Compliance Audit Report*)

3.4. 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 Lake Victoria Transport Program Project 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 Lake Victoria Transport Program Project'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 Lake Victoria Transport Program Project.

3.5. 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 Lake Victoria Transport Program Project 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 Lake Victoria Transport Program Project'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 Lake Victoria Transport Program Project.

3.6. 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 Lake Victoria Transport Program Project's ability to continue as a going concern as well as evaluating the presentation of the financial statements.
- 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

15th December, 2021



**LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4.1. 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			
Transfers from other government entities	2	1,444,924,334	314,262,060
External borrowings	3	4,801,790,800	4,724,182,836
Total Revenue (A)		6,246,715,134	5,038,444,896
Expenses			
Goods and Services	4	2,413,078,245	57,027,288
Other expenses	5	568,723,319	11,796,120
Capital expenditure	6	7,187,881,558	
Total Expenses (B)		10,169,683,122	68,823,408
Foreign exchange gain C	7	494,954,158	128,697,816
Surplus / (Deficit) for the period (D=A-B+C)		(3,428,013,830)	5,098,319,304

The notes on pages 14 to 26 form an integral part of the financial statements.

LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4.2. 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			
Cash and cash equivalents	8	3,955,987,376	5,583,241,203
Prepayments and other current assets	9	5,242,269,584	5,365,268,573
Total current assets (A)		9,198,256,960	10,948,509,776
EQUITY AND LIABILITIES			
Current Liabilities			
Current accounts Payable	10	884,694,591	-
Tax liabilities	11	755,608,217	-
Total current liabilities (B)		1,640,302,808	-
Equity/ Net Assets (C=A-B)		7,557,954,152	10,948,509,776
Accumulated opening balances		10,948,509,776	5,850,190,472
Adjustments on Receivables	12	37,458,206	-
Deficit/Surplus for the year		(3,428,013,830)	5,098,319,304
Total Liabilities and Net Assets/Equity		7,557,954,152	10,948,509,776

The notes on pages 14 to 26 form an integral part of the financial statements.

Prepared

by: Janvier HABYARIMANA
Project Accountant


Signature

14/12/21
Date

Verified

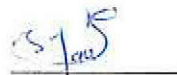
by: KAMPIRE Alice
Finance Specialist - SPIU


Signature

14/12/21
Date

Checked

by: MIZERO Solange
Project Coordinator - SPIU


Signature

14/12/2021
Date

Approved

by: Imena MUNYAMPENDA
Director General/RTDA


Signature

14/12/2021
Date



LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Description	Notes	Year ended	Year ended
		30 June 2021	30 June 2020
		Frw	Frw
Cash flow from operating activities			
Receipts			
Transfers from other government entities	2	1,444,924,334	314,262,060
Payments			
Goods and services		(2,413,078,245)	(57,027,288)
Foreign exchange loss /(gain)		494,954,158	128,697,816
Other expenses		(568,723,319)	(11,796,120)
Adjusted for:			
Changes in receivables		122,998,989	(4,636,182,823)
Changes in payables		1,640,302,808	-
Prior year adjustments		37,458,206	-
Net cash flows from operating activities (A)		758,836,931	(4,262,046,355)
Cash flows from investing activities			
Capital expenditure		(7,187,881,558)	-
Net cash flows from investing activities (B)		(7,187,881,558)	-
Cash flow from financing activities			
Borrowings		4,801,790,800	4,724,182,836
Net cash flow from financing activities (c)		4,801,790,800	4,724,182,836
Net increase/(decrease) in cash and cash equivalents (D=A+B+C)		(1,627,253,827)	462,136,481
Cash and cash equivalents at beginning of period (F)		5,583,241,203	5,121,104,722
Cash and cash equivalents at end of period (E=D+F)		3,955,987,376	5,583,241,203

The notes on pages 14 to 26 form an integral part of the financial statements.

**LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
KIBUGABUGA- GASORO (66.55 KM)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

Changes in net assets items	Accumulated surplus/ deficit 2018/2019	Movement during the year 2019/2020	Total 2019/2020
	FRw	Frw	Frw
Description			
Accumulated opening balance as at 1st July 2019	-	-	-
Accumulated surplus from previous years	5,850,190,472	5,098,319,304	10,948,509,776
Accumulated surplus as at 30 June 2020	5,850,190,472	5,098,319,304	10,948,509,776
Description	Accumulated surplus / deficit 2019/2020	Movement during The year 2020/2021	Total 2020/2021
Accumulated opening balance as at 1st July 2020	-	-	-
Accumulated surplus from previous years	10,948,509,776	(3,428,013,830)	7,520,495,946
Accumulated adjustments			
Adjustments on Receivables		37,458,206	37,458,206
Accumulated surplus/(deficit) as at 30 June 2021	10,948,509,776	(3,390,555,624)	7,557,954,152

The notes on pages 14 to 26 form an integral part of the financial statements.

LAKE VICTORIA TRANSPORT PROGRAM (LVTP)-NGOMA-NYANZA ROAD LOT 2:
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AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Revised budget	Actual	Variiances	Performance in %
	Frw	Frw	Frw	
	A	B	A-B	(B/A)*100
Revenue				
Transfers from other government entities	-	1,444,924,334	(1,444,924,334)	
Total revenue	-	1,444,924,334	(1,444,924,334)	
Expense	-			
Goods and services	2,292,836,581	2,413,078,245	(120,241,664)	*105.2
Foreign exchange loss/(gain)	500,000	(494,954,158)	(494,454,158)	98,990.8
Other expenses	805,435,482	568,723,319	236,712,163	**70.6
Total payments	3,098,772,063	2,486,847,406	611,924,657	80.3
Acquisition of non-financial assets				
Capital expenditure	9,574,388,771	7,187,881,558	2,386,507,213	***75.1
Net incurrence of liabilities				
Borrowings		4,801,790,800	(4,801,790,800)	****

The notes on pages 14 to 26 form an integral part of the financial statements.

Explanations for variances

* This was due to loss caused by variation of exchange rates

**The was due to slow and low disbursement linked to procurement and contracts implementation issues

***The works are considerably behind the current Work Programme and consequently payment schedule. This delay is mainly due to the impact of COVID-19 and delays in making the site available

****Variances due to slow and low disbursement linked to procurement and contracts implementation issues

4.6. NOTES TO THE FINANCIAL STATEMENTS

I. Significant accounting policies

a) 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 Imena MUNYAMPENDA on 6th August 2021.

The financial statements have been prepared on a going concern basis and the accounting policies 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 progressive improvements as contained in the Government of Rwanda roadmap to migrate to accrual IPSAS.

Reporting Entity

The Consolidated Financial Statements have been prepared by Ministry of Finance and Economic Planning (MINECOFIN) pursuant to Articles 13 and 67 of the Organic Law on State Finances and Property of 2013 that empowers the Minister in charge of Finance and Economic Planning to prepare consolidated financial statements of the Government of Rwanda.

b) 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.

The specific accounting basis for major items in the financial statements are provided below. Except for the subsidiary entities affiliated to the decentralised entities, public entities shall maintain their books of account on a modified accrual basis of accounting. The subsidiary entities affiliated to the decentralised entities shall maintain their books of account on a modified cash basis of accounting and progressively move to the same accounting basis as that of the rest of the public entities.

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.

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- (ii) Inventories – these are assets:
- a. in the form of materials and supplies to be consumed in the production process,
 - b. in the 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 the process of production for sale or distribution.

Inventories include assets such as consumable stores, maintenance materials, ammunition, land and other properties held for sale, 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.

- (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.

c) Reporting periods

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.

d) Key assumptions and judgements

These 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:

e) 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 30th June 2021.

f) 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.

g) 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.

Basis of consolidation

The financial statements are aggregated on a line by line basis with the inter-entity transactions of revenue and expenditure being eliminated at the national consolidation level to avoid overestimation of revenue or expenses.

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 implementation 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);

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- 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
- 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.

I. REVENUE

a) Revenue from non-exchange transactions

• Transfers from other general government units

Transfers from other general Government units includes Transfers from National Treasury, Inter-entity and intra-entity transfers. Inter-entity transfers refer to transfers between cost or revenue centres belonging to different public entities while intra-entity refers to transfers between cost or revenue centres within the same budget agency.

A transfer is a transaction in which one institutional unit provides a good, service, or asset to another unit without receiving from the latter any good, service, or asset in return as a direct counterpart. Grants are normally receivable in cash, but may also take the form of the receipt of goods or services (in kind). Grants receivable are classified first by the type of unit providing the grant and then by whether the grant is current or capital.

A grant may be a sum of money or services given by a government body for specific purposes. Usually the money given can only be used for the intended purposes stated in the grant writing or application.

These transfers could be classified according to the sector of the counterparty and whether they are current or capital transfers.

The grants and transfers shall be sub-categorized as follows:

- a) Grants received from Foreign Governments;
- b) Grants received from International Organizations; and
- c) Grants received from other general Government units which includes Treasury Transfers, Inter-entity and intra-entity transfers.

Grants and similar financing for capital items, to the extent that they have not been eliminated on consolidation, are recognised immediately in the Statement of financial assets and liabilities unless it is likely that the grant will need to be repaid, in which case the grant is deferred in the Statement of financial assets and liabilities

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The following applies to grants and transfers:

- Grants are recognized in the books of accounts when cash is received and in case of grant in kind, such grants are recorded upon receipt of the grant item and upon determination of the value.
- Transfer from Treasury are recognized in the books of accounts when cash is received.
- Transfers received from Government entity for onward payment to a third party are not treated as an inter-entity (revenue) rather, such transfers shall be recorded as transit fund (liability) in the books of the receiving entity.
- Transfers from Treasury that are not related to current fiscal year budget are not treated as cash transfers. Instead such transfers shall be treated as inter-entity transfers.
- Transfers from entities to Treasury which does not relate to the current fiscal year budget are treated by Treasury as inter-entity transfers.
- Funds returned to Treasury at the end of the fiscal year as a result of zero balance accounts sweeping are not recognized as inter-entity transfers. Instead, those funds will reduce the cash transfer account balance for the same year. Where such transfers are received by Treasury in the subsequent fiscal year (such as embassies and foreign missions) such transfers is recognized as inter-entity transfers.
- The transfers other than grant include subsidies, as well as gifts and transfers from individuals, private non-profit institutions, nongovernmental foundations, corporations, and the nature of the transfer is not such that it could be included in the other categories of transfers.

b) 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. Proceed 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.

Other loans (principal and any associated interest) acquired directly by a public entity (e.g. those acquired by Decentralized Entities) are treated on an accrual basis and recognized as liabilities.

II. Expenditure

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

a) Goods and services

Goods and services consists of the value of goods and services used for the production of market and nonmarket goods and services.

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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.

b) 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) Other expenses

Any other expenses not part of the ones above will fall into this category.

d) Repayment of borrowings

Expenditure relating to principal loan repayments, lending and on-lending, are accounted for on cash basis and recognized in the books of accounts when cash and cash equivalent is paid out. Cash is considered as paid when consideration for payment such as EFT, Cheque, Payment Order are signed rather than when cash and cash equivalent are debited from the bank statement.

III. Assets and Liabilities

a) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents comprise balances with banks and investments in short-term money market instruments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the National Bank of Rwanda, foreign bank for the case of embassies and high commissions and at various commercial banks at the end of the reporting period.

b) Prepayments and other current assets

These include advances and prepayments made during the year but the service or goods are not yet consumed or received by the entity at the closing date.

c) Current Liabilities

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 period.

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It also includes short term borrowings received by budget agencies from Local Commercial Banks as these are not regarded as public debt.

d) Noncurrent liabilities

These Noncurrent liabilities includes funds due to suppliers whose repayment shall be done in more than 12 months from the end of the financial year.

IV. 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 buying rate presented at BNR website of the transaction day whereas the Expense items should be translated using 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 receivables) and liability (such as accounts payables), 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) Notes to the statement of comparison of budget and actual amounts

- The original budget for 2020/2021 was approved by the Parliament on 30/06/2020. 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.

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- 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 revenues and expenditures, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast 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.
- Public entity differences occur when the budget omits program/activity or a public entity that is part of the public entity for which the financial statements are prepared. There are no entity differences.

2. Transfers from other government entities

These transfers include direct cash transfers, direct payments and indirect cash transfers from national treasury. The inter entity transfers are also included in this note. Intra transfers (transfers between budget agency and its subsidiaries are eliminated in the statement of financial performance.

ID account	Description	Year ended	Year ended
		30 June 2021	30 June 2020
		Frw	Frw
139102	Treasury Direct Cash Transfers-Current	1,444,924,334	314,262,060
	Total	1,444,924,334	314,262,060

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3. Proceeds from borrowings

During the period ended 30 June 2021, the project received loans as detailed in the table below:

ID Account	Name of Partner	Date received	Amount in foreign currency	Exchange rate	Year ended 30 June 2021	Year ended 30 June 2020
162 Foreign Loan (Loan Received by Direct payment)			EUR(A)	(B)	Frw (A*B)	Frw
Fund from World Bank (WA no.10)- for Spec/acc- EUR	World Bank (IDA)	12/4/2020	2,637,097.52	1,165.523987	3,073,600,416	
Fund from World Bank (WA no.10)- for Spec/acc- EUR	World Bank (IDA)	4/30/2021	1,466,535.59	1,178.416940	1,728,190,382	
Total					4,801,790,798	4,724,182,836

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4. Goods and services

This notes details the cost of goods and services consumed during the period.

ID account	Description	Period ended 30 June 2021	Period ended 30 June 2020
		Frw	Frw
221601	Bank charges	23,985	24,004
221602	Purchase of Cheque and Op books	0	6,945
221603	Bank statement fees	47,998	48,014
221604	Money transfer fees	72,604	0
221703	Adverts and Announcements	0	571,485
221706	Symposia, Seminars and sensitizations	0	1,890,000
222108	Technical Assistance remuneration	2,412,933,658	54,486,840
	Total	2,413,078,245	57,027,288

5. Other expenses

These include all expenses transactions not elsewhere classified. This includes membership and subscriptions, scholarships and education benefits, miscellaneous expenses and expenses not elsewhere classified.

ID account	Description	Period ended 30 June 2021	Period ended 30 June 2020
		Frw	Frw
285116	Tax Counterpart on Development projects	568,723,319	11,796,120
	Total	568,723,319	11,796,120

6. Capital expenditure

This notes details the cost incurred on acquisition or building on noncurrent assets and Government investments other than direct investments made during the period.

ID account	Description	Period ended 30 June 2021	Period ended 30 June 2020
		Frw	Frw
231104	Acquisition of Roads Infrastructure	5,995,363,194	-
234101	Land	1,192,518,364	-
	Total	7,187,881,558	-

7. Net Foreign exchange loss /gain

This relates to the net of gain and loss from exchanges and translations during the period.

Particulars	Period ended 30 June 2021	Period ended 30 June 2020
	Frw	Frw
Exchange gain	1,244,709,797	659,024,020
Exchange loss	(749,755,639)	(530,326,204)
Net exchange gains	494,954,158	128,697,816

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8. Cash and cash equivalents

This note includes petty cash balances and bank balances reconciled with the bank statements and petty cash count certificates as at the end of the period.

ID account	Bank name	Account No.	Account currency	Amount in foreign currency	Exchange rate	Balance as at 30 June 2021	Balance as at 30 June 2020
						Frw	Frw
Local currency Banks accounts in Rwanda							
3113	BNR	1000004 2362	RWF			1,197,282	317,550,631
Foreign Currency bank accounts held in Rwanda							
3114	BNR	1000042 378	EUR	3,366,507.02	1,174.746	3,954,790,094	5,265,690,572
Total						3,955,987,376	5,583,241,203

9. Prepayments and other current assets

This includes payments made for goods and services not yet received or consumed by the end of the period.

ID account	Description	Balance as at 30 June 2021	Balance as at 30 June 2020
		Frw	Frw
312801	Advance Payments on Works, Goods and Service Contracts <i>(See 13.4 for details)</i>	5,242,269,584	0
312801	Advance payments to Hunan Road and Bridge Construction	0	5,098,469,566
312801	Advance payments to NICHOLAS O' DWYER	0	266,799,007
	Total	5,242,269,584	5,365,268,573

10. Current accounts Payable

This refers to the amounts payable by the Government agency in next 12 months subsequent to the reporting date, in a period exceeding next 12 months from the reporting date.

ID account	Description	Balance as at 30 June 2021	Balance as at 30 June 2020
		Frw	Frw
412101	Accounts Payables -Third parties	357,852,736	0
431107	Funds held on behalf of third parties	526,841,855	0
	Total	884,694,591	0

11. Tax liabilities

This refers to the tax payables in next 12 months from the reporting date.

ID account	Description	Balance as at 30 June 2021 (Frw)	Balance as at 30 June 2020 (Frw)
412401	VAT Payable (Input VAT)	755,608,217	0
	Total	755,608,217	0

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12. Adjustments on Receivables

These refers to both prior year errors corrections and other changes made on retained earnings due to changes in accounting policies made on receivables.

ID account	Description	Year ended 30 June 2021
		Frw
5801	Prior years errors adjustments receivables (adjust of Advance payment/ Invoices 12-16/NICHOLAS)	37,458,206
	Total	37,458,206

13. IMPORTANT DISCLOSURES

13.1. Aging Summary Report for Receivables

Debtor Name	Date Intervals					Total
	1-45 days	46-90 days	91-365 days	1 to 2 Years	Above 2 Years	
	Frw	Frw	Frw	Frw	Frw	Frw
EGIS INTERNATIONAL		129,318,818				129,318,818
ECO DESIGN		14,481,200				14,481,200
HUNAN ROAD				5,098,469,566		5,098,469,566
Total		143,800,018		5,098,469,566		5,242,269,584

13.2. Aging Summary Report for Payables

Creditor Name	Date Intervals					Total
	1-45 days	46-90 days	91-365 days	1 to 2 Years	Above 2 Years	
	Frw	Frw	Frw	Frw	Frw	Frw
NICHOLAS O' DWYER	357,852,736					357,852,736
RRA (VAT)	755,608,217					755,608,217
HUNAN/ RETENTION		526,841,855				526,841,855
Total	1,113,460,953	526,841,855				1,640,302,808

13.3. Summary of contingent liabilities

Type of contingent liability	Value as at 30/06/2021
Warrantees / Guarantees deducted from contractor	80,000,000
Other (Estimated liabilities in respect to the compensation for persons affected properties)	1,100,368,172
Total	1,180,368,172

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13.4. Advance guarantee

Contractor name	Object of the contract	Guarantor	Contract amount in frw	Advance paid	Guaranteed amount in Frw	Recovered amount as at 30/06/2021	Advance not Recovered	Expiry date
HUNAN ROAD	Road construction works	Equity bank	40,727,960,565	5,098,469,566	5,098,469,566	-	5,098,469,566	12/01/2022
EGIS& ECO	Consultancy services	BANK OF KIGALI	848,420,107	143,800,018	143,800,018	-	143,800,018	31/08/2021
Total			41,576,380,672		5,242,269,584	-	5,242,269,584	

13.5. Performance guarantee

Contractor name	Object of the contract	Guarantor	Contract amount in Frw	Guaranteed amount in Frw	Status of execution	Return date
HUNAN ROAD	Road construction works	Equity bank	40,727,960,565	2,777,162,369	30%	08/05/2024
	Total		40,727,960,565	2,777,162,369		

13.6. Funding Summary (Loan)

CODE	Donor Commitment	Amount received to 30 June 2021	Cumulative amount received to 30 June 2021	Undrawn balance to 30 June 2021		
				EUR	Exchange rate	Frw
258-WB	75,900,000	16,167,414	19,197,603,335	59,732,586	1187.4257	70,928,008,510

13.7. Borrowings

Name of Partner	Type of payment (direct payment or cash)	Date of reception	Currency	Amount in foreign currency	Exchange rate	Amount LCY in Current FY	Amount in Previous FY
						Frw	Frw
WORLD BANK	WA. NO.10	4/12/2020	EUR	2,637,098	1,166	3,073,600,416	4,724,182,836
WORLD BANK	WA. NO.11	30/04/2021	EUR	1,466,536	1,178	1,728,190,384	0
Total				4,103,633		4,801,790,800	4,724,182,836

5. REVIEW OF FINANCIAL STATEMENTS

5.1. Omission of the budgeted revenues in statement of comparison of budget versus actual

Observation

As per Paragraph 3.2 of Article 10 of Ministerial Order N°001/16/10/TC OF 26/01/2016 relating to financial regulations, all revenues and expenditures shall be included in the Government budget estimates. However, RTDA/LVTP did not include budgeted revenues amounting to Frw 12,673,160,834 in the statement of comparison of budget versus actual figures.

Risk

The information presented by the statement of comparison of budget versus actual may not be complete and accurate and could not help for informed decisions by users of RTDA/LVTP's financial statements.

Recommendation

Going forward, management should ensure that all figures for budget revenues are captured into statement of comparison of budget versus actual to enable completeness.

Management comments

RTDA as other Central Government Entities do not generate revenues that is why revenues are not budgeted for. We are only prepared budget for expenditures and revenues are budgeted at MINECOFIN Level (Budget Department). Our report follows the format from MINECOFIN; it is the setting in the IFMIS. We are contacting MINECOFIN to update the reporting format as recommended.

5.2. Delayed submission of monthly financial reports

Observation

Both Article 66 of Organic Law N° 12/2013/OL of 12/09/2013 on State Finances & Property and End of year closing procedures of 2020/2021 provides that public entities shall prepare and submit to MINECOFIN and OAG Annual financial statements in a period of one month from the end of the fiscal year (that means not later than 31 July).

However, the audit noted that RTDA/LVTP submitted the annual financial reports to OAG with a delay of 13 days. The delay was due to late preparation of financial reports. *See more details in table below:*

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Monthly financial reports	Deadline	Date of submission	Delay in submission
	A	B	C=B-A
June 2021	31 July 2021	13 August 2021	13

Risk

Failure to timely submit the monthly financial reports is an indicator that LKIWTP/RTDA did not comply with the law relating to financial regulations. Further, errors and omissions in the reports may not be detected and corrected on time.

Recommendation

Management should comply with reporting deadlines set by the law by ensuring timely preparation and submission of the annual financial reports.

Management comments

Reference is made to the cabinet decisions of 14/07/2021 and 30/07/2021 as well as the Communique from the Prime Minister's office of 25/07/2021 indicating the total lockdown in City of Kigali. Since reporting activities require recording, printing and signature, the imposed working conditions during this period have had a negative impact on the timely submission of the financial report.

In addition, the following issues occurred during preparation of annual financial reports as indicated in the email submitted to the office of Accountant General: on 31/07/2021: in general, the slowness of IFMIS and subsequent days.