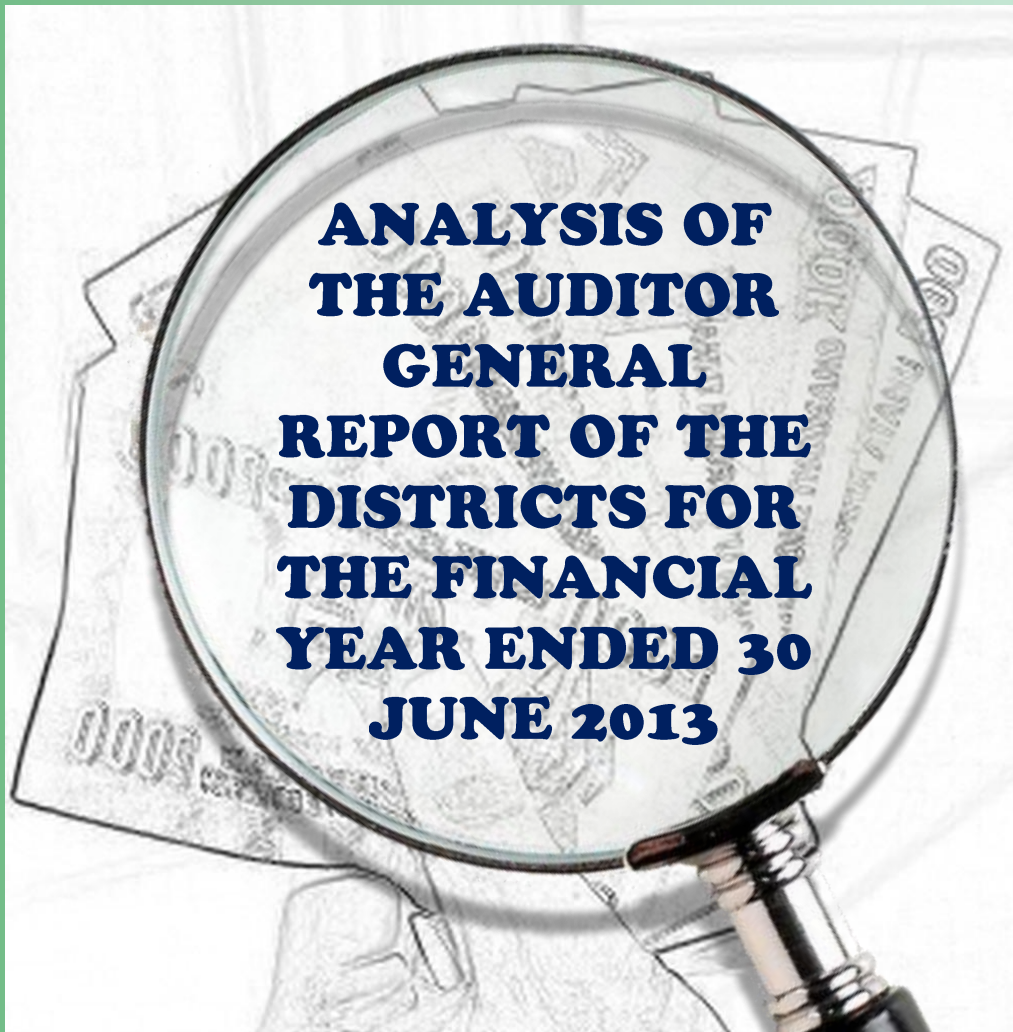




**TRANSPARENCY
INTERNATIONAL
RWANDA**



**ANALYSIS OF
THE AUDITOR
GENERAL
REPORT OF THE
DISTRICTS FOR
THE FINANCIAL
YEAR ENDED 30
JUNE 2013**



Supported by





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GENERAL REPORT OF THE
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YEAR ENDED 30 JUNE 2013**



Acknowledgement

The Government of Rwanda has progressively realized impressive achievements in the fight against corruption in the last fifteen years. Its political will in fighting corruption is especially noticeable in Public Finance Management (PFM) for which several public institutions including the Office of the Auditor General (AG) have been established to play a leading role in reinforcing transparency in the management of public funds. The government's resoluteness in combating the vice is manifest through apprehending suspects and bringing them to book to account for their acts.

It is in the above context that Transparency International Rwanda (TI-Rw), in line with its mission of "*promoting good governance and fighting against corruption through enhancing integrity values in the Rwandan society*" analyses Auditor General's Reports to better understand the challenges. Based upon this analysis, actionable recommendations for improvement are provided so that appropriate action can be taken by those in authority to remedy the situation.

With the unswerving support from GIZ's Good Governance and Decentralization Program, TI-Rwanda has again been able to analyze the Auditor General's Report for all districts for the financial year 2012-2013. For the first time, City of Kigali was included in the analysis. While there has been some improvement in certain aspects of PFM, it must also be pointed out that in certain other areas, notably *fraudulent and wasteful expenditures* have, in the financial year under review, denied the citizens their rightful services as a result of diverting public funds for personal gains.

At this juncture, therefore, I would like on behalf of TI-Rwanda, to express my sincere appreciation to all those institutions and individuals who made this analysis possible. Among them are GIZ who provided the necessary funding, MINALOC and MINECOFIN and districts' staff who helped us to access the required data. Furthermore, I want to express my thanks to the research team under the coordination of Mr. Albert Rwego Kavatiri, TI-RW's programme manager who produced the report. Last but not least, I want to thank TI-Rwanda Executive Director, Apollinaire MUPIGANYI, who provided the necessary support and guidance to the research and the quality assurance of the final report.

Marie Immaculée Ingabire
Chairperson, TI-RW

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List of Acronyms

PFM:	Public Financial Management
NBAs:	Non Budget Agencies
NGOs:	Non Governmental Organization
FGDs:	Focus Group Discussions
TI-Rw:	Transparency International Rwanda
AG:	Auditor General
Rwf:	Rwandan Franc
MINECOFIN:	Ministry of Finance and Economic Planning
MINALOC:	Ministry of Local Administration
GIZ:	Deutsche Gesellschaft für Internationale Zusammenarbeit
RGB:	Rwanda Governance Board
PAYE:	Pay As You Earn
SEAS:	Subsidiary Entity Accounting System

Executive Summary

Since 2012, TI-Rw analyses the Auditor General's Report in order to better understand the challenges highlighted and proposes recommendations to be addressed in the following financial year in a bid to improve the management of public funds.

The present analysis has looked at the reports for the financial year ended June 2013 for all districts and the City of Kigali.

The analysis classified the weaknesses into two main categories namely: *Expenditure Related and Non-expenditure related weaknesses*. The Expenditure related weaknesses were further sub divided into seven sub-categories namely: inadequately supported expenditures, unsupported expenditures, wasteful expenditures, overstated expenditure, fraudulent expenditures, payments to non-existent staff and unrecorded transactions for subsidiary entities commonly known as non-budget agencies (NBAs), while the non-expenditure related weaknesses were sub divided in three sub indicators and consisted of non- respect of laws and procedures, poor bookkeeping and posting errors.

From this analysis, it will be noticed that total expenditure related weaknesses amounting to **107,241,640,111 Rwf** increased in monetary terms compared to that of the previous financial year ended June 2012 which was equivalent to **20,086,911,577 Rwf** the bulk of which was as a result of unrecorded accounting transactions of NBAs which registered an amount equal to **102, 261,151,673 Rwf or 95.35%** of the total expenditure related weaknesses. This state of affairs reflects a widespread financial mismanagement by the districts. We do expect that the introduction of the Subsidiary Entity Accounting System (SEAS) kicked off in July 2013 and now being installed gradually in some sectors will contribute to reduce this huge amount related to unrecorded transactions of Non budget Agencies affiliated to districts. Among the four most affected districts in this regard are **Nyamasheke District** with the highest figure to the tune of **9,870,548,957 Rwf**, **Gatsibo District** which registered **6,625,808,020 Rwf**, **Karongi District** with **6,384,732,841 Rwf** followed by **Kirehe** with **6,114,001,114 Rwf**. **This big amount from the NBAs** are part of their own generated revenues which were not recorded in the district's books of account.

Other notable financial mismanagement scenarios under this category, though not widespread, were **fraudulent expenditures, unsupported expenditures and wasteful expenditures**. These were concentrated in few districts but with far with a huge amount involved leading to illicit enrichment of those who were in charge of public funds management and consequently depriving citizens to access to public they deserve through the above diverted funds. Indeed, under the sub-category, "**fraudulent expenditures**", the Auditor General's Report revealed that in **Musanze District**, an amount of **44,142,945 Rwf** was involved and accordingly, activities for which these funds were intended were not undertaken. In **Kicukiro District**, **12,198,810 Rwf** allegedly withdrawn by the **former accountant of Kigarama sector** was not yet recovered or supported, while in **Rusizi** there

was an embezzlement of the Mutual Health Insurance and it is reported that the accountant disappeared without handing over to the district. Another fraudulent and grossly unethical practice which, if unchecked, may lead to future loss colossal sums of public money thereby denying opportunity to deserving students, **is payment of capitation grant for non-existent (ghost) students as was the case at “Groupe scolaire Munyove” in Rusizi District.**

In Nyamasheke District, an amount of **3,309,762,690 Rwf** were reported as overstated because bank statements from audited NBAs showed that there were unutilised funds, hence overstated.

Whereas, in comparison with the previous financial year there seems to have been an improvement in PFM in the year under review, the above sub-categories help to mirror the extent to which mismanagement of public funds was by pointing out deliberate misuse of funds for personal gains by some district staff.

Under the non-expenditure related weaknesses, the analysis reveals that despite the increase in total districts’ revenues, there has been a remarkable improvement in PFM relative to the financial year 2011-2012 which had a value of **35, 223,973,318 Rwf** against **17,161,763,764 Rwf** in the year under review. This reduction in non-expenditure weaknesses is mainly due to tremendous improvement in the reduction of posting errors as highlighted in the Auditor General’s Report of 2012-2013. Similar improvement was also realized in book keeping such that the number of districts affected by poor bookkeeping weaknesses reduced from 28 in the previous financial year to 24 in 2012-2013 financial year and the amount involved also reduced by half. This is due to the training and coaching efforts by RGB and different NGOs, TI-Rwanda inclusive as well as the GIZ. However, the other sub-category is non-respect of laws and procedures worsened which in some cases created chances for fraudulent acts.

Nevertheless, apart from the highlighted anomalies, which though few, have very far reaching PFM concern, there was some improvement in relation to the preceding financial years which is also reflected in the implementation of the Auditor general’s recommendations, which increased from 64% in the financial year ended in 2012 to 68.5% for the financial year ended June 2013..

1. Background and context of the project

The Government of Rwanda recognizes the importance of good Public Financial Management (PFM) as a precondition to achieving EDPRS objectives and the Vision 2020 strategy. The Government developed the PFM reform strategy for 2013-2018 and is committed to its implementation in order to have an “enhanced PFM system that is efficient, effective and transparent” in place by the end of 2018. However, the improvement of PFM at the district level still faces many challenges.

The analysis of the Auditor General’s report aims to contribute to the improvement of the public financial management at the district level and guide the design of follow-up activities by key stakeholders in field of PFM.

Transparency International Rwanda (TI-RW) carried out the study in partnership with the Decentralization and Good Governance Programme to monitor the baseline for the program indicators and provide practical recommendations to strengthen the capacity of local government officials to conform to the standards of the Auditor General and improve district financial management. The analysis serves to monitor the overall programme indicator of GIZ’s Decentralisation and Good Governance Programme to reduce the “expenditures of districts that lead to the complaints by the Office of the Auditor General in relation to the total expenditures by end of the program in December 2015” with 20% and to increase “the share of recommendations of the Auditor General and the internal audits that are implemented in the district administrations”.

2. Objectives of the assignment

The main purpose of this study is to analyse the Auditor General’s reports of all 30 districts and the City of Kigali for the financial year ended June 2013 and provide a categorized overview of the issues raised by the Auditor General in the reports.

More specifically, the objective is to carry out a detailed analysis of the reports from the Office of the Auditor General for decentralized entities. The results of the analysis will be later used for by the GIZ Decentralization and Good Governance Programme to inform the design of its activities and be communicated to a selected audience during restitution meetings in Kigali and the provinces (central government institutions, local government and civil society organizations).

3. Methodology

The Auditor General's reports of all the 30 districts and the City of Kigali were analysed through desk research and focus group discussions. The targeted staff were those involved in the financial management and related activities at district level, including Executive Secretaries, Directors of Finance, Budget Officers, Directors of Planning, Directors of Good Governance, Accountants, Internal Auditors and Procurement Officers.

For the tracking of the districts PFM as reported yearly by the Auditor General, the TI-Rwanda research team has developed indicators and sub-indicators as follows:

3.1. Expenditure-related complaints

The remarks in the Auditor General's report directly related to expenditures have been categorised and disaggregated in the following sub-indicators:

- **Inadequately supported expenditures:** *supporting documents to justify the expenditure are partially missing or faulty.*
- **Unsupported expenditures:** *absence of supporting document to justify the expenditure.*
- **Wasteful expenditures:** *expenditures which could have been avoided, including expenditure for unplanned and unnecessary activities such as fines, penalties etc.*
- **Overstated expenditure:** *expenditures where the amount is erroneously recorded, exceeding the amount due. This could be a transposition error of sums or any other record resulting in a registered amount exceeding the amount actually spent.*
- **Fraudulent expenditure:** *in the context of this analysis, 'fraudulent expenditure' involves the unlawful transfer of the ownership of district property to one's own personal use and benefit including payment of salaries or wages to ghost employees.*
- **Unrecorded transactions for non-budget agencies (NBAs):** *failure to record expenditure by NBAs in district books of accounts as required by government financial management policy*

3.2. Non-expenditure related complaints

The remarks in the Auditor General's report not directly related to expenditures have been categorised and disaggregated in the following sub-indicators:

- **Non-respect of laws and procedures:** *remarks on non-compliance with existing laws and procedures of public financial management.*
- **Poor bookkeeping:** *accounting errors that refer to*
 - *Slow or no entry of financial data*
 - *Inconsistent reconciliation of books with bank statements*
 - *Incorrect tracking of expenses/expenditures*
 - *Incorrectly categorized transactions/expenditures*
 - *Incomplete or lack of inventory*
 - *Inconsistent filing*

- **Posting errors:** accounting errors that refer to
 - *Entries from books of original/prime entry to wrong accounts in the ledger and sometimes to wrong sides of the accounts.*
 - *Failure to make taxes payable entries to the books of accounts, yet taxes has been duly deducted.*

4. Findings of the analysis of the Auditor General's Report

The findings of the analysis of the Auditor General's report of 2012-2013 from all 30 districts and the City of Kigali are here summarized according to the two main categories described in the previous section, expenditure-related and non-expenditure related weaknesses in the district public financial management listed by the Auditor General's report.

The table below displays expenditure-related weaknesses as indicated by the Auditor General's Report. In addition, it also states the total districts expenditures and the percentage of weaknesses of the total revenues for the year under review.

Table 1: Expenditure-related weaknesses

City of Kigali/ District	Expenditure-related weakness in monetary terms (RWF)	Expenditure for the financial year 2012- 2013 (RWF)	% of expenditure- related weaknesses of total expenditure
CITY OF KIGALI	311,948,299	14,143,848,036	2%
KICUKIRO	969,237,882	9,796,308,899	10%
GASABO	4,404,329,344	13,295,387,228	33%
NYARUGENGE	4,608,450,154	10,945,567,192	42%
Eastern Province			
KAYONZA	776,742,485	8,110,171,024	10%
NGOMA	780,809,390	6,275,875,671	12%
BUGESERA	1,257,732,824	9,691,703,634	13%
RWAMAGANA	1,208,298,339	8,113,421,625	15%
NYAGATARE	2,349,318,231	8,728,741,068	27%
KIREHE	6,128,310,095	8,137,452,537	75%
GATSIBO	6,920,232,642	8,900,292,746	78%
Western Province			
RUBAVU	1,207,020,885	11,162,397,919	11%
BURERA	4,260,505,247	9,536,389,517	45%
RUTSIRO	3,795,536,708	8,250,265,163	46%
KARONGI	6,384,732,841	11,405,999,384	56%
RUSIZI	5,066,438,743	9,049,189,938	56%
NGORORERO	5,714,198,835	9,586,767,112	60%

NYAMASHEKE	13,214,151,444	8,637,005,925	153%
Northern province			
RULINDO	450,262,759	9,075,762,598	5%
GAKENKE	1,483,547,804	9,812,973,731	15%
NYABIHU	3,911,336,642	8,339,575,548	47%
MUSANZE	5,401,900,364	9,966,821,845	54%
GICUMBI	5,266,824,847	8,017,795,061	66%
Southern Province			
HUYE	393,947,883	8,930,571,557	4%
GISAGARA	1,223,746,727	8,345,253,837	15%
KAMONYI	1,458,684,918	8,241,423,566	18%
NYARUGURU	1,762,813,580	9,174,302,619	19%
NYANZA	2,743,562,071	7,069,878,950	39%
RUHANGO	4,344,025,336	9,224,743,264	47%
NYAMAGABE	4,656,349,348	10,092,380,861	46%
MUHANGA	4,786,643,444	8,761,840,870	55%
TOTAL	107,241,640,111	288,820,108,925	37%

The figures above show that expenditure related weaknesses amounted to 37% of total expenditures for all districts and the City of Kigali (107,241,640,111 RWF of expenditure-related weaknesses out of a total expenditure of 288,820,108,925 RWF).

This amount showed an increase from the previous financial year, where the amount of listed expenditure-related weaknesses for the financial year 2011-2012 was only 20,086,911,577 RWF. This significant augmentation is due to the increase in registered weaknesses in the non-budget agencies (NBAs) which amounted to 102,261,151,673 RWF or 95.35% of the total expenditure-related PFM weaknesses for the financial year 2012-2013 compared to 12,418,670,437 RWF or 62% of total expenditures for 2011-2012.

The remaining amount of expenditure-related weaknesses not concerning NBAs is smaller compared to that of the financial year 2011-2012 which was 4,980,488,438 RWF compared to 7,668,241,140 RWF for the financial year ended 2013. This indicates a general improvement in district PMF but a growing problem with the accounting of NBAs and the responsibility of the district to oversee their financial statements.

Non-budget agencies are part of the financial responsibility of districts but the districts do not have the required resources and capacities to follow up on disbursements and carry out regular internal controls to verify whether the funds are spent according to the budget and PFM regulations.

Whereas the average share of expenditure-related weaknesses is low at 37%, districts like Nyamasheke, Gatsibo and Kirehe registered larger weaknesses in this area. In Nyamasheke

District the expenditure-related weaknesses are superior to its total expenses, which can be explained by the fact that the Auditor General's report also reveals a relatively large overstatement in its expenditures amounting to 3,309,762,690 Rwf. In addition to this, Nyamasheke District registered the biggest amount of expenditure-related to NBAs equal to 9,870,548,957 Rwf (see the table 6).

Table 2: Unsupported expenditures

N0	City of Kigali/District	Amount in RWF
29	GICUMBI	5,714,170
30	NYANZA	8,000,000
31	CITY OF KIGALI	245,909,498
	GRAND TOTAL	259,623,668

28 of 30 districts were not concerned and had no remarks from the Auditor General on unsupported expenditures. This finding illustrates a positive trend in PFM under this aspect.

City of Kigali has the greater amount of 245,909,498 RWF as the monetary value of expenditure made without any supporting documents, but given the size of the total amount of expenditure, this is only a small part of the transactions, a percentage of 1,7% and the large part of the expenditure-related weaknesses of 2% of total expenditures. Of this sum, 243,807,498 RWF was considered as unsupported expenditures due to financial statements that at 30 June 2013 included creditors' balance that were not supported by any documents. Only the remaining sum of 2,102,000 RWF was linked to weaknesses of expenditures incurred on goods and services.

Table 3: Wasteful expenditure

N0	District Name	Amount in RWF
1	NGORORERO	480,000
2	MUSANZE	1,710,000
3	KAYONZA	2,000,000
4	GICUMBI	2,715,608
5	RWAMAGANA	4,086,621
6	NYABIHU	4,579,782
7	RUSIZI	4,903,578
8	HUYE	6,045,000
9	NYARUGURU	11,355,433
10	BUGESERA	12,088,559
11	KICUKIRO	12,928,363
12	KIREHE	14,308,981

Not affected:
 Burera, Gakenke,
 Gasabo, Gatsibo,
 Gisagara, Karongi,
 Muhanga, Ngoma,
 Nyagatare, Nyanza,
 Ruhango, Rulindo,
 Rutsiro

13	KAMONYI	16,071,816
14	NYAMASHEKE	33,839,797
15	RUBAVU	55,108,778
16	CITY OF KIGALI	66,038,801
17	NYAMAGABE	240,574,235
18	NYARUGENGE	272,931,730
	GRAND TOTAL	761,767,082

The figures above indicate that only 13 districts had clean audits in terms of wasteful expenditures. Weaknesses related to wasteful expenditures appears to be more prevalent in comparison with the unsupported expenditures, and during the Focus Group Discussions conducted with districts staff, it also became apparent that wasteful expenditure is a growing concern in their day-to-day work. Challenges which were highlighted during the FDGs include:

- Expenses related to the fines and penalties as a result of court cases which districts lost. According to the participants in FGDs held in Kamonyi District, the challenge pointed out was that the district as a legal entity cannot avoid legal disputes handled in courts. The District party often lose court cases because they are not adequately represented by Senior State Attorneys who are not available to represent the districts in all cases where they are parties.
- Districts debtors who neglect to fulfil their obligations where the districts sue them in courts, incurring large expenses in court fees and representation costs. This problematic was brought up during FGDs in Kayonza District.
- In a bid to build various public infrastructures such as bus stations, roads and markets, the districts pay significant amounts to compensate for the expropriation of the displaced people. This compensation becomes a challenge when the district delays the payment and is subsequently sued by the displaced people. Districts are then ordered by the courts to pay penalties in addition to the assessed value of the property. This issue was mentioned during the FGDs held in Musanze District.

Table 4: Overstated expenditures

N0	District Name	Amount in RWF
26	NGORORERO	1,233,303
27	RULINDO	2,241,956
28	NYARUGURU	60,168,433
29	GATSIBO	89,919,992
30	NYANZA	151,622,365
31	NYAMASHEKE	3,309,762,690
	GRAND TOTAL	3,614,948,739

According to the table above, Nyamasheke District registered the highest sum of expenditures with overstatement of payments of an amount of 3,309,762,690 RWF. In

Nyamasheke district, this amount was transferred to NBAs and reported as expenditure in the financial statement of the district. However, according to the Auditor General’s report 2012-2013, bank statements from audited NBAs showed that these were unutilised funds and the expenditure reported overstated. In Rulindo District the same remark was a result of a payment to Rwanda Revenue Authority of Pay As You Earn (PAYE) taxes that was larger than due, while in Nyaruguru District, bank balances and use of goods and services were overstated. In almost all FGDs conducted in the districts, the challenges that were highlighted in respect of overstated expenditures were a result of staff in the Finance and Planning Unit lacking qualification and experience in addition to an unrealistic workload for an under staffed unit.

Table 5: Fraudulent expenditures

N0	District Name	Amount in RWF
28	KIREHE	1,360,000
29	RUSIZI	3,293,600
30	KICUKIRO	12,198,810
31	MUSANZE	44,142,945
	GRAND TOTAL	60,995,355

Regarding fraudulent expenditures, most of the districts (26 of 30) and the City of Kigali are without remarks in this sub-indicator. However, in Musanze District, the Auditor General’s report reveals that there were fraudulent expenditures in public funds used for personal gain, and accordingly, activities for which these funds were intended were not carried out. In Kicukiro District, the report reveals that amounts allegedly withdrawn by the former accountant of Kigarama sector was not yet recovered or supported. Participants in all FGDs in districts state that it is challenging to pursue an effective follow-up through internal audits, especially in NBAs due to insufficient district Internal Auditors.

Furthermore, the FGDs held in Kayonza District focusing on investigations carried out by Parliamentary Accounts Committee (PAC) pointed out that the persistent anomalies in PFM need thorough investigations by the district councilors to address the issue systematically. It is within the mandate of districts councilors to oversee the internal audit, but capacities and resources are often lacking. According to the FGDs, this could be addressed by summoning the individuals suspected of financial mismanagement and ask them for explanations.

The 2012-2013 Auditor General’s report did not identify any payments to non-existing staff. It only revealed that in Rusizi District, the capitation grant was disbursed for non-existing students, resulting in misappropriating public funds. The problem in this case is late reporting of school enrolment records for early cross-checking and verification of the figures. This also indicates insufficient staff to conduct regular audits.

Table 6: Unrecorded transactions for Non-Budget Agencies (NBAs)

N0	District Name	Amount in RWF
1	HUYE	387,902,883
2	RULINDO	446,660,803
3	KAYONZA	774,742,485
4	NGOMA	780,809,390
5	KICUKIRO	953,511,039
6	RUBAVU	1,151,912,107
7	RWAMAGANA	1,160,068,773
8	GISAGARA	1,223,746,727
9	BUGESERA	1,245,644,265
10	KAMONYI	1,442,613,102
11	GAKENKE	1,483,547,804
12	NYARUGURU	1,681,703,770
13	NYAGATARE	2,349,318,231
14	NYANZA	2,522,713,966
15	RUTSIRO	3,783,337,898
16	NYABIHU	3,906,756,860
17	BURERA	4,260,505,247
18	NYARUGENGE	4,335,518,424
19	RUHANGO	4,344,025,336
20	GASABO	4,404,329,344
21	NYAMAGABE	4,415,775,113
22	MUHANGA	4,786,643,444
23	RUSIZI	5,058,241,565
24	GICUMBI	5,258,395,069
25	MUSANZE	5,400,190,364
26	NGORORERO	5,707,446,732
27	KIREHE	6,114,001,114
28	KARONGI	6,384,732,841
29	GATSIBO	6,625,808,020
30	NYAMASHEKE	9,870,548,957
	TOTAL	102,261,151,673

Not affected:
City of Kigali

As indicated in the table above, out of the 107,241,640,111 RWF of total expenditure-related weaknesses, 102,261,151,673 RWF (95,36%) consist of unrecorded transactions from non-budget agencies (NBAs). This clearly demonstrates that a majority of the expenditure-related

weaknesses are related to the NBAs' accounting. When comparing the share of unrecorded transactions for NBAs of total expenditure-related weaknesses from 2011-2012, it is evident that the proportion of weaknesses in NBAs in relation to the total expenditure is remarkably high in the year 2012-2013. The rise from 62% in 2011-2012 to 95.36% in 2012-2013 clearly shows that the biggest challenge in PFM remains mainly in the accounting procedures of NBAs.

In Nyamasheke District, the largest expenditure-related weakness registered in this sub-indicator was the revenues generated by the NBAs amounting to 6,097,770,654 RWF which were not recorded in the district's books of account. This also applies to Gatsibo District and other districts NBAs where, out of the amount of 6,625,808,020 RWF listed in this sub-category, 5,121,685,979 RWF or 84% of remarks refer to the districts own generated revenues not recorded in the district's books of account.

Findings from FGDs reveal that compared to the previous financial year 2011-2012, the accounting system was simplified by the introduction of the Subsidiary Entity Accounting System (SEAS) commonly known as Easy to Use Software. This system facilitates the entering and reporting of financial expenditures for NBAs. However, it has not yet been incorporated in the Smart IFMIS used by public budget agencies to enable auditors to identify NBAs expenditure budget lines in relation to those of the districts, which is still a challenge for districts to report expenditures of the NBAs. Another challenge highlighted during the FGDs is that SEAS has been introduced only at sector administration level and not in the majority of the NBAs such as schools, health centres, hospitals and district pharmacies which means that financial information in these NBAs cannot easily be deciphered. Furthermore, the system is not yet rolled out to all sectors and it seems to be implemented slowly due to the delay in the recruitment of qualified accountants at sector level.

Table 7: Non-expenditure related weaknesses

N ^o	City of Kigali/District	Amount in RWF
1	GICUMBI	4,195,063
2	KAMONYI	8,345,655
3	KARONGI	28,641,568
4	BURERA	42,042,353
5	RULINDO	46,410,724
6	MUHANGA	61,214,398
7	NGOMA	81,556,386
8	BUGESERA	99,788,346
9	RWAMAGANA	123,655,212
10	NYABIHU	135,373,507
11	GAKENKE	146,490,273
12	MUSANZE	172,691,255

Not affected:
Ruhango

13	GISAGARA	194,804,286
14	NGORORERO	197,527,522
15	KICUKIRO	202,650,768
16	KAYONZA	226,093,431
17	RUSIZI	310,845,850
18	RUTSIRO	322,849,604
19	RUBAVU	375,071,659
20	HUYE	629,622,674
21	NYARUGURU	653,258,516
22	NYAGATARE	725,860,057
23	NYARUGENGE	758,914,042
24	NYAMAGABE	787,461,732
25	NYAMASHEKE	1,225,424,186
26	CITY OF KIGALI	1,232,983,708
27	GASABO	1,495,186,375
28	KIREHE	1,821,843,095
29	NYANZA	1,834,158,990
30	GATSIBO	3,216,802,529
	GRAND TOTAL	17,161,763,764

The data in the table above demonstrates that despite the increase in districts' total revenues, there has been a remarkable improvement in PFM in as far as non-expenditure related weaknesses are concerned compared to the financial year 2011-2012. The Auditor General's report from 2011-2012 listed expenditure with a value of 35, 223,973,318 RWF with remarks on non-expenditure related weaknesses compared to 17,161,763,764 RWF for the financial year 2012-2013. This reduction in non-expenditure weaknesses is explored in the sections below.

Table 8: Non respect of laws and procedures

N0	District Name	Amount in RWF
1	GICUMBI	484,796
2	KAMONYI	8,345,655
3	RUBAVU	13,387,579
4	RULINDO	15,225,570
5	NYANZA	21,951,504
6	MUHANGA	26,369,323
7	BURERA	27,035,895
8	KARONGI	28,641,568
9	NYABIHU	60,068,430
10	KAYONZA	71,366,983

Not affected:

Bugesera
City of Kigali
Ngoma
Ruhango

11	KICUKIRO	90,921,155
12	MUSANZE	95,258,749
13	NGORORERO	117,054,546
14	RWAMAGANA	123,655,212
15	GAKENKE	146,039,373
16	GISAGARA	194,804,286
17	NYARUGURU	252,028,392
18	RUSIZI	279,293,621
19	RUTSIRO	314,849,604
20	HUYE	629,622,674
21	NYAGATARE	649,856,566
22	NYAMAGABE	691,227,856
23	NYARUGENGE	732,026,402
24	NYAMASHEKE	1,225,400,608
25	GASABO	1,238,849,626
26	KIREHE	1,808,240,137
27	GATSIBO	1,915,238,813
	TOTAL	10,777,244,923

The data in table 8 lists the amount with weaknesses concerning non-respect of laws and procedures, which in total increased by 10,483,223,050 RWF compared to the 2011-2012 financial year (from 294,021,873 RWF in 2011-2012 to 10,777,244,923 RWF in 2012-2013).

This can be explained by the fact that the number of districts with remarks on this category in 2012-2013 financial year is 27 while the number of districts during the previous financial year was only 11. In addition, the districts' total revenues were also higher than those of the previous financial year, 277,895,152,015 RWF during 2012-2013 compared to 267,619,782,906 RWF for 2011-2012. The number of districts with remarks in this category was also higher for the year 2012-2013, as well as the amount of money involved in each of the districts. The worst performer in this category is Gatsibo District, registered a sum of 1,915,238,813 RWF with remarks from the Auditor General on non-respect of laws and procedures, and followed closely by Kirehe District with 1,808,240,137 RWF while the third and the fourth were Gasabo and Nyamasheke districts with remarks in this category amounting to 1,238,849,626 Rwf and 1,225,400,608 Rwf respectively. The explanation for the relatively substantial sums involved is the sizable construction works carried out in these districts which involve large amounts of public funds.

In Gatsibo District, the Auditor General Report of 2012-2013 revealed several instances of poor contract management where the execution of construction works was significantly delayed, abandoned and/or poorly constructed by the contractors. Similarly, Kirehe District registered the same weakness of delay in construction works of Kirehe Hospital (phase III). The districts of Gasabo and Nyamasheke also received remarks for poor contract management and delays in construction works. In Gasabo, it was mainly due to violation of

reporting procedures on the district's rental income while in Nyamasheke the anomaly was due to poor supervision of the Hanika-Peru-Cyivugiza road construction, resulting in the deterioration of the road caused by running water and absence of water channels alongside the road.

Table 9: Poor book keeping

N0	City of Kigali/District	Amount in RWF
1	NYAMASHEKE	23,578
2	GAKENKE	450,900
3	GICUMBI	3,710,267
4	RUTSIRO	8,000,000
5	KIREHE	13,602,958
6	BURERA	15,006,458
7	NYARUGENGE	26,887,640
8	RULINDO	31,185,154
9	RUSIZI	31,552,229
10	MUHANGA	34,845,075
11	NYABIHU	72,152,261
12	NYAGATARE	76,003,491
13	MUSANZE	77,432,506
14	NGORORERO	80,472,976
15	NGOMA	81,556,386
16	NYAMAGABE	96,233,876
17	BUGESERA	99,788,346
18	KICUKIRO	111,729,613
19	KAYONZA	154,726,448
20	GASABO	219,729,680
21	RUBAVU	361,684,080
22	NYARUGURU	375,040,124
23	GATSIBO	515,489,047
24	CITY OF KIGALI	678,722,864
25	NYANZA	1,812,207,486
	TOTAL	4,978,233,443

Not affected:
 Ruhango
 Rwamagana
 Gisagara
 Huye
 Kamonyi
 Karongi

Findings indicate that only six districts were unaffected by poor bookkeeping during the financial year 2012-2013. In the remaining 24 districts including the City of Kigali, the amount involved was 4,978,233,443 RWF. The district with the highest amount of expenditure affected by poor bookkeeping was Nyanza with 1,812,207,486 RWF. During the financial year 2011-2012 only two districts, Nyagatare and Rutsiro, were unaffected which shows a

slight improvement for the year 2012-2013. Remarks on poor bookkeeping were mainly caused by irregularities in the creditors accounts in the ledger among others.

In most of the FGDs conducted, participants confirmed the improvement regarding poor bookkeeping though some challenges still remain regarding unqualified staff in finance departments, particularly in the NBAs. According to the same source, the improvement of bookkeeping was largely due to a number of interventions including a coaching program in PFM organized by RGB, the many trainings conducted by a number of district partners such as NGOs and Rwanda Management Institute (RMI) as well as restitution meetings on the Auditor General’s Report Analysis organized by TI-Rwanda every year.

Table 10: Posting errors

N0	City of Kigali/District	Amount in RWF
27	NYABIHU	3,152,816
28	NYARUGURU	26,190,000
29	GASABO	36,607,069
30	CITY OF KIGALI	554,260,844
31	GATSIBO	786,074,669
	TOTAL	1,406,285,398

The Auditor General’s Report of 2012-2013 shows tremendous improvement in the reduction of posting errors as indicated above. Whereas in the previous financial year of 2011-2012, the posting errors affected 23 districts, in 2012-2013 only four districts and the City of Kigali were affected. The 2012-2013 Auditor General’s Report indicates that among the most affected in this sub-indicator was Gatsibo District whose revenues from market fees, public cleaning services, rental income and court fees were recorded as other administrative fees instead of being recorded under the respective revenue sub-accounts as required by the chart of accounts. Secondly, expenditures were also wrongly recorded in books of account.

The City of Kigali, also as a decentralized entity, committed posting errors amounting to 554,260,844 RWF largely due to transactions relating to goods and services which were wrongly recorded as compensation of employees. The challenges highlighted during the FGDs are not different from the ones mentioned under the poor bookkeeping sub-indicator.

Table 11: Status of the implementation of the Auditor General’s Recommendations by Districts and the City of Kigali for the financial year ended June 2013

N0	City of Kigali/District	Number of audit recommendations raised in the year 2011-2012	Number of fully implemented audit recommendations for year 2011-2012	Number of partially implemented audit recommendations for year 2011-2012	Number of audit recommendations not implemented for year 2011-2012	% of audit recommendations fully implemented for year 2011-2012
1	NGOMA	20	18	1	1	90
2	GISAGARA	9	8	1	0	88.9
3	RUHANGO	17	15	1	1	88.2
4	MUHANGA	10	8	2	0	80
5	RUBAVU	29	23	3	3	79.3
6	HUYE	28	22	1	5	78.6
7	NYAMASHEKE	28	21	2	5	75
8	KICUKIRO	44	33	2	9	75
9	GAKENKE	19	14	4	1	73.7
10	NYAGATARE	15	11	2	2	73.3
11	KIREHE	32	23	8	1	71.9
12	BUGESERA	14	10	4	0	71.4
13	RUTSIRO	21	15	0	6	71.4
14	RUSIZI	34	24	3	7	70.6
15	NYAMAGABE	29	20	8	1	68.9
16	RULINDO	19	13	5	1	68.4
17	NYARUGURU	31	21	1	9	67.7
18	KAMONYI	6	4	2	0	66.7
19	NYANZA	35	23	3	9	65.7
20	NYABIHU	25	16	2	7	64
21	GICUMBI	22	14	3	5	63.6
22	KAYONZA	22	14	3	5	63.6
23	RWAMAGANA	19	12	3	4	63.2
24	BURERA	31	19	8	4	61.3
25	MUSANZE	23	14	2	7	60.9
26	NGORORERO	43	26	6	11	60.4
27	NYARUGENGE	30	17	7	6	56.7
28	GASABO	16	9	2	5	56.25
29	CITY OF KIGALI	19	10	1	9	52.6
30	KARONGI	17	8	3	6	47.05
31	GATSIBO	40	14	7	19	35
AVERAGE (CITY OF KIGALI excluded as in the previous FY)						68.50%
	TOTAL	747	499	100	248	66.8

Source: AG reports 2012-2013

For the financial year 2012-2013, the Auditor General’s recommendations were implemented at an average rate of 68.5%. In this respect, the districts appear to have performed generally well in PFM compared to the previous financial year, where the implementation average rate was 64% implying an increase in performance of 4.5%.

According to the data in table 11, three districts were able to implement more than 88% of the Auditor General’s Recommendations. Ngoma had an implementation rate of 90%, Gisagara of 88.9% and Ruhango of 88.2%. The poorest performing districts in this regard were Gatsibo District with a rate of 35% and Karongi District with 47.05%. Notably, Gatsibo District has maintained its bottom position from last year while Karongi has dropped drastically on the implementation rate from 6th to 30th position for the year 2012-2013.

From the FGDs in general, it emerged that there are certain weaknesses that are beyond the control of the district’s administration such as lawsuits regarding district debts defaulters and inherited debts. In addition to these, the issue of NBAs and the lack of skills and resources for proper accounting remains the seemingly largest challenge as SEAS is neither widely applied in NBAs nor incorporated in Smart IFMIS.

Regarding the status of implementation of the audit recommendations from the Auditor General for 2011-2012, the FGD in Kamonyi District claimed that the performance evaluation for PFM ignores the challenges mentioned earlier regarding the factors influencing PFM that the district has no control over. According to Kamonyi District, they only have two unimplemented recommendations which are beyond their control to address. The concern, raised is that these weaknesses which prove to be beyond the control of the district may recur in the following financial year, putting the district in an even worse position.

Table 12: Analysis of the implementation of TI-Rwanda 2011-2012 recommendation to the Districts

The table below shows how the districts implemented TI-Rwanda’s 2011-2012 recommendations.

N0	Recommendations of Transparency International Rwanda to the district for the year 2011-2012	Number of Districts which complied	Number of Districts which did not comply	% of implementation
1	Despite the emergencies demands from central government, the district management and staff should strictly respect its approved procurement plan and only consider the unplanned activities during the revision of the budget and procurement plan.	30	0	100%
2	The district staff ought to put in place a good filing system so that all supporting documents can be easily available when required;	24	6	80%

3	The district management should strive to recruit competent and required personnel, especially in the finance department and in the NBAs;	0	30	0%
4	The district should make available the budget to implement its capacity building plan in every financial year and ensure that necessary technical capacities are provided to all staff.	0	30	0%
5	The district management should harmonise its annual action plan, performance contract and budget to avoid discrepancies in budget lines.	27	3	90%
6	The district management should strengthen their internal control system and put more emphasis on bank reconciliation in order to avoid any misuse or fraudulent use of the public funds.	13	17	43.3%
7	The district management should comply with the requirements of article 70 of organic law No 37/2006 of 12th September 2006 on state finances and property which requires the district to recognize all revenues collected or received and all expenditures made during the financial year as well as all outstanding receipts and payments before the end of the financial year.	25	5	83.3%
8	The District should ensure that at the end of each month all non-budget agencies operating within its territory submit original copies of their cash books together with detailed supporting documents to the chief budget manager of the district, for verification and approval and that their transactions are recorded in the general ledgers of the District	0	30	0%

The table reveals that out of eight recommendations proposed by TI-Rwanda, the four recommendations 1, 2, 5 and 7 (50%) were satisfactorily implemented in a minimum of 24 districts. Unfortunately, no action was taken in the area of recruitment of competent staff and capacity building in all the districts. It can also be observed that the question of non-compliance in financial recording as far as NBAs are concerned is still a major problem. This can be demonstrated by the failure to implement recommendations 3, 4 and 8.

Conclusion

As mentioned in the introduction, this analysis encompasses the Auditor General’s reports for all 30 districts and the City of Kigali for the financial year 2012-2013, which ended on the 30th June 2013. The methodology consists of grouping the PFM-related weaknesses in districts’ budgets into two main categories/indicators:

1) Expenditure related weaknesses: i) inadequately supported expenditures, ii) unsupported expenditures, iii) wasteful expenditures, iv) overstated expenditure, v) fraudulent expenditures, vi) payments to non-existent staff and vii) unrecorded transactions for non-budget agencies (NBAs)

2) Non- expenditure related weaknesses are categorised into: i) non-respecting of laws and procedures, ii) poor bookkeeping and iii) posting errors

It can be stated that there is a concrete progress in tackling PFM deficiencies in local governments. Despite the considerable increase in the aggregated volume of identified weaknesses in the fiscal year 2012-13, some areas as for example posting errors and bookkeeping under non-expenditure related weaknesses have improved remarkably.

The analysis reveals that despite the increase in total districts’ revenues, the monetary volume of identified non-expenditure related weaknesses dropped by almost 50% from **35,223,973,318 Rwf** in 2011-2012 to **17,161,763,764 Rwf** in the year under review. This improvement is largely due to better compliance with bookkeeping standards and serves as a potent example of the impact of implemented recommendations from the previous Auditor General report analysis. Thereof, it is an enormous encouragement for implementing institutions, especially districts and an incentive for greater effort for agencies charged with PFM oversight, notably Auditor General Office.

However, due to serious malpractices in the NBAs, the total expenditure-related weaknesses increased five-fold from **20,086,911,577 Rwf** in 2011-2012 to **107,241,640,111 Rwf** this year.

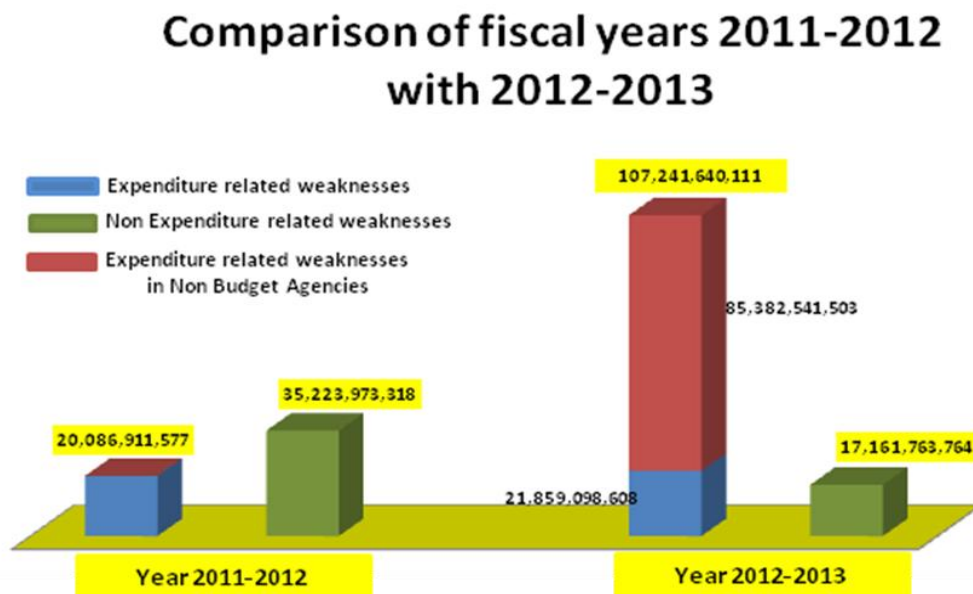
Figure 1: Aggregated figures

								Total
Expenditure related weaknesses	inadequately supported e.	unsupported e.	wasteful e.	overstated e.	fraudulent e.	payments to non-existent staff	unrecorded transactions for NBAs	
	283,153,594	259,623,668	761,767,082	3,614,948,739	60,995,355	?	102,261,151,673	107,241,640,111.00
Non-expenditure related weaknesses	non-respecting of laws and procedures	poor bookkeeping	posting errors					
	10,777,244,923	4,978,233,443	1,406,285,398					17,161,763,764.00
							Grand total	124,403,403,875.00

Source: Analysis, AG report 2012-12

A large share, 102,261,151,673 RWF or over 82% of the monetary volume of accumulated weaknesses (both expenditure-related and non-expenditure related) falls solely to NBA expenditure-related weaknesses. Financial and managerial staff in NBAs do not comply with existing guidelines and are not trained and/or qualified in PFM related matters. Tackling this issue would lead to a drastic reduction in identified weaknesses at the local government level.

Figure 2: Year-to-year progress, fiscal years 2011/12 and 2012/13



Without non-budgetary agencies, districts post weaknesses in the accumulated monetary volume of 21,859,098,608 RWF. Non-respecting of existing laws and procedures regarding PFM amounts roughly to 50% of none-expenditure related weaknesses. Therefore, weak compliance to the legal framework constitutes after the NBA-related weaknesses the second most pressing issue. Related to it is poor bookkeeping (29% of non-expenditure related weaknesses and 4% of weaknesses in total).

Overstated expenditures are responsible for 3,614,948,739 RWF, but this amounts only to 3.3% of expenditure related weaknesses (2.9% of all weaknesses in total). Posting errors (1,406,285,398 RWF), wasteful expenditures (761,767,082 RWF) and fraudulent expenditures (60,995,355 RWF) amount for relatively negligible amount of weaknesses and seem to be a much lesser problem compared to the 2011-2012 analysis.

No district was entirely clean in the expenditure related weaknesses as in the previous financial year. However, all districts still show an improvement in PFM in expenditures and non-expenditures related weaknesses without the NBA-related weaknesses.

We could also detect a tangible effort to address recommendations from the last edition of this analysis (financial year 2011-2012). The implementation by most of the districts improved, though slightly, by 4.5% (from an average of 64% to 68.5%).

However, in some districts, implementation of recommendations is not matched with the reduction of weaknesses in PFM. For example, Nyamasheke figures on the first spot in the percentage of implemented recommendations but is the worst performing district in the percentage of expenditure-related weaknesses compared to the district budget. As a conclusion, formulation of recommendations and their strict enforcement must be improved.

Table 13: Monitoring of implemented recommendations from the 2011/12 AG report

N0	District Name	Baseline 2012	Status 2013	Trend
1	NYAMASHEKE	53%	75%	22.00%
2	RUSIZI	50%	70.60%	20.60%
3	NGOMA	71%	90%	19.00%
4	KICUKIRO	56%	75%	19.00%
5	GISAGARA	70%	88.90%	18.90%
6	NYARUGURU	49%	67.70%	18.70%
7	GAKENKE	56%	73.70%	17.70%
8	KIREHE	55%	71.90%	16.90%
9	HUYE	65%	78.60%	13.60%
10	NYANZA	53%	65.70%	12.70%
11	NYAMAGABE	58%	68.90%	10.90%
12	KAYONZA	53%	63.60%	10.60%
13	NGORORERO	50%	60.40%	10.40%
14	RUBAVU	71%	79.30%	8.30%
15	MUHANGA	72%	80%	8.00%
16	NYABIHU	59%	64%	5.00%
17	RUHANGO	84%	88.20%	4%
18	NYARUGENGE	55%	56.70%	1.70%
19	BURERA	60%	61.30%	1.30%
20	RULINDO	72%	68.40%	-3.60%
21	NYAGATARE	77%	73.30%	-3.70%
22	MUSANZE	65%	60.90%	-4.10%
23	RUTSIRO	76%	71.40%	-4.60%
24	RWAMAGANA	68%	63.20%	-4.80%
25	GICUMBI	73%	63.60%	-9.40%
26	BUGESERA	83%	71.40%	-11.60%
27	GASABO	68%	56.25%	-11.75%
28	GATSIBO	48%	35%	-13.00%
29	KAMONYI	81%	66.70%	-14.30%
30	KARONGI	75%	47.05%	-27.95%
AVERAGE		64%	68.50%	4.50%

Recommendations

It has been noticed that some of the previous financial year's (2011-2012) recommendations were not implemented at all. We therefore reiterate that they should be given due attention as their implementation will continue playing an important part of the next year's evaluation.

Based on the findings of our analysis and on the inputs from all consulted stakeholders during the research, these are the recommendations:

To the Districts Management and Staff:

- 1) Financial and managerial capacity within the NBAs needs to be urgently strengthened. Staff in charge of financial management in NBAs must be trained on bookkeeping, procurement, accounting, and reporting and cash-flow management;
- 2) Districts need to include in their annual capacity building plans PFM-related trainings, especially on crucial PFM guidelines and laws as these are frequently ignored;
- 3) Districts need to strengthen internal auditing, especially towards NBAs. Poor bookkeeping and unrecorded expenditures need to be reviewed continuously;. Furthermore, a simplified financial reporting format should be given to NBAs and be used by them on monthly basis.
- 4) Districts should ensure that at the end of each month all non-budget agencies submit original copies of their cashbooks together with detailed supporting documents to the district, chief budget manager for verification and approval;
- 5) In order to ensure synergy and coordination in regards to the improvement of PFM in all NBAs, district should make sure that audit committees of the parent associations at school levels are operational and their performance is monitored;

To the Central Government

- 1) Although, SEAS commonly known as "Easy-to-use" software has been introduced in some sectors, MINECOFIN should ensure that SEAS reaches all non-budget agencies (NBAs) and that it is incorporated into the districts accounting system such that any transactions done by the NBAs can easily be linked to the SMART IFMIS ;
- 2) MINECOFIN and MINALOC should increase their investment in terms of follow up and training for all NBAs using SEAS in order to ensure its productivity and contribution towards the improvement of PFM in NBAs;
- 3) As recommended in the financial year 2011-2012, MINECOFIN should make available necessary budget for the salary package of new recruited staff as proposed by the current

public servant reform in order to make sure that the right personnel are in right position at the right time;

4) As pointed out by FGDs held with districts' staff, The AG, while determining the implementation status of his recommendations, should take into account that there are weaknesses that are beyond of districts' control and therefore affecting their PFM performance.

5) Coaching program under RGB needs to prioritise against the identified gaps in the PFM area with more emphasis on budgeting formulation, financial accounting and reporting, procurement, implementation of internal and external audit. A priority might be given to newly recruited staff, which has not received any induction training;

6) Coaching programme needs to be integrated with other capacity building interventions and be well coordinated at district level. Activities of coaches should be integrated in the general activities under annual capacity building plan of each district in order to ensure joint ownership and easy monitoring;

7. Coaching programme coordination, monitoring and evaluation as well as steering approach need to be strengthened in order to ensure effective intended results

7) AG should analyse discovered cases of fraud and waste in PFM and use the findings for crosschecking in other districts. Cases of fraud and corruption shall receive appropriate publicity as a powerful deterrent for potential offenders.

8) The Ministry of Justice should avail more Senior State Attorneys such that the legal representation at the district level is effective and therefore minimise lose of law suits at this level. In the same framework, district legal advisor can also be capacitated and be able to represent the district before the court cases.

To Development partners

1) Development partners should provide individual, organisational and institutional support to PFM capacity building, especially at the district and sector level in local government and for NBAs;

2) Assistance for capacity building should be linked to districts' annual capacity building plans and to areas of identified PFM weaknesses to ensure districts' ownership;

3) Facilitation of better cooperation of national stakeholders in PFM (governmental – MINALOC, MINECOFIN, RGB and RRA) and non-governmental (RALGA) should be ensured.

