

Office of the Auditor General of Rwanda



AFRICAN CENTER OF EXCELLENCE IN ENERGY FOR SUSTAINABLE DEVELOPMENT (ACE-ESD)

AUDIT REPORTS

For the year ended 30 June 2021

OAG Core Values

Integrity

In public Interest

Innovation

Objectivity

Professionalism

**AFRICAN CENTER OF EXCELLENCE
IN ENERGY FOR SUSTAINABLE
DEVELOPMENT (ACEESD)**

FINANCIAL AUDIT REPORT

For the year ended 30 June 2021

**AFRICAN CENTER OF EXCELLENCE IN ENERGY FOR SUSTAINABLE
DEVELOPMENT (ACEESD)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

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AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. INTRODUCTION

1.1 Statement of purpose

The African Centers of Excellence (ACEs) financed under the ACE II Project supports the Governments of **eight (8)** participating countries (namely Ethiopia, Kenya, Malawi, Mozambique, Rwanda, Tanzania, Uganda and Zambia) to collectively address key development challenges facing the Eastern and Southern Africa region through interventions in developing critically-needed science and technology capacity. Accordingly, the International Development Association availed to Rwanda a credit amounting to **SDR 14,500,000** (Special Drawing Right) equivalent to **USD 20,000,000** to strengthen selected Higher Education Institutions.

1.2 Project information

Project start date:	The project approval date is 26 May 2016
	The project signature of agreement date is 17 June 2016
	The project effectiveness date is 17th October 2016
Project end date:	The project last disbursement date is 30 June 2023
	The project expected completion date is 31 December 2023
Project Manager	Dr. Charles KABIRI
Project budget by donor	World Bank: USD 5.5 million
Total cost of the project	USD 5.5 Million
Implementing Budget Agency	University of Rwanda

1.3 Project overview

Line Agency of the project	University of Rwanda
Strategic goals/objectives of the project	The objective of this project is to result in building capacity of the East and Southern African region through the University of Rwanda, College of Science and Technology to undertake interdisciplinary research and training in smart and micro-grid energy technologies tailored to serve remote and/or rural areas using renewable sources, power systems and energy management and trade policy, train 40 PhD and 120 MSc energy experts and improve research and teaching environment.
Main component of the projects	The main component of the project is to create a world-class energy centre that will be a regional hub for research and training of African engineers, policy makers and energy utility managers (in micro-grid energy systems using renewable energy sources and interstate energy trading, management and policy); contribute to rural development through technology transfer;

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	and nurture and promote entrepreneurship development in the energy sector towards sustainable development.																																																																								
Outputs of the projects	<p>1. To provide national and regional capacity-building (MSc & PhD) for the establishment and implementation of energy systems using local energy sources and appropriate technologies to cover energy needs for sustainable development.</p> <p>2. To develop and transfer appropriate energy technologies for sustainable development at the national and regional levels;</p> <p>3. To contribute and strengthen cooperation between industry and academia in the field of clean energy.</p> <p>4. To provide energy research, consultancy and advisory services to both public and private organizations at national, regional and international levels;</p> <p>5. To provide policy development skills training for students, policy-makers and utility managers aimed at building policy and monitoring capacity in the region which is critical for effective interconnection of energy systems.</p>																																																																								
Programs offered by the African Center of Excellence in Energy for Sustainable Development	<p>The table below shows the number, category of students and their intakes:</p> <table><tr><th>Qualification name</th><th>Total</th><th>2017-2018</th><th>2018-2019</th><th>2019-2020</th><th>2020-2021</th></tr><tr><td></td><td>A=B+C+D</td><td>B</td><td>C</td><td>D</td><td>E</td></tr><tr><td>PHD</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Electrical Power Systems</td><td>10</td><td>8</td><td>2</td><td>0</td><td>0</td></tr><tr><td>Energy Economics</td><td>5</td><td>5</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Renewable Energy</td><td>17</td><td>12</td><td>5</td><td>0</td><td>0</td></tr><tr><td>Total</td><td>32</td><td>25</td><td>7</td><td>0</td><td>0</td></tr><tr><td>MSC</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Electrical Power Systems</td><td>56</td><td>0</td><td>16</td><td>22</td><td>18</td></tr><tr><td>Energy Economics</td><td>49</td><td>0</td><td>13</td><td>25</td><td>11</td></tr><tr><td>Renewable Energy</td><td>53</td><td>0</td><td>15</td><td>21</td><td>17</td></tr><tr><td>Total</td><td>158</td><td>0</td><td>44</td><td>68</td><td>46</td></tr></table>	Qualification name	Total	2017-2018	2018-2019	2019-2020	2020-2021		A=B+C+D	B	C	D	E	PHD						Electrical Power Systems	10	8	2	0	0	Energy Economics	5	5	0	0	0	Renewable Energy	17	12	5	0	0	Total	32	25	7	0	0	MSC						Electrical Power Systems	56	0	16	22	18	Energy Economics	49	0	13	25	11	Renewable Energy	53	0	15	21	17	Total	158	0	44	68	46
Qualification name	Total	2017-2018	2018-2019	2019-2020	2020-2021																																																																				
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1.4 Registered office

The entity is domiciled in Kigali, Rwanda. The address of its registered office is:
 University of Rwanda, College of Sciences and Technology.
 Kigali, Rwanda

1.5 Bankers

The following are the bankers for the current year:
 National Bank of Rwanda.
 Bank of Kigali

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1.6 Auditors

The Project is audited by the Office of the Auditor General.

1.7 Center Management Team

The management team that held office during the year ended 30 June 2021 and up to the time of current audit in December 2021, are included in the table below:

s/n	Name	Position
1	Françoise KAYITARE TENGERA	Deputy Vice Chancellor for Administration and Finance
2	Dr. Charles KABIRI	Ag Center Director
3	Dr Ignace GATARE	Principal-College of Science and Technology/University of Rwanda
4	Immaculate BUGINGO	UR SPIU Coordinator
5	Innocent MUSABYIMANA	Coordinator of African Centers of Excellence
6	Maurice Phabian Kanamugire	Ag. UR SPIU Director of Administration and Finance
7	Landuard KIRIKIRI	Centre Administrator
8	Alexis NYUMVIRA	ACEs Procurement Officer
9	JMV HARINDINTWALI	Accountant

1.8 Funding Summary

The Project is for duration of 6 years from 2016 to December 2023 with an approved budget of **USD 5,500,000** as highlighted in the table below:

Source of funds	Commitment	Cumulative amount received to 30 June 2021	Cumulative amount received to 30 June 2021	Undrawn balance to	*Undrawn balance
	(A)	(B)	(C)	D=(A)-(B)	E= (D*987.139896)
	(in USD)	(in USD)	(in Frw)	(in USD)	(Frw)
Loan					
World Bank	5,500,000	3,652,001	3,222,011,843.00	1,847,999	1,824,233,541
Total	5,500,000	3,652,001	3,222,011,843	1,847,999	1,824,233,541

**Undrawn balance of USD as at 30 June 2021 was translated into Frw using BNR quoted average rate of 30 June 2021 which is 1USD=Frw 987.139896*

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Below are details of amount received from World Bank up to 30 June 2021:

Received date	Amount received	Exchange rate	Total amount in local currency
	USD		Frw
24/04/2017	1,100,000	818.667858	900,534,644
13/05/2019	370,101	883.97199	327,158,917
13/05/2019	511,000	883.97199	451,709,687
14/08/2019	507,500	894.653603	454,036,704
17/03/2020	270,000	920.675726	248,582,446
28/08/2020	893,400	940.216527	839,989,445
Total			3,222,011,843

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2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

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

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

These financial statements have been extracted from the accounting records of **African Center of Excellence in Energy for Sustainable Development (ACEESD)** 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 **ACEESD**. I further confirm that **ACEESD** maintained proper accounting records that may 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 financial year to safeguard the assets of the project.

Nothing has come to the attention of management to indicate that **ACEESD** will not continue operating as a going concern for the foreseeable future.

Signature: _____

Françoise KAYITARE TENGERA
Deputy Vice Chancellor for Administration and Finance
University of Rwanda

Date: 31st December 2021



3. REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

Françoise KAYITARE TENGERA
Deputy Vice Chancellor for Administration and Finance
University of Rwanda

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 **African Center of Excellence in Energy for Sustainable Development (ACEESD)** for the year ended 30 June 2021. These financial statements comprise the statement of financial position as at 30 June 2021, statement of revenue and expenditure, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are set out on pages **10 to 33**.

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

3.2 Basis for opinion

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

I am independent of **African Center of Excellence in Energy for Sustainable Development (ACEESD)** 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 Organization of Supreme Audit Institutions (INTOSAI). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3.3 Responsibilities of management and those charged with governance for the financial statements

According to Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, management of **African Center of Excellence in Energy for Sustainable Development (ACEESD)** 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 **ACEESD** 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 **ACEESD**.

Those charged with Governance of this **ACEESD** are the project Steering Committee as per establishing funding agreement. They are responsible for overseeing **ACEESD**'s financial reporting process.

3.4 Auditor General's responsibilities for the audit of the financial statements

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

An audit conducted in accordance with ISSAIs requires an auditor to exercise professional judgment and maintain professional skepticism 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.

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- 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 **African Center of Excellence in Energy for Sustainable Development (ACEESD)** 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

31st December 2021



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4. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Description	Note	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
Revenues			
Transfers from other government entities	2	3,930,915.19	207,486,000
Revenue from exchange transactions			
Other revenue	3	65,000	-
Borrowings	4	839,988,974.40	702,619,150
Total Revenue		843,984,889.59	910,105,150
Expenses			
Goods and services	5	253,765,846.01	232,843,553.60
Capital expenditure	6	58,479,362.23	278,453,013.71
Grants and other transfer payments	7	14,172,825	-
Other expenses	8	375,802,658.18	413,607,583.47
Total Expenses		702,220,691.42	924,904,150.78
Other gains and losses			
Foreign exchange gain	9	61,024,869.86	31,158,192.81
Surplus for the period		202,789,068.03	16,359,192.03
Surplus for the period is attributable to:			
Owners of the controlling entity		202,789,068.03	16,359,192.03
Non-controlling interests		0	0

The notes on pages 16 to 33 form an integral part of these financial statements.

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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 equivalent	10	964,160,268	754,823,634.74
Receivables from exchange transactions	11	142,176	0
Total current assets		964,302,444	754,823,634.74
Total Non-current assets		0	0
Total assets (A)		964,302,444.00	754,823,634.74
Net Assets/Equity and Liabilities			
Liabilities			
Current liabilities			
Accounts payable	12	6,689,741	0
Total current liabilities		6,689,741	0
Total Non-Current Liabilities		0	0
Total Liabilities (B)		6,689,741	0
Net Assets/ Equity (A-B)		957,612,703	754,823,635
Accumulated opening balances	13	754,823,635	733,985,971.74
Adjustments on current liabilities		0	4,478,471.50
Surplus for the Year		202,789,068	16,359,192.03
Total Net Assets/Equity		957,612,703	754,823,635
Total Liabilities and Net Assets/Equity		957,612,703	754,823,635


The notes on pages 16 to 33 form an integral part of these financial statements.

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Authorization date

The financial statements were approved by the Management of the ACE-ESD on 28/12/2021 and were signed on its behalf by:

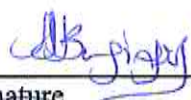
Prepared by: JMV HARINDINTWALI
Project Accountant-ACE-ESD


Signature 28/12/2021
Date


Reviewed by: KANAMUGIRE P. Maurice
UR SPIU Ag. Director of
Administration and Finance


Signature 28/12/2021
Date

Checked by: BUGINGO Immaculate
UR SPIU Coordinator


Signature 28/12/2021
Date

Approved by: Françoise Kayitare Tengera
Chief Budget Manager


Signature 28/12/2021
Date



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

Description	12 months to 30 June 2021	12 months to 30 June 2020
	Frw	Frw
Cash flow from operating activities		
Receipt		
Transfer from Other Government reporting entities	3,930,915.19	207,486,000
Other revenue	65,000.00	0
Total Revenue	3,995,915.19	207,486,000
Payment		
Goods and Services	(253,765,846.01)	(232,978,180.62)
Grant and other transfer	(14,172,825.00)	-
Other expenses	(375,802,658.18)	(413,607,583.47)
Adjusted for		
Changes in receivables	(142,176.00)	1,425,000
Changes in payables	6,689,741	(101,103,874)
Prior year adjustments	-	4,478,471.50
Net cash flows from operating activities (A)	(633,197,849)	(534,300,166.59)
Cash flows from Investing Activities		
Acquisition of fixed assets	(58,479,362.23)	(278,453,013.71)
Net cash flows from investing activities (B)	(58,479,362.23)	(278,453,013.71)
Cash flow from financing activities		
Proceeds from borrowings	839,988,974.40	702,619,150
Net cash flow from financing activities (C)	839,988,974.40	702,619,150
Net increase/decrease in cash and cash equivalents D= (A+B+C)	148,311,763.17	(110,134,030.30)
Cash and cash equivalents at beginning of the year (E)	754,823,634.74	833,664,845.21
Effects of exchange rate changes on the balance of cash held in foreign currencies(F)	61,024,869.86	31,292,819.83
Cash and cash equivalents at end of the period G=(D+E+F)	964,160,268	754,823,634.74

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

Changes in net assets items	Accumulated surplus 2018/2019	Movement during the year 2019/2020	Total 2019/2020
	Frw	Frw	Frw
Accumulated opening balance			
Accumulated opening balance	672,300,072		672,300,072
Accumulated surplus from previous years			
Accumulated surplus/(deficit)	61,685,899	16,359,192	78,045,091
Accumulated adjustments			
Adjustments on current liabilities	0	4,478,472	4,478,472
	733,985,971		754,823,635
	Accumulated surplus 2019/2020	Movement during the year 2020/2021	Total 2020/2021
Changes in net assets items	Frw	Frw	Frw
Accumulated opening balance			
Accumulated opening balance	672,300,072		672,300,072
Accumulated surplus from previous years			
Accumulated surplus/(deficit)	78,045,091	202,789,068	280,834,159
Accumulated adjustments			
Adjustments on current liabilities	4,478,472		4,478,472
Total	754,823,635		957,612,703

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4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Revised budget 2020-2021	Actual 2020-2021	Variances	Performance %
	Frw	Frw	Frw	N/A
	A	B	C=A-B	(B/A)*100
RECEIPTS				
Grants and transfers	119,117,915	3,930,915	115,187,000	3.30%
Other Revenues	61,089,870.00	61,089,870.00	-	100%
Total receipts (A)	180,207,785	65,020,785	115,187,000	36.08%
EXPENDITURE				
Goods And Services	409,959,114	267,938,671	142,020,443	65.36%
Other Expenses	425,308,888	375,802,658	49,506,230	88.36%
Total payments (B)	835,268,002	643,741,329	191,526,673	77.07%
Operating balance C= (A-B)	(655,060,217)	(578,720,544)	(76,339,673)	
Transactions in non-financial assets				
Capital expenditure	69,148,764	58,479,362	10,669,402	84.57%
Total non-financial assets (D)	69,148,764	58,479,362	10,669,402	84.57%
Net lending/(Borrowings)				
Financing				
Borrowings- External (E)	921,667,523	839,988,974	81,678,549	91.14%
Total net incurrence of liabilities F=(C-D+E)	197,458,542	202,789,068	(5,330,526)	

Explanation on variances:

- Goods and services were not achieved as planned due to budget line of external teachers, short course and exchange program not done because of Covid -19.
- Grant and transfers were not achieved as planned due to transfers from university of Rwanda for amount of **Frw 115,187,000** which was transferred subsequent to the year end in July 2021.

4.6 NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The financial statements have been prepared in accordance with the Organic Law n° 12/2013 of 12/09/2013 on State Finances and Property and related legal framework. These financial statements have been authorized for issue by the Minister of Finance and Economic Planning on 30.06.2021

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

2. Basis of preparation

The financial statements have been prepared on the basis of historical costs unless otherwise stated. The cash flow statement is prepared using the direct method.

The specific accounting basis for major items in the financial statements are provided below.

Except for the subsidiary entities affiliated to the decentralized entities, public entities shall maintain their books of account on a modified accrual basis of accounting. The subsidiary entities affiliated to the decentralized 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.

(ii) **Inventories – these are assets:**

a. in the form of materials and supplies to be consumed in the production process,

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- 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 are treated on cash basis and recorded as capital expenditure during the year of acquisition and revenue in the year of disposal.
- (v) **Investments excluding those directly made by public entities:** - shareholding in public corporations, investments in associates, equity interest in joint ventures, lending and on-lending by government entities will be treated on cash basis and recorded as capital expenditure during the year of acquisition and revenue in the year of disposal.
- (vi) **Student loans:** - Student loans shall be treated on a cash basis at the time of disbursements and recognized as expenses. Similarly, they will be recognized as revenue when loan repayments are received from the students.

Reporting periods

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

Key assumptions and judgements

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

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

a. Presentation Currency

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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.

b. Areas of significant estimation

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

c. Adoption of new and revised standards

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

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 recognized 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);

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- f) Intangible assets (see IPSAS 31, Intangible Assets);
- g) Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see IPSAS 32, Service Concession Arrangements: Grantor);
- h) Public debts; and
- i) Government Investments in Public and Private Enterprises.

3. Significant accounting policies

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

I. REVENUE

a) *Revenue from non-exchange transactions*

• Tax revenue

Tax revenues are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

Rwanda Revenue Authority is the principal revenue collector of Government revenue mainly in form of taxes. Local governments have also been allowed to collect certain forms of taxes within their area of jurisdiction, with the RRA also entrusted to collect some of the tax revenue on them be.

Tax on revenue is further sub-categorized as follows:

- a) Taxes on Income, Profits or Capital Gains;
- b) Taxes on Property Income;
- c) Taxes on goods and services; and
- d) Taxes on international trade and transactions.

• Social contributions

These are contributions received by RSSB for pensions, RAMA and CBHI during the period.

• Fines, penalties and licenses

These are non-tax revenue collected by Rwanda Revenue Authority and other Government Agencies. They are recognised when cash underlying the fee, fine, penalty or licence is received.

• Grants

Grants are transfers received by government units, from other resident or non-resident government units or international organizations that do not meet the definition of a tax, subsidy, or social contribution. This include current and capital transfers received from foreign Governments, international organizations.

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• **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

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.

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- 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.
- **Other income**

These are other revenue not classified in other classes of revenue. This include claims from insurance and guarantees seized.

b) Revenue from exchange transactions

- **Property income**

Property income is the revenue receivable in return for putting financial assets and natural resources at the disposal of another unit. Revenue in this category may take the form of interest, distributed income of corporations, investment income, and rent. Distributed income of corporations includes dividends, withdrawals of income from quasi-corporations, and reinvested earnings on foreign direct investment. Investment income includes property income from investment income disbursements, and holders of investment fund shares.

- **Sales of goods and services**

Sales of goods and services consist of the sales by market establishments, administrative fees charged for services, incidental sales by nonmarket establishments, and imputed sales of goods and services. Sales of goods and services are recorded as revenue without deduction of the expenses incurred in generating that revenue.

An entity may receive revenue from sale of government property.

- 1) Disposal of tangible fixed assets;
- 2) Sale of inventories;
- 3) Sale of valuables;
- 4) Sale of non-produced assets;
- 5) Sale of financial assets – domestic (including repayments of advances and loans issued by government considering that the advances or loans are expensed when issued); and
- 6) Sale of financial assets – foreign.

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• **Proceeds from sale of capital items**

This refers to the fees collected from the sale of Disposal of Tangible Fixed Assets Sale of Inventories Sale of Valuables, Sale of Non-Produced Assets, Disposal of Financial Assets – Domestic, Disposal of Financial Assets – Foreign.

Proceeds from sale of capital items are recorded as revenue without deduction of the expenses incurred in generating that revenue.

Revenue from exchange transactions shall be recognized on accrual basis.

c) 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) Compensation of employees

Compensation of employees is the total remuneration, in cash or in kind, payable to an individual in an employer-employee relationship in return for work performed by the latter during the reporting period.

Expenditure relating to compensation of employees is accounted for on an accrual basis and recognized in the books of accounts when an expenditure is incurred regardless of the time associated cash and cash equivalent are paid out.

Staff costs include salaries and wages, the costs of pensions and other employee benefits. Public sector pension scheme costs include current service costs and past service costs.

b) 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.

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.

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c) 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.

d) Grants

Expenditure relating to grants includes grants to international organisation and foreign governments, grants to subsidiaries etc. Grants 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.

e) Finance cost

Finance cost includes bank interest paid on borrowings which is 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.

f) Subsidies

Subsidies are current unrequited transfers that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import. Subsidies are receivable by resident producers or importers, and in exceptional cases, non-resident producers of goods and services. Subsidies may be designed to influence levels of production, the prices at which outputs are sold, or the profits of the enterprises. Subsidies include payable tax credits receivable by enterprises for these purposes. By the nature of subsidies, only government units incur an expense in this form.

g) Transfers to public Entities

Transfers to public entities are made in the form of direct/indirect cash transfers and direct payments to public reporting entities. Payments from the Central Treasury account are originated and approved by the respective Public entities before they are forwarded to the Treasury for payment. Direct/indirect cash transfers are transferred together with associated activities to be performed. The expenditure/receipt is recognised when actual cash is transferred. Cash is considered as transferred when consideration for payment such as EFT, Cheque, Payment Orders are approved level 2 rather than when cash and cash equivalent are debited from the bank statement. For direct payments expenditure is recognized when goods/services are received and when commitment is approved for all other expenditures. During the consolidation process while the actual spending reported by budget agencies is regarded as expenditures.

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h) Social assistance

Social benefits are current transfers receivable by households intended to provide for the needs that arise from social risks—for example, sickness, unemployment, retirement, housing, education, or family circumstances. These benefits are payable in cash or in kind to protect the entire population or specific segments of it against certain social risks.

Social assistance is 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.

i) Other expenses

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

j) 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.

k) Social Benefits payments

These are pensions, invoices for RAMA, CBHI paid by RSSB during the period.

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) Receivables from exchange transactions

These receivables include the receivables from the exchange transactions, prepayments and other receivables recoverable in period not exceeding 12 months.

c) Receivables from non-exchange transactions

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These receivables include the receivables from taxes, receivables relating to on lending transactions, and other non-exchange transactions recoverable in period not exceeding 12 months.

d) Inventories

Inventories are expensed in the period in which they are acquired by the Government and its entities.

e) 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.

f) Other financial assets

These include acquisition of commercial papers, bonds of short term, treasury bills, etc.

g) Receivables from exchange transactions long term

These receivables include the receivables from the exchange transactions, prepayments and other receivables recoverable in more than 12 months.

h) Receivables from non-exchange transactions long term

These receivables include the receivables from taxes, receivables relating to on lending transactions, and other non-exchange transactions recoverable in more than 12 months.

i) Investments in associates and joint ventures

These Direct investments includes investments made by budget agencies.

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

k) Direct borrowing

These direct borrowing includes borrowings contracted by budget agencies from financial institutions that are payable in more than 12 months.

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l) 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) Subsequent events

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

Changes in accounting policies and estimates

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so; in this regards, such adjustments have been treated as adjustments to opening balance.

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d) Related parties

The Government regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over it, or vice versa. Members of key management are regarded as related parties and comprise the councilors, the executive committee members, the city manager, deputy city manager and senior managers.

e) Contingencies

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

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

- The original budget for 2020/2021 was approved by the Parliament/ District council for Local Government on *(date)*. 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 *(date)* budget in accordance with specific instructions of the Cabinet/Parliament.
- Government's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the Statement of 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.

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2. Transfers from other government reporting entities

During the 12 months to 30 June 2021, the Project received transfers from Government reporting agencies as detailed below:

ID Account	Description	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
139112	Intra Transfers From Subsidiaries Entities –Current		
139112	(UNIVERSITY OF RWANDA)	3,930,915.19	207,486,000
Total		3,930,915.19	207,486,000

3. Other revenue

These comprise of other revenues including voluntary transfers other than grants, miscellaneous income and unidentified revenues.

ID Account	Description	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
1452	Unidentified revenue	65,000	0
	Total	65,000	0

4. External borrowings

These comprise of proceeds from loan borrowing from external development partners received by entity in form of cash transfers; direct payments and in form of technical assistance.

Name of Partner	Date received	Amount in USD	Exchange rate	Period ended 30 June 2021	Period ended 30 June 2020
				Frw	Frw
162102 Capital borrowing- International organizations	28-Aug-20	893,400	940.216	839,988,974.4	702,619,150
Total		893,400		839,988,974.4	702,619,150

5. Use of goods and services

During the 12 months to 30 June 2021, the Project consumed goods and services as detailed in the table below:

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ID Account	Description	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
2211	Office Supplies and Consumables	7,983,212.95	5,446,277.19
2214	Communication Costs	10,132,460.51	16,423,298.08
2216	Bank charges and commissions and other financial costs	487,759.16	525,496.46
2217	Public Relations and Awareness	2,975,400.00	3,125,991.39
2221	Professional and contractual Services	209,367,666.48	120,735,208.1
2231	Transport and Travel	21,011,351.33	59,194,997.53
2261	Training Costs	1,807,995.58	27,392,284.86
Total		253,765,846.01	232,843,553.6

6. Acquisition of fixed assets

During the 12 months to 30 June 2021, the Project incurred capital expenditure as detailed in the table below:

ID account	Description	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
231	Acquisition of fixed assets		
231200	Acquisition of Equipment, Furniture and Fitting	3,429,970.98	0
231401	Acquisition of Desk Top Computer	0	10,500,002.90
231402	Acquisition of Laptops	2,700,000.45	1,242,981.12
231499	Acquisition of ICT Equipment , Software Assets	52,349,390.80	4,465,687.59
231502	Acquisition of Lab and Med Equipment	0	262,244,342.1
	Total	58,479,362.23	278,453,013.71

7. Grants and other transfer payments

ID Account	Description	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
269999	Grant and other transfer to UR for e-learning	14,172,825	0
Total		14,172,825	0

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8. Other expenses

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

ID account	Description	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
288102	Education Non Reimbursable Scholarships	115,186,919.23	179,170,887.37
288104	Students Living Allowances	260,615,738.95	234,414,838.93
289107	Other Insurance Costs	0	21857.17
Total		375,802,658.18	413,607,583.47

9. Foreign exchange loss/gain

This notes related to exchange gain or losses resulted from foreign transactions

ID Account	Description	12 months ended 30 June 2021	12 months ended 30 June 2020
		Frw	Frw
145111	Gain of Currency Exchange &	61,024,869.86	31,158,192.81
	Total	61,024,869.86	31,158,192.81

10 Cash and Cash equivalents

The bank amounts shown in the table below have been reconciled to the bank statements as at 30 June 2021.

ID account	Bank name	Account No.	Currency	Amount in foreign currency	Exchange rate	30 June 2021	30 Jun 2020
						Frw	Frw
311391	BNR	1000038055	USD	689,576.54	987.139896	680,708,513.98	475,317,462
311421	BK	07744799-76	USD	1832.35	987.139896	1,808,785.79	116,169.46
311520	BK	07744798-75	RWF			281,642,968	279,390,003
Total						964,160,267.77	754,823,634.46

11. Receivable from exchange transactions

This refers to the amount receivable from the fees, sales of Goods and Services and property income as at 30 June 2021:

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Debtor's Account Code	Debtor's name	30 June 2021	30 June 2020
		Frw	Frw
312199	Other accounts receivable (MINANI ADRIEN)	142,176	0
Total		142,176	0

12. Accounts payable

This refers to the payables from the normal course of the operations as below:

ID account	Description	30 June 2021	30 June 2020
		Frw	Frw
4121	Accounts Payable -Third parties		
412101	Suppliers Control	-	0
	UBUZIMA Restaurent	54,000.00	0
	Good Friend Papeterie	223,981.00	0
	UBUZIMA Restaurent	60,000.00	0
	Woth Ten	2,975,400.00	0
	KNMG	953,626.00	0
412105	Returned Payment	998,343.00	0
412108	Other account payable	1,424,391.00	0
Total		6,689,741	0

13. Accumulated surplus from previous years

These include cash book reconciled bank balances, petty cash balances, accounts payables balances as well as accounts receivables balances existing at the beginning of the year along with the closing balance of the Prior year adjustments and the accumulated balance as of the last year.

ID Account	Description	Balance as at 30 th June 2020	Adjustment s	Restated closing balances
		Frw	Frw	Frw
511101	Bank balance	754,823,634.74	0	754,823,634.74
511102	Accounts receivable	0	0	0.00
511103	Accounts payable	0	0	0.00
Total		754,823,634.74	0	754,823,634.74

14. Prior year adjustments

The following is the prior year adjustments to opening balances

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ID Account	Description	Period ended 30 June 2021	Period ended 30 June 2020
		Frw	Frw
512103	Payables and other liabilities	0	4,478,472
Total		0	4,478,472

15. Changes in Accounts Receivables and Accounts Payables

These comprise of changes in account receivables and accounts payables from previous year to this year. Once the change in accounts receivable is positive, it represents the cash outflow while the negative change in accounts receivables implies cash inflows. As far as accounts payable are concerned, the positive change implies more cash inflows whereas the negative trend of accounts payable implies the cash flowing outside the entity. Below is the movement within accounts receivable and accounts payable.

Description	Balance as at 30 June 2020	Movement during the current year	Balance as at 30 th June 2021	Movement during the previous year
	Frw	Frw	Frw	Frw
Movement in accounts receivable	0	(142,176)	(142,176)	1,425,000
Movement in accounts payable	0	6,689,741	6,689,741	(101,103,874)

16. Aging Summary Report for payables

Debtor's Name	Date intervals					Balance as at 30 June 2021
	1-45 days	46-90 days	91-365 days	1 Year to 2 Years	Above 2 Years	
	Frw	Frw	Frw	Frw	Frw	Frw
All payable	6,689,741					6,689,741
Total	6,689,741					6,689,741

17. Important Disclosures

17.1. Breakdown of the inventory of supplies and consumables

Description	Balance as at 30 June 2020	Additions	Consumed/D isposed off	Balance as at 30 June 2021
	Frw	Frw	Frw	Frw
Consumables and others	2,679,000	65,302,603.50	54,983,192	12,998,412
Total	2,679,000	65,302,604	54,983,192	12,998,412

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AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

Categories	Opening balance 1 July 2020	Acquisition of assets		Disposed of	Revaluation surplus/(loss) amount		Transfers	Total gross carrying amount		Depreciation for the period	Net carrying amount as at 30 June 2021	
		Frw	Frw		Frw	Frw		Frw	Frw		Frw	Frw
Office Equipment	20,505,000		3,429,970.98	0	0	0	0	23,934,970.98	0	0	23,934,971	
ICT Equipment	64,740,532		55,049,391	0	0	0	0	119,789,923	0	0	119,789,923	
Lap equipment	715,791,468		0	0	0	0	0	715,791,468	0	0	715,791,468	
Other equipment	2,230,000		0	0	0	0	0	2,230,000	0	0	2,230,000	
Total	803,267,000		58,479,362	0	0	0	0	861,746,362	0	0	861,746,362	

15.3. Inter entity transfer

Sending entity code	Transferring entity Name	Current amount		Previous amount	
		Frw		Frw	
1	University of Rwanda (Amount for schools fees transferred back for the ACEESD future sustainability)	115,187,000		0	
Total		115,187,000			

**AFRICAN CENTER OF EXCELLENCE
IN ENERGY FOR SUSTAINABLE
DEVELOPMENT (ACEESD)**

COMPLIANCE AUDIT REPORT

For the year ended 30 June 2021

**AFRICAN CENTRE OF EXCELLENCE IN ENERGY FOR SUSTAINABLE
DEVELOPMENT (ACEESD)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30
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COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2021**

1. INTRODUCTION

1.1 Statement of purpose

The African Centers of Excellence (ACEs) financed under the ACE II Project supports the Governments of **eight (8)** participating countries (namely Ethiopia, Kenya, Malawi, Mozambique, Rwanda, Tanzania, Uganda and Zambia) to collectively address key development challenges facing the Eastern and Southern Africa region through interventions in developing critically-needed science and technology capacity. Accordingly, the International Development Association availed to Rwanda a credit amounting to **SDR 14,500,000** (Special Drawing Right) equivalent to **USD 20,000,000** to strengthen selected Higher Education Institutions.

1.2 Project information

The table below summarizes the key project information:

Project start date:	The project approval date is 26 May 2016
	The project signature of agreement date is 17 June 2016
	The project effectiveness date is 17th October 2016
Project end date:	The project last disbursement date is 30 June 2023
	The project expected completion date is 31 December 2023
Project Manager	Dr. Charles KABIRI
Project budget by donor	World Bank: USD 5.5 million
Total cost of the project	USD 5.5 Million
Implementing Budget Agency	University of Rwanda

1.3 Project overview

Line Agency of the project	University of Rwanda
Strategic goals/objectives of the project	The objective of this project is to result in building capacity of the East and Southern African region through the University of Rwanda, College of Science and Technology to undertake interdisciplinary research and training in smart and micro-grid energy technologies tailored to serve remote and/or rural areas using renewable sources, power systems and energy management and trade policy, train 40 PhD and 120 MSc energy experts and improve research and teaching environment.
Main component of the projects	The main component of the project is to create a world-class energy centre that will be a regional hub for research and training of African engineers, policy makers and energy utility managers

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	(in micro-grid energy systems using renewable energy sources and interstate energy trading, management and policy); contribute to rural development through technology transfer; and nurture and promote entrepreneurship development in the energy sector towards sustainable development.																																																																								
Outputs of the projects	<p>1. To provide national and regional capacity-building (MSc & PhD) for the establishment and implementation of energy systems using local energy sources and appropriate technologies to cover energy needs for sustainable development.</p> <p>2. To develop and transfer appropriate energy technologies for sustainable development at the national and regional levels;</p> <p>3. To contribute and strengthen cooperation between industry and academia in the field of clean energy.</p> <p>4. To provide energy research, consultancy and advisory services to both public and private organizations at national, regional and international levels;</p> <p>5. To provide policy development skills training for students, policy-makers and utility managers aimed at building policy and monitoring capacity in the region which is critical for effective interconnection of energy systems.</p>																																																																								
Programs offered by the African Center of Excellence in Energy for Sustainable Development	<p>The table below shows the number, category of students and their intakes:</p> <table><tr><th>Qualification name</th><th>Total</th><th>2017-2018</th><th>2018-2019</th><th>2019-2020</th><th>2020-2021</th></tr><tr><td></td><td>A=B+C+D+E</td><td>B</td><td>C</td><td>D</td><td>E</td></tr><tr><td>PHD</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Electrical Power Systems</td><td>10</td><td>8</td><td>2</td><td>0</td><td>0</td></tr><tr><td>Energy Economics</td><td>5</td><td>5</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Renewable Energy</td><td>17</td><td>12</td><td>5</td><td>0</td><td>0</td></tr><tr><td>Total</td><td>32</td><td>25</td><td>7</td><td>0</td><td>0</td></tr><tr><td>MSC</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Electrical Power Systems</td><td>56</td><td>0</td><td>16</td><td>22</td><td>18</td></tr><tr><td>Energy Economics</td><td>49</td><td>0</td><td>13</td><td>25</td><td>11</td></tr><tr><td>Renewable Energy</td><td>53</td><td>0</td><td>15</td><td>21</td><td>17</td></tr><tr><td>Total</td><td>158</td><td>0</td><td>44</td><td>68</td><td>46</td></tr></table>	Qualification name	Total	2017-2018	2018-2019	2019-2020	2020-2021		A=B+C+D+E	B	C	D	E	PHD						Electrical Power Systems	10	8	2	0	0	Energy Economics	5	5	0	0	0	Renewable Energy	17	12	5	0	0	Total	32	25	7	0	0	MSC						Electrical Power Systems	56	0	16	22	18	Energy Economics	49	0	13	25	11	Renewable Energy	53	0	15	21	17	Total	158	0	44	68	46
Qualification name	Total	2017-2018	2018-2019	2019-2020	2020-2021																																																																				
	A=B+C+D+E	B	C	D	E																																																																				
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Energy Economics	49	0	13	25	11																																																																				
Renewable Energy	53	0	15	21	17																																																																				
Total	158	0	44	68	46																																																																				

1.4 Registered office

The entity is domiciled in Kigali, Rwanda. The address of its registered office is:
 University of Rwanda, College of Sciences and Technology.
 Kigali, Rwanda

**AFRICAN CENTRE OF EXCELLENCE IN ENERGY FOR SUSTAINABLE DEVELOPMENT (ACEESD)
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1.5 Bankers

The following are the bankers for the current year:

National Bank of Rwanda.
Bank of Kigali

1.6 Auditors

The Project is audited by the Office of the Auditor General.

1.7 Center Management Team

The management team that held office during the year ended 30 June 2021 and up to the time of current audit in December 2021, are included in the table below:

s/n	Name	Position
1	Françoise KAYITARE TENGERA	Deputy Vice Chancellor for Administration and Finance
2	Dr. Charles KABIRI	Ag Center Director from 25/6/2020
3	Dr Ignace GATARE	Principal-College of Science and Technology/University of Rwanda
4	Immaculate BUGINGO	UR SPIU Coordinator
5	Innocent MUSABYIMANA	Coordinator of African Centers of Excellence
6	Maurice Phabian Kanamugire	Ag. UR SPIU Director of Administration and Finance
7	Landuard KIRIKIRI	Centre Administrator
8	Alexis NYUMVIRA	ACEs Procurement Officer
9	JMV HARINDINTWALI	Accountant

1.8 Funding Summary

The Project is for duration of 6 years from 2016 to December 2023 with an approved budget of USD 5,500,000 as highlighted in the table below:

Source of funds	Commitment	Cumulative amount received to 30 June 2021	Cumulative amount received to 30 June 2021	Undrawn balance to	*Undrawn balance
	(A)	(B)	(C)	D=(A)-(B)	E= (D*987.139896)
	(in USD)	(in USD)	(in Frw)	(in USD)	(Frw)
Loan					
World Bank	5,500,000	3,652,001	3,222,011,843.00	1,847,999	1,824,233,541
Total	5,500,000	3,652,001	3,222,011,843	1,847,999	1,824,233,541

**Undrawn balance of USD as at 30 June 2021 was translated into Frw using BNR quoted average rate of 30 June 2021 which is 1USD=Frw 987.139896*

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Below are details of amount received from World Bank up to 30 June 2021:

Received date	Amount received	Exchange rate	Total amount in local currency
	USD		Frw
24/04/2017	1,100,000	818.667858	900,534,644
13/05/2019	370,101	883.97199	327,158,917
13/05/2019	511,000	883.97199	451,709,687
14/08/2019	507,500	894.653603	454,036,704
17/03/2020	270,000	920.675726	248,582,446
28/08/2020	893,400	940.216527	839,989,445
Total			3,222,011,843

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2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

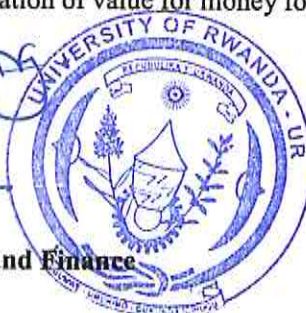
Article 19 of the Organic Law N° 12/2013 further stipulates that the Chief Budget Manager is responsible for maintaining accounts and records of the budget agency, preparing reports on budget execution, managing revenues and expenditures, preparing, maintaining and coordinating the use of financial plans,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

As Chief Budget Manager, I accept responsibility for complying with all the provisions of the Organic Law, applicable public financial management regulations and other laws relating to public finance in incurring expenditure and managing the financial resources for **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** effectively, efficiently and transparently as determined by Article 19 of the Organic Law N° 12/2013 of 12/09/2013 on State Finances and Property.

In my opinion, **ACEESD** complied with all applicable laws, regulations and guidelines in incurring expenditure and I further confirm that financial resources were managed effectively, efficiently and transparently to enable the realization of value for money for public funds.

Signature: _____

Françoise KAYITARE TENGERA
Deputy Vice Chancellor for Administration and Finance
University of Rwanda



Date: 31st December 2021

3. REPORT OF THE AUDITOR GENERAL

REPORT ON COMPLIANCE

Françoise KAYITARE TENGERA
Deputy Vice Chancellor for Administration and Finance
University of Rwanda

3.1 Opinions

In accordance with the 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 carried out a compliance audit on whether **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** complied with applicable laws, regulations, guidelines and realized value for money in incurring expenditure for the year ended 30 June 2021 evaluated against the compliance with laws, regulations and guidelines regulating public expenditure. The evidence obtained is sufficient and appropriate to provide a basis for my opinion that **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** complied in all material respects, with applicable laws, regulations, guidelines and realized value for money in incurring expenditure. The opinions I expressed are described below:

3.1.1 Unqualified opinion on compliance with applicable laws, regulations and guidelines regulating public spending

In my opinion, based on audit work performed, **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** complied, in all material respects with applicable laws, regulations and guidelines regulating public spending in incurring expenditure for year ended 30 June 2021.

3.1.2 Unqualified opinion on realization of value for money in utilization of public funds

In my opinion, based on audit work performed, **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** complied, in all material respects with applicable laws, regulations and guidelines to realize value for money in utilization of public funds for year ended 30 June 2021.

3.2 Basis for Opinions

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** and have fulfilled my ethical responsibilities in accordance with the ethical requirements that are relevant to my audit of public entities as determined by the Code of ethics for International Organization of Supreme Audit Institutions (INTOSAI). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions on whether the entity complied with applicable laws,

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COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2021

regulations and guidelines regulating public spending and realized value for money in incurring expenditure

3.3 Management's responsibility for compliance

The Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property specifies that management of **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** is responsible for ensuring compliance with all the provisions of the Organic Law, applicable public financial management regulations and other laws relating to public finance, to manage economically, effectively, efficiently and in a transparent manner, all the public funds in accordance with relevant legal provisions.

3.4 Auditor General's responsibility for compliance

Article 166 of the Constitution of the Republic of Rwanda of 2003 as revised in 2015, requires the Auditor General to confirm that:

- Expenditure incurred was necessary and in conformity with the laws and regulations in force and sound management;
- Controls to safeguard the receipt, custody and proper use of public funds were put in place and that the laws and regulations in force were duly observed to prevent misappropriation of public funds; and
- ACEESD acquired and utilized human, material and financial resources economically, efficiently and effectively to prevent squandering of public funds.

My responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the above provisions of the Constitution implemented through Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property and other existing laws and regulations relating to public financial management in Rwanda. This responsibility includes performing procedures to obtain audit evidence about whether the entity's expenditure was incurred in accordance with applicable laws, regulations and guidelines and whether value for money was realized in utilization of public funds. Such procedures include the assessment of the risks of material non-compliance.

KAMUHIRE Alexis
AUDITOR GENERAL

KIGALI

31st December
.....2021



AFRICAN CENTRE OF EXCELLENCE IN ENERGY FOR SUSTAINABLE DEVELOPMENT (ACEESD)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2021

4 DESCRIPTION OF THE SUBJECT MATTERS AND SCOPE

In accordance with the mandate vested in the Office of the Auditor General under Article 165 of the Constitution of the Republic of Rwanda of 4 June 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 carried out a compliance audit on whether the **African Centre of Excellence in Energy for Sustainable Development (ACEESD)** complied with laws, regulations and guidelines regulating public spending in incurring expenditure for the year ended 30 June 2021. I also evaluated whether **ACEESD** realized value for money in utilization of public funds for the year ended 30 June 2021.

4.1 Audit Objective

Article 166 of the Constitution of the Republic of Rwanda of 2003 as revised in 2015 and article 6 of Law N°79/2013 of 11/09/2013 determining the mission, organization and functioning of the OAG, require the Auditor General to confirm that:

- Expenditure incurred was necessary and in conformity with the laws and regulations in force and sound management;
- Controls to safeguard the receipt, custody and proper use of public funds were put in place and that the laws and regulations in force were duly observed to prevent misappropriation of public funds; and
- **ACEESD** acquired and utilized human, material and financial resources economically, efficiently and effectively to prevent squandering of public funds.

I conducted compliance audit to confirm whether **ACEESD** complied with applicable laws, regulations and guidelines regulating public spending in incurring expenditure and realized value for money in utilization of public funds.

4.2 Audit Criteria

Criteria refer to relevant acts /laws or resolutions of the legislature and guidance issued by the competent public authorities, with which the audited entity is expected to comply.

The following are applicable criteria:

4.2.1 Compliance with applicable laws, regulations regulating public expenditure

- Law N° 12/2007 of 27/03/2007 on public procurement;
- Law N° 05/2013 of 13/02/2013 modifying and completing the Law N° 12/2007 of 27/03/2007 on public procurement;
- Law N°62/2018 of 25/08/2018 governing public procurement;
- Law N° 86/2013 of 11/09/2013 establishing the general statutes for public service;
- Law N° 003/2016 of 30/03/2016 governing maternity leave benefit scheme;
- Law N° 016/2018 of 13/04/2018 establishing taxes on income;
- *Law N° 37/2012 of 09/11/2012 establishing the value added tax;*
- Law N° 25/2005 of 04/12/2005 on tax procedures;

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- Presidential order N° 144/01 of 13/04/2017 determining modalities for recruitment, appointment and nomination of public servants;
- Presidential Order N° 46/01 of 26/07/2011 governing modalities for the recruitment, appointment and nomination of public servants;
- Prime Minister's Order N° 121/03 of 08-09-2010 establishing the procedures of performance appraisal and promotion of public servants;
- Ministerial Order N° 03/MIFOTRA/15 of 09/06/2015 determining modalities for recruiting contractual staff in public service;
- Ministerial order N° 001/14/10/TC of 19/02/2014 establishing regulations on public procurement, standard bidding documents and standard contracts;
- Signed loan agreement N° 5796RW between Government of Rwanda and International Development Association and related Project implementation plan;
- Performance and financing agreement regarding the provision of proceeds of IDA credit for Eastern and South Africa Higher Education Centers of Excellence-ACEII (Credit N°5796RW)
- Eastern and South Africa Higher Education Centers of Excellence-ACEII Customized Project Operational Manual.

4.2.2. Realization of value for money in utilization of public funds

- Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations;
- Contracts signed between ACEESD and the suppliers.

4.3. Summary of Work Performed and Methods

To obtain sufficient and appropriate audit evidence on which I based on to express an opinion, I used different techniques in gathering evidence namely; inquires, inspection of documents, inspection of fixed assets or constructed infrastructure and re-computation.

Meaning of methods of gathering audit evidence

Inquiries: This method of gathering evidence involves seeking information from relevant persons, both within and outside the audited entity, and may include: Formal written inquiries; informal oral discussions; interviewing and asking questions of relevant persons, including experts; and preparing and sending questionnaires or surveys.

Inspection of documents: This method involves the examination of documents and records, both internal and external, in paper, electronic or other forms.

Inspection of fixed assets or constructed infrastructure: This method involves examining an asset or constructed infrastructure to determine its physical condition, its use and applicable required asset's specifications.

Re-computation: This method consists of confirming the mathematical accuracy of documents or records.

DETAILED AUDIT FINDINGS PER SUBJECT MATTERS

5. COMPLIANCE WITH LAWS, REGULATIONS AND GUIDELINES REGULATING PUBLIC SPENDING

5.1. REVIEW OF COMPLIANCE WITH PROCUREMENT PROCEDURES IN INCURRING EXPENDITURE

5.1.1. Concerns over a tender for hiring consulting firm to develop African Centers of Excellence (ACEs) sustainability strategic plans with their associated annexes

Observations

- *Long delay noted in awarding tender of hiring consulting firm to develop ACEs Sustainability strategic plans with their associated annexes*

Concerns noted during the prior year audit

The tender of hiring consulting firm to develop ACEs (ACE-ITLMS, ACE-ESD, ACE-IoT and ACE-DS) sustainability strategic plans with their associated annexes was previously entitled, tender for hiring a Consultant to develop a business plan. It was planned but was not awarded during the previous year ended 30 June 2020 due to the fact that the terms of reference were not adequately designed.

Concerns noted during the current audit

During the year under review, it was noted that the tender was re- advertised 2 times (on 15/01/2021 and 02/04/2021). However, the project did not obtain qualified bidder to be awarded the tender as the first ranked consultant, MTI consulting group withdrew his bidding documents from tendering process and the second ranked had high financial offer compared to the budget.

On 3 December 2021, the Public Tender Committee (ITC) recommended to cancel this tender due to the mentioned reason and recommended to the user department to have a deep market survey and revise the budget allocated to this activity prior to the tender re-advertisement and also to seize the bid security of MTI consulting group.

Therefore, the procurement process of this tender has taken 2.5 years so far and this has an impact on the realisation of the intended objective as this business plan would give guidance to Centers of Excellence (ACEs) in Rwanda to ensure their sustainability after the project funding period.

- *Failure to provide the basis to determine the budgeted amount of the tender*

The audit did not obtain the basis to estimate the budgeted amount such as market survey or benchmarking as this is evidenced by the significant variance between the planned cost of the tender and the offers submitted by the bidders as shown below:

AFRICAN CENTRE OF EXCELLENCE IN ENERGY FOR SUSTAINABLE DEVELOPMENT (ACEESD)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2021

Bidders	Budgeted amount	Financial offers submitted by Bidders	Variance	
			Frw	%
MTI Consulting Group	80,000,000	158,760,000	78,760,000	98
LIFETIME LEARNING LTD		406,463,081	326,463,081	408

➤ ***Documents related to the cancellation of that tender not posted in e-procurement system***

Article 17 of Law N°62/2018 of 25/08/2018 governing public procurement states that any communication relating to public procurement is made through e-procurement system. However, other forms of communication are temporally accepted if any user encounters problems in using the e-procurement system. The concerned user immediately communicates using the e-procurement system when the problem is resolved.

In case pre-tender meeting or on site visit is necessary, the substance of discussions and clarifications must be written down and posted to the e-procurement system. All information to be provided in relation to public procurement must be provided within five (5) working days after it has been requested. For communication of information, the use of electronic address is mandatory unless it is impossible, in which case the information is provided as already explained in this Law.

Contrary to the requirement above, the audit noted that documents such as vetting report, letter from MTI Consulting Firm withdrawing his bid in tendering process and the cancellation letter of the tender were not posted to the e-procurement system.

Risks

- The above irregularities noted above is an indication of inappropriate oversight/guidance by the project management on this tender. Therefore, there is a risk that the intended purpose will not be achieved within the planned timeline as envisaged.
- Delay to award tender for consultancy service implies that ACEs are delaying to get strategic guidance including how to generate income for future sustainability after the project funding.
- The validity and authenticity of documents provided outside the e-procurement could not be ascertained.

Recommendations

- UR/SPIU management should undertake market survey or benchmarking on this tender that will serve for planning the realistic cost of the tender.
- UR/SPIU management should give guidance on this tender and ensure that the process to award the tender is accelerated to award it to the competent consulting firm by complying with all tendering procedures.
- Going forward, UR/SPIU management should ensure that all documents related to any tender are posted to e-procurement for future reference.

AFRICAN CENTRE OF EXCELLENCE IN ENERGY FOR SUSTAINABLE DEVELOPMENT (ACEESD)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2021

Management comments

The tender for hiring consulting firm to develop African Centers of Excellence (ACEs) sustainability strategic plans followed usual and normal procurement processes. In fact, the tender was advertised twice because the initial one was cancelled due to lack of required number of bidders. Only two technical offers were submitted instead of three as required by the article 68 of the Procurement Law No 62/2018 of 25-08-2018, stipulating that "The procuring entity must establish a shortlist comprised of bidders with the capacity to perform the required consultancy. The shortlist must have as many consultants as possible but not less than three.

In the absence of the required number of bidders, the tender was re-advertised for the second time following regular procurement process. Unfortunately, the first ranked bidder both financially and technically decided to withdraw from the tendering process. Therefore, the tender was cancelled in the Umucyo E-procurement system, and it will be re-advertised. It is important to emphasize the legitimacy of the public procurement law that is being strictly followed and adhered to throughout these processes. Therefore, the process of seizing the bid security of the bidder has been initiated.

The basis to determine the amount of the tender was based on the rates found on page 27 of UNDP procurement guide. The average rate taken was 500\$ per day which is within the limits (300 USD-550 USD) in reference to the above guide. The duration of the assignment was 120 days resulting in the total consultant fees amounting to USD 60,000. In addition, an amount of USD 20,000 of reimbursable was estimated based on the nature and the scope of work to be performed. This was to cover validation workshops, local transport and communication.

As the public procurement law allows undertaking and trying a number of times until a successful and competent bidder is found, the tender will be re-advertised accordingly in the Umucyo E-Procurement system as it was done previously.

Auditor's comments

- *Letter from MTI Consulting Firm withdrawing his bid in tendering process and the cancellation letter of the tender were not uploaded in the e-procurement system, contrary to article 17 of procurement law N°62/2018 of 25/08/2018 governing public procurement states that any communication relating to public procurement is made through e-procurement system.*
- *In addition, there was no documented basis of estimating the USD 20,000 for reimbursable fees stated in the management comment.*

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6. REALIZATION OF VALUE FOR MONEY IN UTILIZATION OF PUBLIC FUNDS

6.1. REVIEW OF BANK BALANCES

6.1.1. Idle funds held in commercial bank

Observation

Annexe 3 point 5(f) of the Project Appraisal Document states that the African Centers of Excellence (ACEs) will be responsible for ensuring its sustainability after the project implementation period is over. The ACE will work on fundraising and developing external sources of revenue.

It is in this context that tuitions fees are deposited on bank accounts of ACE-ESD opened in Bank of Kigali meant for financial sustainability after the funding period. The deposited amounts accumulated to **Frw 283,451,753.79** as at 30 June 2021. However, the audit considered this balance as idle since it was not generating interest that could increase funds needed for financial sustainability after the funding period. **See table below for details:**

Cod e	Bank account name	Bank	Bank account	Bank balance	Currency	Exchange rate	Closing balance as at 30 June 2021 in Frw
3114 21	UR/ACE-ESD	BK	0774479 9-76	1,832.35	USD	987.139896	1,808,785.79
3115 20	UR/ACE-ESD	BK	0774479 8-75	281,642,968	RWF	0	281,642,968
Total							283,451,753.79

Risk

Keeping idle funds in commercial bank without earning interest, denied the Project income that could be earned to increase own generated revenue for future financial sustainability.

Recommendation

UR/SPIU Management should expedite the process of negotiating with the Bank of Kigali so as to open a fixed term deposit bank account as approved by MINECOFIN.

Management comments

The purpose of opening African Centres of Excellence (ACEs) collection accounts was to achieve DLI 2.7 related to revenue generation. It was required that funds attracted appear on the separate bank account so that they could be verified by the Inter University Council for East Africa (IUCEA) to confirm DLI 2.7 related to income generation by ACEs and thereafter trigger funding related to that specific DLI. If one was to refer to the past audit reports of the ACEs, the biggest concern was the fact that at the beginning of the ACEs project, collection accounts were not opened immediately. Therefore, there was a fear and risk that DLI 2.7 will never be achieved. When the centres started generating some income, the collection accounts were opened. Thus, funds started being deposited although there was still a lot of pessimism

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that centres will not generate enough funds to trigger DLI. However, in 2021, after a sizable amount of money was accumulated in the respective centre's collection accounts, IUCEA did a verification and confirmed the amount that triggered funds related DLI 2.7. Funds were received on 30th November 2021. Before then, funds accumulated on collection accounts could not be used for any purpose except to trigger funds related to DLI 2.7. Therefore, there was no idealness of funds of whatsoever as the intended and key purpose of why collection accounts were opened was achieved, DLI 2.7.

It is very important to highlight though that achievement of DLI 2.7 is progressive as ACEs project continues, particularly for centres of excellence that have not yet fully achieved 100%. Therefore, collection accounts will continue to serve the very purpose and reason why they were created in reference to the World Bank project documents.

Regarding the investments of the funds already verified, it is a best practice but not a requirement by the World Bank. It is in that perspective that after getting the funds related to DLI 2.7 on 30th November 2021, the ACEs thought about possible investment to be done and engaged the Ministry of Finance and Economic Planning (MINECOFIN) about it as the mandated ministry in that regards. MINECOFIN approved the proposal of opening bank deposit accounts and requested the ACEs to negotiate with the Bank of Kigali. As investing is a process and require deep negotiations, the process of negotiating with the Bank of Kigali has already started and once the very best deal is obtained, it will be communicated to MINECOFIN accordingly. From 30th November 2021 to date (27th December 2021) when this report is being finalized; it would be premature and unfounded to qualify the funds "idle".

Regarding the sustainability issue, investment of cash generated is one source including many others like fundraising, winning grants, to name a few. Therefore, sustainability remains a key priority that centres are working on exhaustively without only focusing on one source. As the project document says the ACEs will work on fundraising and developing external sources of revenue.

Auditor's comments

Based on the documentation shared; it is not stated anywhere whether funds can only be invested upon DLI verification. There was no attempt of engaging strategic stakeholders for action for possible earning of interest on these deposits.

In addition, the funds that were considered as idle are those accumulated up to 30 June 2021. Funds sent by the bank on 30th November 2021 as stated in the management comments, were deposited on bank accounts after the year end and these were not questioned in the above observation.

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7. IMPLEMENTATION OF PREVIOUS YEAR AUDIT RECOMMENDATIONS

7.1.1. Withheld taxes paid during the prior year but not yet declared to Rwanda Revenue Authority

Observation

Article 63 of the Law N° 016/2018 of 13/04/2018 establishing taxes on income states that the person who withholds taxes in provision of Article 59 to 62 of the same law is required to file a tax declaration and make payment in accordance with the procedures prescribed by the tax administration within a period of fifteen (15) days after the month in which the taxes were withheld.

However, as highlighted in the previous audit report, there were no evidence of declaration of taxes amounting to **Frw 520,062**, **Frw 616,133** and **Frw 3,729,336** relating to tax withheld of 3%, 15% and 18% respectively arising from invoices paid during the year ended 30 June 2020. Further, there was no proof of declaration of 15% withholding taxes amounting to **USD 1,386** and **EUR 38,276.67**.

Up to the time of current year audit conducted in December 2021, there was no proof that the taxes mentioned above paid during the previous year were subsequently declared to RRA. *See details in the table below:*

Payment date	Account and Description	Invoice amount	Paid but undeclared withheld tax 3%	Paid but undeclared withheld tax 15%	Paid but undeclared VAT 18%
		Frw	Frw	Frw	Frw
22/1/2020	UR ACEENERG SUST DEV Training hotel facility (Payment restaurant LA PALISSE)	7,010,000	178,220	-	1,069,322
19/7/2019	UR ACEENERG SUST DEV Internet Costs (Payment Preview solution for network)	9,146,086	253,235	-	704,907
7/10/2019	Payment Mustafa for teaching services	4,107,555	-	616,133	-
20/10/2019	Payment Air ticket of Dr Kabiri and Prof Ntagwirumugara	329,434	9,883	-	-
19/7/2019	Payment LAPALISSE restaurant used to perform activities of the center	6,732,000	-	-	1,026,915
31/01/2020	payment preview solution for IT equipment	2,264,687	78,724	-	928,192
Total			520,062	616,133	3,729,336
		USD	USD	USD	USD

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Payment date	Account and Description	Invoice amount	Paid but undeclared withheld tax 3%	Paid but undeclared withheld tax 15%	Paid but undeclared VAT 18%
		Frw	Frw	Frw	Frw
29/1/2020	Payment for teaching services to Dr Francis Mulolani	3,000	-	450	-
28/1/2020	Payment for teaching services to Dr MULUGETA	6,240	-	936	-
Total		9,240		1,386	
		EUR	EUR	EUR	EUR
31/12/2019	Laboratory equipment phase II	255,177.83		38,276.67	-
Total				38,276.67	

Risk

Failure to declare paid taxes may cause suspense in the books of tax administration authority which may lead to fines and penalties being levied by the tax administration.

Recommendation

Management should follow up to ensure the above taxes are declared to RRA. Going forward, Management of ACE-ESD should ensure that all taxes are paid and declared to Rwanda Revenue Authority (RRA) within the prescribed deadlines.

Management comments

Currently the University of Rwanda (UR) and Rwanda Revenue Authority (RRA) are making reconciliation of UR tax account since the university creation in 2013. Any omission and error is being rectified accordingly.

7.2. Low implementation of previous year audit recommendations

Observation

Article 69 of the Organic Law N° 12/2013/OL of 12 September 2013 on State Finances and Property states the Chief Budget Managers shall be responsible for implementing the recommendations of the Auditor General of State Finances aimed at improving the effective management and use of public funds.

Contrary to this provision, an assessment of the progress on the implementation of previous audit recommendations revealed that some of the preceding recommendations were not implemented. At the time of this audit in December 2021, **33%** of the audit recommendations made in the previous audit were implemented, while **67%** were not implemented, **as summarized in the table below:**

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No	Particulars	Number of findings
1.	Total number of findings raised in the previous audit report	3
2.	Number of recommendations that are not applicable	0
3.	Number of recommendations that were applicable at the time of audit	3
4.	Number of recommendations that have been fully implemented as at time of current audit	1
5.	Number of recommendations that have been partially implemented as at time of current audit	-
6.	Number of recommendations not implemented as at time of current audit	2
7.	Percentage of previous recommendations fully implemented (no.4/no.3)*100	33%
8.	Percentage of previous recommendations partially implemented (no.5/no.3)	-
9.	Percentage of previous recommendations not implemented (no.6/no.3)*100	67%

See details in **appendix 1** of recommendations that were not implemented

Risks

Non-implementation of some of the previous audit recommendations results in persistence weaknesses in internal control systems and management of public funds. Therefore, the desired improvements may not be realized.

Recommendation

Management should ensure that proper action plan for implementation of current and prior year audit recommendations is put in place and followed up to ensure full implementation of audit recommendations as soon as practicable.

Management comment

The center management team will ensure that all recommendations are fully implemented. Detailed action plan for implementation of current and prior year audit recommendations will be put in place and followed up closely to ensure full implementation of audit recommendations.

APPENDIX

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Appendix 1: Status of implementations of previous audit recommendations

No.	Audit observation	Recommendation not implemented
	ISSUES FROM COMPLIANCE AUDIT REPORT	
1	<p>Planned tender for hiring a Consultant to develop a business plan not awarded</p> <p>Failure to award a tender worth Frw 45,000,000 for hiring a Consultant to develop a business plan for the four (4) ACEs (ACE-ITLMS, ACE-ESD, ACE-IoT and ACE-DS). The contribution of ACE-ESD was Frw 11,250,000 (45,000,000/4).</p> <p>Recommendation</p> <p>Ensure that the annual procurement plan reflects the priority activities of the Center. The procurement plan should be prepared after a proper evaluation of needs from user departments. The factors that lead to failure to award planned tender should be identified and properly dealt with.</p>	<p>✓</p> <p><i>During the previous audit, the tender was not awarded due to the fact that the terms of reference were not adequately designed. During the year under audit, the tender was re-advertised and the scope was extended. However, the tender was cancelled due to the fact that the first ranked consultant withdrew from the tendering process and the second did not meet the budget requirement. At the time of current audit conducted in December 2021, this tender was yet to be awarded. Refer to section 5.1.1 of the current compliance audit report.</i></p>
2.	<p>Withheld taxes paid but not declared to Rwanda Revenue Authority</p> <p>Observation</p> <p>There were no evidences of declaration of taxes amounting to Frw 520,062, Frw 616,133 and Frw 3,729,336 relating to tax withheld of (3%); 15% and 18% respectively arising from invoices paid during the year under review. Further, there was no proof of declaration of 15% withholding taxes amounting to USD 1,386 and EUR 38,276.67.</p> <p>Recommendation</p> <p>Ensure that all taxes are paid and declared to Rwanda Revenue Authority (RRA) within the prescribed deadlines. Management should follow up to ensure the above taxes are declared to RRA.</p> <p>Total</p>	<p>✓</p> <p><i>Up to the time of current audit in December 2021, those taxes were no yet declared to RRA. Refer to section 7.1.1 of the current compliance audit report</i></p> <p align="right">2</p>

