Government of Rwanda (GoR)

2015 Local Government PEFA PFM Performance Assessment

Kamonyi District

Final Report

Prepared by AECOM International Team

of

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Basic Information

Currency	Rwanda Franc = 100 …(?)
Official Exchange Rate ((US $, June)	765 RwF (Average)
Fiscal/Budget Year	July – June
Weights and Measures	Metric System (?)

Kamonyi District

Location	Southern Province, Rwanda
Government	Elected Legislative District Council and Executive Mayor
Political arrangement	Limited Administrative, political, and fiscal autonomy
Administrative Divisions	12 sectors, 59 cells, 317 villages
HQs	Kamonyi
Industrial/Commercial Cities	None, Rural based district
Population	340,501 (2012 census)
Area	655 km^2
Population Density	519 persons/km^2 (2012 census)
Official Languages	Kinyarwanda, English, & French

Government of Rwanda – 2015 Local Government PEFA PFM Performance Assessment – Kamonyi District – Final Report – 31 July 2017

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK'**.

PEFA Secretariat
August 28, 2017

Disclosure of Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment report for the District of Kamonyi, Rwanda, and final report dated July 31, 2017.

1. Review of Concept Note

- Draft concept note and/or terms of reference dated November 2014 was submitted for review on November 4, 2014 to the following reviewers:
  - 1) District of Kamonyi
  - 2) Government of Rwanda
  - 3) World Bank
  - 4) Kreditanstalt für Wiederaufbau (KFW)
  - 5) Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
  - 6) UK Department for International Development (DFID)
  - 7) EU Delegation
  - 8) Agence Belge de Développement (BTC)
  - 9) PEFA Secretariat

  Final concept note dated February 25, 2015 was forwarded to reviewers.

2. Review of draft report

- Draft report dated January 2016 was submitted for review on April 22, 2016 to the following reviewers:
  - 1) District of Kamonyi
  - 2) Government of Rwanda
  - 3) World Bank
  - 4) Kreditanstalt für Wiederaufbau (KFW)
  - 5) Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
  - 6) UK Department for International Development (DFID)
  - 7) EU Delegation
  - 8) Agence Belge de Développement (BTC)
  - 9) PEFA Secretariat

3. Review of final draft report

A revised final draft assessment was forwarded to reviewers on May 2, 2017 and included a table showing the response to all comments raised by all reviewers.

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Acronyms and Abbreviations

AC – Audit Committee of a district council
BFP - Budget Framework Paper
CBM – Chief Budget Manager
CG – Central Government
DC – District Council
DDP – District Development Plan
DoA – Director of Administration
DSA – Debt Sustainability Analysis
EC – Economic Commission (of District Council) / Executive Committee (of the District)
EDPRS – Economic Development & Poverty Reduction Strategy
ES – Executive Secretary
FY – Fiscal/Financial Year; usually signifies the year in which a 12-calendar month fiscal system ends
GDP – Gross Domestic Product
GoR – Government of Rwanda
HR(M) – Human Resource (Management)
IA – Internal Audit
IIA – Institute of Internal Auditors
INTOSAI – International organization of Supreme Audit Institutions
IPPS – Integrated Personnel & Payroll System
IPSAS – International Public Sector Accounting Standards
ISPPIA – International Standards for Public Practice in Internal Audit
JDF – Joint Action Development Forum
LODA – Local Administrative Entities Development Agency
MDA – Ministries, Departments, and Agencies
MDGs – Millennium Development Goals
MIFOTRA – Ministry of Public Service and Labour
MINALOC – Ministry of Local Government
MINECOFIN – Ministry of Finance & Economic Planning
MINISANTE – Ministry of Health
MoU(s) – Memorandum(s) of Understanding
NA – not applicable
NBA – Non-budget agency
NISR - Rwanda National Institute for Statistical Research
NR – not rated
OAG – Office of the Auditor General of State Finances
OBL – Organic Budget Law
PAC - Public Accounts Committee
PEFA – Public Expenditure and Financial Accountability
PS – Permanent Secretary of a ministry
PSF – Public Sector Forum
RRA – Rwanda Revenue Authority
SAI- Supreme Audit Institution
SEAS – Subsidiary Entities Accounting System
TAC – Tax Advisory Committee
TMC – Treasury Management Committee
TR – Total Revenue
TSA - Treasury single account

Acknowledgements

The consultants are grateful to all who made this work possible, including officials of the Ministry of Finance & Economic Planning and the District Administration.

Chinedum Nwoko

Team Leader

Summary Assessment

0.1 This section is a synopsis of the detailed assessment in Section 3. It provides a high level overview of the status of the public financial management system in 2015, telling the main emerging story of the assessment. It discusses performances along the six core dimensions of the PEFA PFM Performance Measurement Framework and highlights the implications of identified weaknesses and their potential impact on the attainment of the three key budgetary goals of aggregate fiscal discipline, strategic allocation of resources, and effective service delivery. Finally, it evaluates the impact of factors predisposing to continuing reforms as well as factors inhibiting reform success and sustainability.

Story Line

0.2 *The Kamonyi District PFM system posts an impressive picture of performance with top scores in nine indicators cutting across the six core dimensions (Table 0.1).* However, several dimensions of some of these and other indicators do not apply at the district level, because the CG retains responsibility for them. For instance, the CG regulates public procurement and external audit and scrutiny. Districts' roles in them are to apply the regulations as made and to rectify adverse audit findings, within their powers to fix. Notwithstanding this strong showing, several areas need reform attention. Performance is uneven within the same core dimension, with the relatively poor showing of some indicators and dimensions capable of impeding the strong performance of the others and constituting overall risks to entire PFM system. This is the main message of this assessment that the integrated assessment below elaborates on.

Table 0.3: Summary of Performance of the PFM System

S/No	Score	Performance Indicators	Total
1	A	PI 4, 5, 7, 11, 13, 22	6
2	B+	PI 19, 25, 26	3
3	B	PI 3, 12	2
4	C+	PI 17, 20, 21, 27	3
5	C	PI 1, 9, 10	3
6	D+	HLG-1, PI 2, 18, 24	4
7	D	PI 6, 15, 23	2
8	NA	PI 8, 14	2
9	NR	PI 16, 28	1
	Total		**29**

Integrated Assessment of PFM Performance and Their Impacts

0.3 *The foregoing main message of strong, but uneven performance has implications for the overall performance of the PFM system.* The PFM system operates as an integrated unit with the different aspects being links of the same chain that can attain optimality only with the efficient and effective performance of all components. This subsection unpacks the main message above by providing some more details. It also briefly analyzes the potential contribution of the performances of the different aspects of thee PFM system to the attainment of the three budgetary outcomes of aggregate fiscal discipline, strategic prioritization of resources, and efficient delivery of services. The analysis emphasizes the integrated nature of the PFM system by showing how weaknesses in one area can affect other areas and / or also be the consequence of weaknesses in other areas. The discussion centres around the six core dimensions of the assessment framework: (i) credibility of the budget, (ii) comprehensiveness and transparency,

(iii) policy-based budgeting, (iv) predictability and control in budget execution, (v) accounting, recording, and reporting, and (vi) external audit and scrutiny.

Credibility of the Budget

0.4 *Credibility of the budget is low in this district.* Aggregate expenditure deviation is high, as is composition variance was high. Own revenue performance also assessed poorly. Only monitoring of expenditure payment arrears assessed high here.

0.5 *Lack of budget credibility can erode fiscal discipline, upset the policy basis of the budget, reduce value for money, mask weaknesses in other areas, and undermine public trust in the budget.* For instance, high composition variances immediately distort originally intended budgetary outcomes. Midyear budget review is an admission of planning failures, inability to make accurate and reliable short term (one year) prediction of revenue and expenditure. This inability complicates budgetary control and management, affects achievement of targets, and undermines accountability for resources, which in turn makes the budget less credible. Annual budget review adversely affects development of planning capacity by providing an escape route (excuses) for poor programming, rather than compelling improvements by drawing attention to the failures. Low budget credibility affects public trust in the budget as a true expression of government policy intentions. When the government consistently fails to implement the budget as originally made, citizens come to "know and accept (?)" that the government will not implement budgets. Accountability suffers a consequence.

Table 0.4: A. PFM Outturns: Credibility of the Budget

Indicator	2015 Assessment					
	Dimension Ratings				Overall Score	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
1. Aggregate expenditure out-turn compared to original approved budget	C				**C**	Actual expenditure deviated from budget expenditure by more than 15% only in FY 2012. Expenditure deviation was 17.1% in FY 2012, 14.5% in FY 2013, and 5.6% in FY 2014.
2. Composition of expenditure out-turn compared to original approved budget	D	A			**D+**	Composition variance exceeded 15% in two of the last three years: 28.0% in 2011/2012, 22.6% in 2012/2013, and 9.9 in 2013/2014. The district did not use contingency votes in any of the last three years.
3. Aggregate revenue out-turn compared to original approved budget	B				**B**	Actual domestic revenue between 94% and or above 112 percent of prediction in FY 2013 and 2014, i.e., 118.9% in FY 2012, 100.6% in FY 2013, and 106.4% in FY 2014
4. Stock and monitoring of expenditure payment arrears	A	A			**A**	the stock of expenditure payment arrears (EPA) was Frw 105,768,013 or 1.2 percent of total expenditure as at June 30, 2014, a decline of 31.6 percent its level at the close of business on June 30, 2013. Notes to the financial statements include detailed schedule of accounts payable, usually invoices for small purchases made after formal closure of the books at yearend, and paid immediately at the beginning of the new year.

Comprehensiveness and Transparency

0.6 *Comprehensiveness and transparency assessed well, especially in those areas of prominent CG guidance and oversight, i.e., through the existence of clear legislation or template for districts to implement (Table 0.3).* These areas include classification of the budget, reporting on operations of NBAs, and transferring funds to sectors. The district did not assess well in budget documentation to the District Council, which the CG did not regulate very strictly. The district was also unable to resolve weaknesses in the monitoring of NBAs and public access to fiscal information. For instance, the audit report rated available only because of the summarized version posted by the OAG on its website. The district did not post the detailed report on its own website (or make them available in any other way), as it did not also the audited financial statements and budget documentation.

0.7 *Lack of comprehensiveness and transparency of the PFM system can conceal waste and contribute to the perception of public corruption.* The importance of transparency is that it cuts across the entire PFM system, affecting and affected by other core dimensions from credibility of the budget to accounting and record keeping. The link with legislative scrutiny of the budget is particularly clear – inadequate budget documentation is a result and source of deficient transparency. In addition, failure to grant public access to fiscal outcomes prevents the public from making valuable facts-based inputs and suggestions that could improve governance. The public bases reactions on perceptions and rumours, rather than facts. Lack of facts-based reaction reduces opportunities for effective corrective intervention. Incomplete information also limits fair and transparent allocation of resources during budget preparation. Finally, lack of comprehensive and transparent information increases the chances of wastes in the use of resources and hinders efficient and effective service delivery and value for money.

Table 0.5: Key Crosscutting Issues: Comprehensiveness and Transparency

Indicator	2015 Assessment					
	Dimension Ratings				Overall Score	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
B. Key Cross-cutting Issues: Comprehensiveness and Transparency						
5. Classification of the budget	A				**A**	Budget classification uses administrative, economic, and functional categories; the program category fits into functional classification at the sub functional level. The general ledger records budget execution on the IFMIS using the same categories as in formulation, but actual reporting is only by economic category.
6. Comprehensiveness of information included in the budget	D				**D**	The district provides none of the four elements applicable
7. Extent of unreported government operations	A	NA			**A**	Monthly and annual financial reports disclose key fiscal information of the district's government in the main accounts, and of the 143 subsidiary entities (AGAs, i.e., schools, health institutions, and administrative sectors), excluding PTA collections, in the notes. In line with PEFA Secretariat's guidance, dimension (ii) does not apply to districts, since districts do not directly contract loans/grants. The CG does.
8. Transparency of inter-governmental fiscal relations	NA	NA	NA		**NA**	NA – this indicator is not applicable, since sectors are not autonomous entities of the district.
9. Oversight of aggregate fiscal risk from other public sector entities	C	NA			**C**	The 143 NBAs do not audit their accounts, but they submit unaudited monthly financial reports to the District, which the Finance Unit consolidates into an overall report and includes in the notes to its monthly, quarterly, and annual financial statements. The large number of NBAs, and the limited number of internal auditors and accounting personnel makes effective

Table 0.5: Key Crosscutting Issues: Comprehensiveness and Transparency						
Indicator	**2015 Assessment**					
	Dimension Ratings				**Overall Score**	**Brief Explanation and Cardinal Data Used**
	i	**ii**	**iii**	**iv**		
						review of financial statements submitted by the NBAs difficult. The district is the lowest tier of formal government.
10. Public access to key fiscal information	C				**C**	The District provides four of the eight elements.

Policy-Based Budgeting

0.8 *Policy based budgeting also present a mixed picture of performance, although several dimensions of the indicators do not apply at the district level.* Adherence to the budget calendar was good, leading to approval of the budget before the commencement of the budget year, as provided in the law. However, recurrent and investment budgeting processes remain different; districts follow CG guidelines and procedures in formulating the budget.

0.9 *Discussing the potential impact of weaknesses in this area is difficult, because the CG makes the budget policies that districts implement. However, weaknesses in policy directly affect credibility of the budget and transparency.* Weaknesses in policy planning are a major cause of the regular midyear budget review that distorts the original budget and undermines its credibility. The "delink" of recurrent and investment budgeting affects optimal resource programming and use.

Table 0.6: Policy-Based Budgeting						
Indicator	**2015 Assessment**					
	Dimension Ratings				**Overall Score**	**Brief Explanation and Cardinal Data Used**
	i	**ii**	**iii**	**iv**		
11. Orderliness and participation in the annual budget process	A	A	A		**A**	Districts do not prepare independent budget calendars and call circulars, but rather apply those issued by the MINECOFIN, as all other budget entities do. The CG (MINECOFIN) issues two call circulars to all budget entities, including districts. The first announces commencement of the budget season and provides planning guidelines; the second conveys firm and clear expenditure ceilings. The DC approves the budget before the commencement of the new FY on July 1, e.g., June 26, 2014 for FY 2015, June 23, 2013 for FY 2014, and June 21, 2012 for FY 2013.
12. Multi-year perspective in fiscal planning, expenditure policy, and budgeting	A	NA	B	D	**B**	The CG (MINECOFIN) makes three-year rolling fiscal forecasts for the entire country along the main economic categories (wage, nonwage, development/capital, domestic and foreign funds, etc.) and allocations to the main sectors. Dimension (ii) does not apply to the District, because the District does not have any debt. The District Development Plan (DDP), 2013 – 2018 has provides ballpark costs for development projects (but not the recurrent cost component) for all sectors and links this with the EDPRS 2 (2013 – 2018). The DDP is also the basis for the MTEF (although with some modifications) and budget. The link between investment and recurrent expenditure costing is weak; the two are separate activities.

Predictability and Control in Budget Execution

0.10 *Many areas of this core dimension assessed well, the key drawbacks being certain dimensions in the areas of tax collections, internal controls, and internal audit (Table 0.5), although several dimensions of the indicators do not apply to districts.* Complete reconciliation of tax collections is lacking, as is payroll audit, especially in schools that have a large number of teachers. Capacity issues in NBAs undermine the effectiveness of internal controls, as they also do internal audit. However, NBAs were not the focus of this assessment as explained in the section on Introduction below.

0.11 *Ineffective tax reconciliation can hide weaknesses and waste in the tax collection process.* Weak payroll controls can also be an indication of poor planning; they can also lead to suboptimal resource use. Weaknesses in internal controls can mask weaknesses in the PFM system, lead to inefficient use of resources, reduce value for money in service delivery, diminish reliability of accounting records and reports, and particularly undermine external audit and scrutiny. These weaknesses also constitute a transparency issue and complicates budget management.

Table 0.7: Predictability and Control in Budget Execution

Indicator	2015 Assessment					
	Dimension Ratings				Overall Score	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
13. Transparency of taxpayer obligations and liabilities	NA	A	NA		**A**	The District has no responsibility for dimension (i), because the GoR makes tax laws and regulations; the District has also lost responsibility for dimension (iii) with the takeover of responsibility for tax collection by the RRA. The district government uses a variety of means to provide taxpayers access to tax information: website, public noticeboards, tax enlightenment campaigns, meetings and seminars in localities, and a helpdesk.
14. Effectiveness of measures for taxpayer registration and tax assessment	NA	NA	NA		**NA**	Responsibility for taxpayer registration belongs to the RRA, not the District, i.e., with the takeover of tax assessment and collection duties from districts.
15. Effectiveness in collection of tax payments	D	NA	D		**D**	Collection rate of arrears in FY 2014 was 51.6%, i.e., collection of Frw 11,032,655.00 in FY 2014 out of a beginning balance of Frw 21,401,037.00. Dimension (ii) not assessed, because the District no longer had responsibility for tax collections as at the time of assessment; the RRA had taken over this task. Audit evidence establishes the District's failure to reconcile tax assessment with collections
16. Predictability in the availability of funds commitment of expenditures	NR	NA	A		**NR**	The district does not have its own independent treasury and cannot forecast cash inflows, except for its own resources, which was only 8.8% of total revenues in FY 2014. The district prepares and submits expenditure plans as input into the MINECOFIN's overall cash forecasts; however, the district did not provide documentary evidence for review. The district is a budget entity and is user, not provider of, advance information on cash availability. The CBM reallocates the budget during implementation and reviews the budget in line with regulatory provisions in December, especially Arts. 41 of the OBL.
17. Recording and management of cash balances, debt, and guarantees	NA	B	C		**C+**	The district has no debt (except for small amounts of accounts payable caught up in yearend accounts closing formalities, which the district quickly pays off in the new fiscal year); neither does it have regulatory powers over borrowing and guarantees; that is within the legal province of the Minister of Finance. Balances on bank accounts

Table 0.7: Predictability and Control in Budget Execution						
Indicator	2015 Assessment					
	Dimension Ratings			Overall Score		Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
						holding funds sourced from the CG consolidate daily on the TSA, but the District manually consolidates and reports all District bank balances monthly in the financial reports sent to MINECOFIN, but separately discloses consolidated its NBAs bank balances by category and grand total in the notes. The district does not have regulatory powers; the Minister of Finance does and must also approve district's borrowings (Arts 50 – 54); the Minister had not made any such regulations, as at the time of the assessment.
18. Effectiveness of payroll controls	A	A	B	D	**D+**	Personnel database and payroll are not just integrated, but are the same, creating potential integrity issues, but districts can only apply the Integrated Personnel and Payroll System (IPPS) as designed and given by the Ministry of Labour & Productivity (MIFOTRA) and cannot make changes to it. There is no time lag between personnel and payroll changes, since the two are the same, simultaneously maintained and processed by the same official. The HR must receive documentary authorization from the mayor, in addition to other relevant documentary notifications before effecting changes to the payroll. A system of periodic ex post review of the payroll is in place and involves the Ombudsman, MIFOTRA, the Province, internal audit, and the auditor general. The District has not conducted any recent payroll audit.
19. Transparency, competition, and complaints mechanisms in procurement	B	A	B	A	**B+**	The PPA is a CG Law applicable to the district; the law meets 4 out of the 6 required provisions. The District uses only competitive in contract awards. The public has access to procurement plans, bidding opportunities, and information on contract awards, but not data on conflicts resolution. An independent appeals panel of both state and non-state actors with powers to issue binding decisions exists.
20. Effectiveness in internal controls for non-salary expenditure	A	C	C		**C+**	The IFMIS locks commitment to approved expenditure plans and this effectively limited commitment to approved budget and cash availability in FY 2014. Other PFM laws and regulations are comprehensive and understood at the district level, but not at the NBA level; some rules and procedures are excessive and contradictory, at times. The District complies with many processing and recording rules, but audit reports cases of noncompliance both at the district headquarters and especially at the NBA level.
21. Effectiveness of internal audit	C	B	A		**C+**	Internal audit does not involve accounting work; it focuses on expenditures, revenues, transactions, and some system work, but the limited capacity adversely affects its scope and effectiveness. Internal auditors prepare reports for the auditee, and quarterly reports for the DC, with copies to MINECOFIN, MINALOC, and the Province, but not the auditor general, except on request. Auditee respond to internal audit findings and accepts to implement them. The internal auditor, audit commission, and District and PFM committees also engage with the follow up process.

Accounting, Recording, and Reporting

0.12 *Accounts reconciliation is the only good story here.* The quality of financial statements, in-year budget reporting, and information on resources available to service delivery units do not tell as good a story. The weakness in budget reporting is due to the use of a template provided by the CG, which does not show budget commitment, although the information is available on the IFMIS.

0.13 *Weaknesses in this area can affect resource planning and use, and undermine, transparency and comprehensiveness, and auditing.* Insufficient knowledge or accounting of resources available to service delivery units indicates inadequacies in transparency and comprehensive of fiscal information flow. Such inadequacy can undermine overall resource programming, allocation, and use. Failure of in year budget reports to indicate commitments levels is also a transparency issues, which can also affect resource planning.

Table 0.8: Accounting, Recording, and Reporting

Indicator	2015 Assessment					
	Dimension Ratings				Overall Score	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
22. Timeliness and regularity of accounts reconciliation	A	NA			**A**	Regular bank reconciliation takes place at district level and NBA levels within two weeks of the month end; there are no unreconciled differences. The district does not use suspense accounts or operational advances.
23. Availability of information on resources received by service delivery units	D				**D**	The district collates data on cash resources (but not for non-cash resources) available to its subsidiary entities (including primary schools and primary health centres) monthly, quarterly, and annually.
24. Quality and timeliness of in-year budget reports	D	A	C		**D+**	Monthly budget execution reports capture expenditure at the payment stage only (not also at commitment); comparison between budget and outturns is possible only by economic categories, and not by administrative headings, as well. Budget execution reports issued as part of monthly financial reports not later than the middle of the next month. Real-time record keeping. On the IFMIS system makes this possible. A number of revenue classification issues affect accuracy of reports, but not their overall usefulness
25. Quality and timeliness of annual financial statements	B	A	A		**B+**	Financial statements report all revenues, expenditures, bank balances, accounts payable, and accounts receivables of the District in the main statements, and both detailed and consolidated information of its subsidiaries as notes. FY 2014 financial statements submitted to the for audit on September 30, 2014. The modified cash standard used is broadly compatible with IPSAS reporting requirements

External Scrutiny and Audit

0.14 This area assessed strongly. The only apparent weakness is the scope of legislative scrutiny of the budget, which currently does not cover budget policy. Other dimensions of the legislative budget scrutiny follow the provisions of the law, as do the other indicators. The high level of audit performance merely indicates that the district implements audit recommendations. It does not say that the quality of audit is good, since audit is a CG function.

0.15 The poor performance of internal audit can affect the quality of external audit, which relies on the internal audit reports to form an initial opinion on the adequacy of internal controls. Internal audit is particularly useful in the Rwanda decentralization environment with the high number of subsidiary entities (non-budget agencies) that districts oversee and report and the large proportion of public expenditures at their disposal.

0.16 *Generally, weak audit oversight and reporting can affect all aspects of the PFM system.* It distorts the performance of the PFM system and thus limits ability to hold public officers to account. This undermines public confidence in the budgeting process. It also affects reliability of data for budget formulation and budget management. Besides, it also hides weaknesses in internal controls and accounting, recording, and reporting, instead of flagging them for correction. In addition, it conceals wastes and other inefficiencies, undermining the effectiveness of service delivery.

Table 0.9: External Scrutiny and Audit

Indicator	2015 Assessment					
	Dimension Ratings				Overall Score	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
26. Scope, nature, and follow-up of external audit	A	B	A		**B+**	Audit covers 100 percent of the operations (revenues, expenditures, assets, liabilities) of the district headquarters; it also includes a sample of NBAs. The process involves transactions, systems, and some elements of performance audit, and accords with international standards.
27. Legislative scrutiny of annual budget law	C	B	A	A	**C+**	The DC reviews details of revenue and expenditures, but it cannot change fiscal policy decisions already made by the CG, which financed about 90% of the District's expenditure in FY 2014. Simple procedures for review exist; the Economic Commission reviews details of proposals and present to the DC for approval. The Commission interacts with the CBM and other technical staff of the District in the process. Review of the budget begins after receipt of the first budget call circular and concludes sometime before or on June 30, a period of about three months. The OBL 2013 and relevant regulations set out clear rules for in-year budget amendments. Arts. 48, 49 of the OBL permit the CBM to do up to 20% reallocation between programs (administrative units) during budget execution, but prohibits reallocation economic categories without authorization of the Minister of the Finance and the Parliament, as the case may be.
28. Legislative scrutiny of external audit reports	NR	A	A		**NR**	Completion of examination of audit reports takes about three months from date of its receipt by the DC; the district is not in not in arrears of review of audit report, but it was not possible to confirm the exact date of completion for review of 2013/2014 report. The AC interviews responsible officials in cases of major findings, but obtains corrective action plan from the CBM for relatively minor infringements of rules. The AC proposes recommendations, which the DC ratifies, and the CBM follows up on implementation.

Prospects for Reform Planning and Implementation

0.17 Important note – the following is a generic discussion of issues relating commonly to all the districts, since the issues do not vary tangibly among them. Districts face similar challenges and constraints and they apply common solutions, usually as directed by the CG. The difference among the districts is only about the degree, not the nature, of the issues. For example, the urban district of Kicukiro had less vacancies in its establishment staff quota at the time of the assessment than the rural districts.

0.18 *Factors favourably predisposing to reform planning and implementation in local governments include the existence and clarity of a wide range of PFM laws, regulations, and templates to guide districts.* The CG has enacted laws on virtually every aspect of the PFM system, with some of the most important being the Organic Law on State Finances, the Public Procurement Act, the Law on the finances of decentralized entities, and the Decentralization Law. The CG has also made a host of presidential and ministerial orders, regulations, and guidelines providing further clarification and guidance on many issues.

0.19 *Another favourable factor is the uniform applicability of PFM laws, orders, regulations, and templates across all of government, i.e., to both the CG and decentralized entities, whenever possible.* The exception is where the nature of the issue applies to one level of government, but not the other. For example, the Integrated Financial Management Information System (IFMIS) hosted by the Ministry of Finance and Economic Planning (MINECOFIN) is accessible to all government entities for their planning, accounting, recording, and reporting operations. The Ministry has also successfully produced and deployed harmonized recording and reporting templates for use by the CG and decentralized entities. This harmonized approach makes it easier to extend CG reforms to districts and eases control, supervision, and monitoring of decentralized operations.

0.20 *However, capacity shortages in several areas of districts'' PFM operations impose important constraints on the speed, depth, and sustainability of reforms.* Capacity shortages are most evident in the spheres of finance and internal audit. For example, established personnel quotas for the finance and internal audit units are too few to deal with the task of monitoring the many non-budget entities and effectively coordinate their procurement, record keeping, and accounting responsibilities. In addition, vacancies often exist in the already limited establishment quotas. For instance, only one of the eight districts assessed had the complete number of established internal auditors, i.e., three, at the time of the field visit. At least, one district had none at all. At least, one other district did not have any accountant of the two established, while several others did not have the full complement.

0.21 *Capacity shortages facing NBAs is even more acute than that facing districts.* NBA uses a different accounting system from those used by the CG and decentralized entities. Many of the weaknesses identified in audit reports as affecting districts emanate from the activities of their subsidiary entities. Dearth of skilled capacity is the main cause of the problem. For example, schools use teachers to do their regular procurement, accounting, and monthly financial reporting duties. The limited training afforded them by the district is not usually nearly sufficient to perform these highly professional and technical duties. The CG is developing and deploying a simplified *Subsidiary Entities Accounting System (SEAS)* to address the problem and it is not possible to guess how effective the solution will prove.

0.22 *The uniformity of processes and templates may be facilitating CG control of activities, but it may also be having the non-salutary effect of robbing decentralized entities of the initiative to deal with problems.* For instance, audit reports complain of the failure of districts to review and verify the accuracy and authenticity of the monthly financial reports submitted by NBAs. They appear content merely to consolidate the reports and fill out the reporting template provide by the CG, without bothering about the reliability of the figures. Further, most of the districts did not bother to monitor and gather information on the noncash gifts to NBAs by donors, simply because the CG does not expressly require it. Yet, audit holds them accountable for losses affecting such gifts, e.g., the case of some missing computers donated to a school in Ruhango district. Failure to incentivize districts to seek original solutions to problems not covered by CG rules is a potential threat to the depth and sustainability of reforms.

0.23 *Finally, the deployment of uniform process has another drawback* – not all processes will be as effective in districts as in the CG. The Integrated Personnel and Payroll System (IPPS) provides a good example for CG systems that may not produce the same results in districts, without modification. While different personnel perform the human resource and payroll functions in the CG, the same person combines the two tasks in decentralized entities, thereby undermining inherent controls in the system. Thus, while the IPPS appears to be effective in the

CG, audit has reported manipulation of the control feature to fraudulent ends in at least to decentralized entities - the Rwanda Revenue Authority and Karongi district. Incidentally, the CG attributes this problem to ineffective supervision in decentralized entities, without realizing the need to adapt the process to decentralized entities. Nondiscriminatory uniform application of processes can threaten reform effectiveness.

Section 1: Introduction

1.1 This introduction briefly explains why the Government of Rwanda is undertaking this assessment, defines the scope of the assessment, describes the assessment and reporting process, outlines the role of donor sponsors and government partners, and explains its methodology, sources of information, and reliance placed on them. The report was commissioned by GoR, and funded from a MDTF under the control of GoR.

1.2 This assessment is the baseline assessment for Kamonyi district. The district did not participate in the 2010 joint assessment of the Government of Rwanda (GoR) and four of its districts; the district did also not participate in the earlier 2007 assessment of the Government of Rwanda. This assessment is sequel to a Memorandum of Understanding (MoU) signed in June 2014 by the GoR and its contributing development partners in support to the implementation of the PFM SSP 2013-2018. The context is as follows.

1.3 Public financial management reforms aimed at modernizing and strengthening institutions for accountability have been part of Rwanda's socio-economic reforms that have yielded remarkable results in GDP growth, poverty reduction, the MDGs, etc. Decentralization of political, administrative, and service delivery powers has also been an integral part of these reforms pursued since the early 2000s. The GoR has already implemented and assessed the performance of the Public Financial Management Reform Strategy (PFMRS) 2008 – 2012. Subsequently, the GoR has "developed a 5-year PFM Sector Strategic Plan (PFM SSP) and its accompanying Sector Implementation Plan (SIP) in consultation with relevant stakeholders including Development Partners".[1] The primary objective of the plan is "ensuring efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery."[2] The GoR and its development partners agreed to carry out a "Public Expenditure and Financial Accountability (PEFA) … in the fourth quarter of 2014/15 … that … will serve as a basis for dialogue on Public Financial Management agenda".[3]

1.4 The Government of Rwanda consequently commissioned concomitant assessments of the central government (CG) and local government (LG). The LG assessment involved a sample of eight districts, out of 30, selected to encompass the four provinces and the City of Kigali, and to include at least, one urban district. The selection also includes the four districts that participated in the earlier 2010 assessment, to track performance.

1.5 This LG assessment applied extant PEFA guidelines. These are the 2011 revised edition of the *Public Financial Management Performance Measurement Framework*, the *Supplementary Guidelines for the Application of the PEFA Framework to Subnational Governments* published by the PEFA Secretariat in January 2013, and *Good Practice when Undertaking a Repeat Assessment: Guidance for Assessment Planners and Assessors* issued in 2010.

[1] See the ToRs
[2] See the ToRs
[3] See the "Terms of Reference for Local Governments Public Expenditure and Financial Accountability Assessment in Rwanda" accompanying this report as an Annex

1.6 The assessment commenced at the end of the first week of June 2015 with review of documents provided by the Ministry of Finance and Economic Planning and a week of series of preliminary meetings at key organs of the Government of Rwanda jointly attended by the CG and LG teams. These organs include the Offices of the Accountant General, Chief Internal Auditor, IFMIS Coordinator, Rwanda Revenue Authority, Auditor General, Rwanda Public Procurement Authority. Chief Economist, National Development Planning & Research, Ministry of Labour & Employment, DG Budget, Treasury, Ministry of Local Government, and Fiscal Decentralization Unit. The preliminary activities also included a one-day joint inception and training workshop for CG and districts' officials on the PEFA methodology.

1.7 The field visits involved, at least, a two-day mission to each of the eight districts. The missions followed the same format, i.e., interactive sessions with the district management lead by the executive secretary and including heads and representatives of departments responsible for finance, administration, human resource management, public procurement, internal audit, liaison with the district council, etc. (the full list of participants is in the appendix). The pattern followed was to go through the *Fieldguide* and require the district to answer the key questions and provide document evidence supporting their positions. The exercises covered all applicable 29 indicators, i.e., including HLG-1, but excluding the donor indicators.

1.8 The assessors next prepared and sent the draft assessment report to the GoR for review. The GoR also exposed the report to developments partners for review. The assessors evaluated and reflected the comments received, as appropriate and returned this to the Ministry of Finance & Economic planning that is coordinating the exercise. The comments received and the response of the assessors are as in the appendix.

1.9 The assessment covered the entire PFM system of the district, i.e., the district's central administration, sectors, cells, and villages, but excluding subsidiary entities, except to the extent that the district makes allocations to them. Subsidiary entities are non-budget agencies (NBAs) supervised by districts. NBAs submit monthly financial reports to the district, which the district summarizes and includes as annex in its monthly financial reports to the Ministry of Finance & Economic Planning. *Table 1.8* reflects the scope of the assignment.

Table 1.10: Scope of the Assessment

Institutions	Number of entities	Total public expenditures (FY 2014) - Frw	Percent
District government	1	8,783,721,541	100%
Non- budget agencies (NBA[1]	143	7,030,983,411	80.0%
[1]NBA spending not consolidated into district public expenditures, but reported separately in the annex to the financial statements.			
Source of Data: District's audited Financial Statements for Year Ended 30 June, 2014			

1.10 Finally, the assessment faced very difficult challenges, the most important of which is the gross under-resourcing for the task. Two days per district was not nearly adequate for the required full application of the PEFA framework. Sessions often lasted into the night or extended to a third day (in Kigali). The consultancy days allowed was the same as usually for a single PEFA assessment, though the requirement was for nine reports – one per district plus a consolidated report. Notwithstanding this, the GoR comments on the draft demanded full PEFA reports for each district, i.e., with all the preliminary sections, in disregard of the ToR that clearly provides for "**a (i.e. one)** full LG PEFA report - including **annexes for the review of 8 districts**

….” This demand put further pressure on the already inadequate resourcing. Finally, the reviewers' comments showed their unfamiliarity with the PEFA methodology. Many comments were emotive, out of context, couched in disrespectful language, and positively insulting.

Section 2: Profile of Kamonyi District

2.1 See the Annex. See also the Consolidated PEFA Report for all the eight districts.

Section 3: Assessment of the PFM Systems, Processes, and Institutions

3.1 This assessment is the second LG PEFA assessment in Rwanda, but the first involving Kamonyi district. The first assessment took place in 2010 in an exercise that also involved Bugesera, Nyamagabe, Kicukiro, and Rulindo. This second assessment covers eight districts, i.e., the four districts of the 2010 exercise and an additional four districts. The additional districts are Gakenke, Kamonyi, Karongi, and Ruhango. This current assessment applied all the 29 country indicators, i.e., including Higher Level Government (HLG-1), but excluding the three donor indicators that do not apply to Rwanda's districts. The earlier 2010 assessment covered only 10 indicators. The assessment used the 2011 Framework and thus, applied three key Framework documents: *The Public Financial Management Performance Measurement Framework, revised January 2011, "Fieldguide" for undertaking an assessment using the PEFA performance measurement framework May 3, 2012, and the Supplementary Guidelines for the application of the PEFA Framework to Sub-National Governments, released in January 2013*. It also relied on *"Good Practice When Undertaking a Repeat Assessment: Guidance for Assessment Planners and Assessors, released on February 1, 2010.*

3.2 The output indicators relied on audited financial statements for FY 2012 (2011/2012) to FY 2014 (2013/2014); other indicators used more recent data, where available, as the guidelines require. The assessment (including field visits to the eight districts) took place in a two-month window between June and early August 2015. The allowance made for field visit to each district was a maximum of two work days.

Budget Credibility (PI-1 – PI-4)

3.3 These four indicators assess the realism and extent of implementation of the budget. The usefulness of the budget as a tool for attainment policy goals rests on the premise that the document approved by the legislature is realistic and that the government will dutifully implement it, i.e., that the budget it credible. A credible budget is therefore, a *contract* between citizens and government, expressing public policy priorities and measures to attain them. Such budget is comprehensive, affordable, sustainable, implemented as planned, and delivers on contents and objectives. Features that facilitate credible budgeting include (i) robust macro-fiscal frameworks, (ii) realistic revenue projection and collection, (iii) credible assessments of costs of government programmes (existing and new initiatives), (iv) transparent and disciplined budget planning processes, (v) dependable systems of budget execution, financial management and accountability, and (vi) availability of good information on spending and service delivery. *PI 1 – 4* below assesses the credibility of Kamonyi District's budgets from 2012 – 2014.

PI-HLG 1: Predictability of Transfers from Higher Level of Government

3.4 *This indicator assesses the extent to which amount and timing of GoR transfers to its SNGs are predictable.* Poor predictability of inflows and shortfall in amounts affect the SNGs' fiscal management and ability to deliver services. The indicator covers all transfers from the GoR, including – conditional grants, and earmarked project funds, etc. *Score Box 3.1* below assesses the performance of GoR on the three dimensions of this indicator.

Score Box 3.1: Predictability of Transfers from a Higher Level of Government

Dimensions	Current Assessment (2015)				2010 Score	Explanation of Change since 2012
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided to SN entity for inclusion in the latter's budget.	HLG transfers fell short of the estimates by more than 15% in only FY14; however, the appropriate score is not, "B" but "C", because, it also the deviations were also more than 10% in FY13.	C	(i) In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 15%.	Approved district's budgets and financial statements.	Not assessed	
(ii) Annual variance between actual and estimated transfers of earmarked grants	Variance in earmarked transfers exceeded deviation in total transfers more than 10% each year.	D	(ii) Variance in provision of earmarked grants exceeded overall deviation in total transfers by no more than 10 percentage points in at least two of the last three years			
(iii) In-year timeliness of transfers from HLG (compliance with timetable for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year	Disbursement does not experience delay; districts access transfers through the IFMIS in accordance with a quarterly cash / disbursement plan made by the Ministry of Finance & Economic Planning and locked on the IFMIS.	A	(iii) A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in more than one of the last three years OR in the absence of a disbursement timetable, actual transfers have been distributed e			
Score (Method M1)		**D+**				

Rationale for the Score

<u>General Background</u>

3.5 Explanation of CG transfers to districts. *Law N° 59/2011 of 31/12/2011*[4] defines CG transfers to decentralized entities. *Article 63* of the Law deals with government "subsidies". The article provides as follows,

"Central Government entities shall each fiscal year plan activities to be implemented by decentralized entities and earmark related funds that shall be included in the budgets of the decentralized entities.

"Central Government entities whose activities are implemented by decentralized entities shall prepare annually a document outlining activities of those entities transferred to the local level and methods for estimating funds needed to implement such activities. The same document also includes instructions on the use of these funds and modalities for reporting on the use of such funds.

"The Minister in charge of finance shall issue every year instructions on modalities under which Central Government entities shall issue instructions relating to the activities and use of funds allocated to decentralized entities.

"Every year, the Government shall transfer to decentralized entities at least five percent (5 %) of its domestic revenue of the previous income taxable year in order to support their budgets.

"The decentralized entity must submit a report on the use of subsidies allocated by the Government in accordance with the organic law on State finance and property."

3.6 The transfers are through the following instruments

- Block Grants – local administrative budget support funding mainly to bridge the fiscal gap in the recurrent budget of eligible entities. Its helps to finance administrative expenses, including salaries, running costs, and supervision of activities in ensuring service delivery. Block grants comprise five percent of the domestic revenue of the CG in the preceding year distributed among qualifying districts. Generally, urban based districts are not eligible for block grant support, because of the expectation for them to be able to generate sufficient own revenues to fund their recurrent spending.

- Earmarked Grant Transfers – these are project-tied grants for each delegated function. The delegating line ministry regulates the transfer mechanisms, reporting requirements and the formula for allocation. This framework does not allow decentralized entities any discretion on how to use the funds. The Budget Framework Paper prepared by the Minister of Finance and approved by both the cabinet and the Parliament must include "the guidelines on earmarked transfers to decentralized entities" *(Art. 32 of the OBL 2013)*. In addition, the Ministry of Finance and Economic Planning issues an annual document titled, "Districts' Earmarked Transfers Guidelines". The document specifies the following eight items, among others
    - objectives of each earmarked program or subprogram
    - expected outputs / activities that the district should achieve or implement
    - allocation formula by subprogram / output
    - performance targets set by the transferring line ministry
    - reporting obligations of the decentralized entity and frequency

[4] - Law establishing the sources of revenue and property of decentralized entities and governing their management

- monitoring and evaluation mechanism, and
- disbursement mechanism for each transfer depending on outputs or activities involved, etc.

- Capital Block Grants - intended to assist districts undertake local development projects. The grant is not from any specific line ministry. Districts have some discretion in determining the development projects to undertake with these resources.
- Common Development Fund - provided under *article 12 of Law 62/2013 of 27/08/2013* to the Local Administrative Entities Development Agency (LODA) for disbursement to districts to assist them with their development programs. The fund comprises, at least ten percent (10%) of the CG's domestic revenues (calculated based on the preceding year's budget) and funds provided by development partners. LODA assists districts in planning the use of these funds and monitors the programs and activities.

3.7 The books show another transfer instrument, often not given prominence, but equally very important. These are interagency (inter-entity) transfers, usually listed as "transfers from other CG entities" in financial statements. They are 'informal' transfers of budgetary functions originally allocated to CG entity to a district during the budget year. In other words, interagency transfers are part of the approved budgetary allocations (earmarked or non-earmarked) from the Ministry of Finance and Economic Planning to a district. The arrangement is directly between the transferring CG entity and the affected district, to the exclusion of the ministry. The ministry only becomes aware of it through in-year budget reporting by the entities. However, this revised draft report has excluded them from the analysis, since they are part of the original budget of districts.

3.8 This revised draft also treats the item labelled extra-budgetary transfers in financial statements in the same manner. It is not clear what this item represents.

<u>Annual deviation of actual total HLG transfers from the original total estimated amount provided to SN entity for inclusion in the latter's budget</u>

3.9 *HLG transfers fell short of the estimates by more than 15 percent in only FY2014; however, the appropriate score is not, "B" but "C", because, did not meet the condition for the higher rating.* The requirement for a "B" rating is, "In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 10%". The deviations were 6.5 percent in FY 2012, 14.0% in FY 2013, and 28.5.9% in FY 2014 *(Table 3.9.)* The sources of the data for the calculation are the originally approved budgets and audited financial statements of the district for the affected years. The original budgets are the most authentic source of information on transfers advised by the CG since both the district and Ministry of Finance & Economic Planning sign off on them, *de facto*. The District Council must adopt the budget by legal requirements *(see PI-27)*; the approved budget is also the basis of districts expenditure plan required by law to inform the Ministry's cash planning and forecasts (see *PI-16* below).

Table 3.11: Annual Provision of Earmarked Grants - Budgeted and Actual

	2011 / 2012		**2012 / 2013**		**2013 / 2014**	
Admin / functional head	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Block / Non-earmarked	816,930,768	807,780,783	933,313,379	887,107,237	1,059,001,171	1,461,439,802

Table 3.11: Annual Provision of Earmarked Grants - Budgeted and Actual						
	2011 / 2012		2012 / 2013		2013 / 2014	
Admin / functional head	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Admin & Support Serv	24,687,192	15,183,100	23,476,538	-	-	-
Good Gov & Justice	62,278,570	38,249,748	63,177,214	54,277,071	696,947,174	291,946,364
Education	2,233,538,847	2,390,172,719	3,299,994,937	2,982,686,234	3,192,702,368	3,607,488,662
Health	443,621,213	467,125,489	546,422,523	519,143,953	864,205,997	1,189,971,648
Social Protection	583,728,963	530,696,217	617,353,105	503,629,052	1,040,727,093	596,437,048
Youth, Sport, & Culture	21,345,774	21,328,558	29,557,541	16,228,806	14,508,558	32,292,288
Private Sector Devt	81,720,665	74,839,520	325,100,379	294,331,551	100,610,925	183,797,889
Agriculture	135,626,652	79,708,010	143,375,557	62,900,543	39,490,628	111,843,337
Environment & Nat Res	21,564,408	11,775,600	142,772,574	145,235,096	33,535,745	30,763,950
Energy	-	5,796,000	120,904,969	30,000,000	-	154,303,495
Water and Sanitation	30,000,000	-	94,866,458	93,337,896	-	51,251,589
Housing, Urban Devt, & L/ Mgt	733,496,086	932,889,912	-	-	76,000,000	51,581,000
Transport	-	-	403,171,981	224,107,012	151,035,387	65,141,960
Community Development	733,496,086	932,889,912	48,374,708	26,868,140	-	-
Total Earmarked Grants	**5,922,035,224**	**6,308,435,568**	**6,791,861,863**	**5,839,852,591**	**7,268,765,046**	**7,828,259,032**
Overall Deviation	6.5%		14.0%		28.5%	
Composition variance (on basis of (PI-2)	10.1%		11.2%		28.5%	
Source of Data: Rwanda Ministry of finance & Economic Planning						

Annual variance between actual and estimated transfers of earmarked grants

3.10 Variance in earmarked transfers exceeded deviation in total transfers more than 10% each year, as *Table 3.9* shows. The differences were 10.1 percent in FY12, 11.2 percent in FY13, and 28.5 percent in FY14. The applicable score is, "D".

In-year timeliness of transfers from HLG (compliance with timetable for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year

3.11 Disbursements do not experience delays; transfers are virtual rather than physical. Access to transfers is by districts making commitments and payments on the IFMIS according to a quarterly expenditure plan approved in advance by the Ministry of Finance and Economic Planning and locked into the IFMIS. The Ministry prepares a quarterly cash plan in advance of or at the beginning of the beginning of each quarter. The approved budget is the main basis of the cash plan, but the Ministry also takes inputs from budget entities. The cash plans become binding and locked unto the IFMIS, once approved. Procurement, commitments, and payments are on the IFMIS, in accordance with the approved funds. Districts issue payment orders on their through bank accounts to the Banque Nationale du Rwanda (BNR), which maintains the country's treasury single account (TSA) system. The BNR pays, once the district has a credit balance.

PI-1: Aggregate Expenditure Out-turn Compared to the Original Approved Budget

3.12 This indicator measures the deviation of actual primary expenditure from the *originally* budgeted primary expenditure[5] (i.e., approved by the Legislature at the commencement of the

[5] i.e., excluding debt service obligations and donor commitments, over both of which government has little control during the year.

fiscal year[6]) for the fiscal years from 2012 to 2014. The measurement of primary deviation is because the government has little control over both debt service obligations and donor commitments during the year. *Score Box 3.2* below summarizes the performance of GoR on this indicator from 2012 to 2014.

Score Box 3.2: Primary Budget Performance of Kamonyi District						
Dimension	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
The difference between actual primary expenditure and the originally budgeted primary expenditure (i.e. excluding debt service charges, but also excluding externally financed project expenditure)	Actual expenditure deviated from budget expenditure by more than 15% in only FY 2012; deviations were 17.1% in FY 2012, 14.5% in FY 2013, and 5.6% in FY 2014	C	C In no more than 1 of last 3 years has actual expenditure deviated from budgeted expenditure by more than amount equivalent to 15% of budgeted expenditure.	Fiscal Decentralization Unit of MINECOFIN (budget from approved budgets of districts and actual data from budget execution reports (unaudited)	Not assessed in 2010	

Rationale for the Score

3.13 *Aggregate expenditure deviation exceeded 15 percent only in one of the three years of assessment, i.e., in fiscal 2011/2012.* Expenditure deviation was 17.1 percent in FY 2012, 14.5 percent, in FY 2013, and 5.6 percent in FY 2014. The trend shows an annual decline in the size of budget deviation, especially between FY 2013 and FY 2014, a performance mirrored by composition variance in *PI-2* below. The nationwide Integrated Financial Management Information System (IFMIS) holds the data in electronic form, but hard copies of the financial statements are also available in the district. The Ministry of Finance and Economic Planning (MINECOFIN) in the capital in Kigali hosts the IFMIS, but decentralized entities access from their locations and are able to do planning and other transactions on it. Hard copies of the financial statements are also available in the district. Presentation of budget formulation and financial reporting do not follow the same format. The budget presents information according to economic, administrative,[7] and functional classifications, while financial statements report only economic classification as required by Ministerial Order.[8] However, the General Ledger on the IFMIS transactions using the four levels of classification of the budget, thereby enabling the

[6] This definition excludes supplementary budgets passed midstream

[7] The segment classified as ‘program’ in the budget corresponds to administrative divisions of the district; they are not ‘development programs’ by general description. There are currently about 13 such ‘permanent’ programs, each headed by a director or such other senior official. These ‘programs’ are (i) Admin & Support Services, (ii) Good Governance & Justice, (iii) Education, (iv) Health, (v) Social Protection, (vi) Youth, Sport, & Culture, (vi) Private Sector Development, (vii) Agriculture, (viii) Environment & Natural Resources, (ix) Energy, (x) Water & Sanitation, (xi) Housing, (xii) Urban Development & Land Management, and (xiii) Transport *(see PI-5 below)*.

[8] See Article 19 of Ministerial Order N° 002/07 of 09/02/2007 relating to Financial Regulations. The main categories of expenditure include (i) compensation of employees, (ii) use of goods and services, (iii) capital expenditures, (iv) transfers and subsidies, (v) loan and interest repayments, (vi) social benefits, (vii) transfers to reporting entities, and (viii) other expenses.

IFMIS to extract the administrative breakdown, when required. It was thus not possible to get information on administrative breakdown of spending from the audited financial statements or from the district. This analysis thus used actual expenditure data in 'Budget Execution Reports' (with administrative classification) specifically generated for this exercise by the MINECOFIN.

PI-2: Composition of Expenditure Outturn Compared to Original Approved Budget

3.14 *PI-2* measures budget composition variance in expenditure using functional or administrative allocations, i.e., the extent to which **actual** expenditure on major budget heads respects budgeted allocations to those heads. Significant variation in the sub-aggregate composition of actual expenditure from the original budget limits the usefulness of the importance of the budget as a statement of policy intent. The calculation uses the main budgetary heads (votes) in the approved budget. In addition, dimension (i) excludes contingency vote(s) set aside for unforeseen events. Dimension (ii) recognizes the "good practice" of not charging contingency vote(s) expenditures directly to the contingency vote, but viring them to those votes responsible for the unforeseen expenditure. The dimension assesses the volume of expenditure recorded against contingency votes, since they represent a deviation from policy intent. *Score Box 3.3* below presents the scoring. As with *PI-1*, the calculation uses primary expenditure.

Score Box 3.3: Composition of Expenditure Out-turn v Composition of Original Approved Budget

Dimensions	Current Assessment (2015)				2010 Score	Explanation of Change since 2010
	Evidence Used	Score	Framework Requirement	Information Source		
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	Composition variance was more than 15% in two of the three years. i.e., in FY 2012 & FY 2013; the variance was 28.0% in FY 2012, 22.6% in FY 22013, and 9.9% in FY 2014	D	D Variance in expenditure composition exceeded 15% in at least two of the last three years.	Fiscal Decentralization Unit of MINECOFIN (budget from approved budgets of districts and actual data from budget execution reports (unaudited)	Not assessed in 2010	
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	Average expenditure to contingency was nil in the last three years.	A	**A.** Actual expenditure charged to the contingency vote was on average less than 3% of the original budget.			
Score (Method M1)		**D+**				

Rationale for the Score

3.15 *Extent of variance in expenditure composition during the last three years, excluding contingency items* – variance in expenditure composition was 28.0 percent in 2011/2012, 22.6 percent in 2012/2013, and 9.9 percent in 2013/2014. The applicable rating is "D". This District's performance in this dimension is lower than its performance on *PI-1* on aggregate expenditure deviation. This notwithstanding, the trend of performance of both indictors is the same, i.e., annual improvement in performance. This indicates rising in fiscal discipline, especially in FY2014. This is due to reallocations during budget allocations and budget revisions that take place around December. The regulations permit both 'informal' reallocation of the budget during implementation and formal budget revision. *Article 46* of the OBL permits chief budget managers of entities to reallocate "funds from one program [administrative unit] to another up to a cumulative maximum of 20 percent of the total budget for the program". However, reallocation in excess of 20 percent or between recurrent and development budgets must be with the approval of the Minister of Finance, while parliamentary approval (Chamber of Deputies) is necessary for both reallocation "from employee costs to other categories of expenditure" and from one public entity to another. In addition, *Article 41* permits decentralized entities to revise the budget once a year based on the mid-year budget execution report. Budget revision requires the approval of both the District Council and the Chamber of Deputies. Sources of data for this indicator are the same as with *PI–1* above.

3.16 *The average amount of expenditure actually charged to the contingency vote over the last three years* – the district explained that it did not use 'contingency (or miscellaneous) votes' in the period of assessment, because of the novelty of the vote, introduced in the OBL of 2013. *Art. 30* of the OBL authorizes budget entities "to establish a budgetary line" (emergency budget reserve) not exceeding "three percent (3%) of the entity's own revenues" to meet urgent and unexpected expenditure". The OBL requires that the "Chairperson of the Executive Committee of the decentralized entity, in consultation with other members of the relevant Executive Committee, shall authorize the use of such amount and report quarterly to the Council on its use". The district management asserted that it made provision for an unallocated miscellaneous vote of 3 percent of the budget in the just concluded FY 2015 and the ongoing FY 2016, but these years are outside the critical period/time of assessment for this indicator, which is FY 12 – FY 14

PI-3: Aggregate Revenue Out-turn Compared to Original Approved Budget

3.17 *PI-3* assesses the quality of domestic revenue forecasting. Accurate forecasting of domestic revenue is crucial to budget performance since budgeted revenue is the basis of budgetary allocations. The sole dimension of this indicator is "actual revenue compared to domestic revenue in the originally approved budget." This indicator deals with that portion of revenue, over which the government has control and can predict.

Score Box 3.4: Percentage Domestic Revenue Budget Performance (% Revenue Collected vs. Budget)						
Dimension	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
Actual domestic revenue compared to domestic revenue in the originally approved budget	Actual domestic revenue was 118.9% of prediction in FY 2012, 100.6% in FY 2013, and 106.9% in FY 2014	B	B Actual domestic revenue was between 94% and 112% of budgeted domestic revenue in at least two of the last three years.	District budgets, financial statements, & audit reports for FY 2012, 2013, & 2014	NA	Not assessed in 2010

3.18 *Actual domestic revenue was in 118.9 percent of budget revenue in 2011/2012, 100.6 percent in 2012/2013, and 106.9 percent in 2013/2014.* The applicable rating is "B", since domestic revenue performance was between the applicable lower band limit of 94 percent and upper band of 112 percent in two years of the three years. (Note: the books misclassify tax revenues collected by the RRA and transferred to the District under an MoU signed in March 2014, as transfers from the CG agencies,[9] but the analysis here has adjusted for this. PIs-24 & 25 below highlight this cases along with other cases of misclassification).

Table 3.12: Domestic Revenue Performance (% Revenue Collected vs. Budget			
	FY 2012	**FY 2013**	**FY 2014**
Actual own revenues	929,378,618.00	603,710,096.00	782,115,516.00
Budgeted own revenues	781,538,518.00	600,000,000.00	731,959,800.00
% Own Revenue Collection	118.9%	100.6%	106.9%

Rationale for Scoring

3.19 Notwithstanding this, aggregate expenditure deviation and composition were still relatively high as the assessments above show *(see PI-1, 2)*. However, there is an interesting coincidence between increased ability to predict domestic revenue in FY 2013 and FY 2014 and decline in in aggregate deviation and composition in the same period.

Figure 3.1: Kamonyi District - Analysis of Actual District Revenues, FY 12 - 14

Analysis of District Revenues				
	2011/2012	2012/2013	2013/2014	Average
Total Own Revenue	**929,378,618.00**	**698,710,096.00**	**782,115,516.00**	**803,401,410.0**
Operating Revenues, of which	*929,378,618.00*	*603,710,096.00*	*686,580,672.00*	739,889,795.3
Tax Revenue(including tax revenue of 3,141,590 collected and transferred to the District by the RRA and reported in the books as tranfer from RRA)*	2,564,712.00	9,526,736.00	12,893,104.00	8,328,184.0
Fees, fines, penalties and licenses	926,813,906.00	594,183,360.00	673,687,568.00	731,561,611.3
Capital Receipt - Proceeds from Sale of Capital Items	-	*95,000,000.00*	*95,534,844.00*	63,511,614.6
Transfers from the CG & Other Sources (excluding Frw 3,141,590 tax revenue collected and transferred to the District by the RRA and reported here)**	**6,549,801,728.00**	**7,435,669,089.00**	**8,105,028,920.00**	**7,363,499,912.3**
Total Revenue	**7,479,180,346.00**	**8,134,379,185.00**	**8,887,144,436.00**	**8,166,901,322.3**
Own Revenue % of Total Revenue	**12.4%**	**8.6%**	**8.8%**	**9.8**

Source of Data: Kamonyi District Audit Reports for 2011/2012 - 2013/2014 and Audited Financial Statements for FY 2013 & 2014

*In addition to these tax revenue collected by the District, it is important to note that Rwanda Revenue Authority (RRA) started collecting decentralized taxes on behalf of the District, in form of trading licence, property taxes and rental income tax. Taxes amounting to Frw 3,141,59 were collected and remitted to the District by RRA in accordance with the Memorandum of Understanding relating to the collection of decentralised taxes by RRA and these are reported in these financial statements as transfers from RRA (see 2013/2014 audit report, p. 18).

**Included in transfers from other central government entities are transfers amounting to Frw 3,141,590 received from Rwanda Revenue Authority (RRA) in form of (trading license, property tax and rental income tax) collected on behalf of the District.decentralized taxes, see audi report, p. 19

3.20 *The CG makes laws on the revenues of decentralized entities; Law N° 59/2011 establishes the sources of revenue and property of decentralized entities in Rwanda and their management arrangements*[10] *Article 4* lists 10 sources of revenue, seven of which are own revenue sources. The own revenue sources are

[9] "Included in transfers from other central government entities are transfers amounting to Frw 3,141,590 received from Rwanda Revenue Authority (RRA) in form of decentralized taxes (trading license, property tax and rental income tax) collected on behalf of the District" (2013/2014 audit report, p. 19; see also p. 18)

[10] Law N° 59/2011 of 31/12/2011 - Law establishing the sources of revenue and property of decentralized entities and governing their management (Art. 1).

- taxes and fees
- funds obtained from issuance of certificates by decentralized entities and their extension
- profits from investment by decentralized entities and interests from their own shares and income-generating activities
- fines
- fees from the value of immovable property sold by auction
- funds obtained from rent and sale of land of decentralized entities
- all other fees and penalties that may be collected by decentralized entities according to any other Rwandan law[11]

3.21 The other (i.e., non-own) revenue sources listed in *Article 4* are loans, government subsidies, and donations and bequests.

3.22 *District revenues consists of taxes and fees.* Taxes comprise fixed asset tax, rental income tax, and trading license tax. Fees constitute the bulk source of own revenues by a large proportion, about 95.6 percent in the period. Analysis of the books provides useful insight into the relative behaviour and composition of the district's actual revenues. First, actual collection of tax revenue increased significantly (by 271.5 percent) in FY 2013, prior to RRA's intervention *(see PIs 13 – 15 below*), but not by much less (only 35.3 percent) in 2014 after the RRA takeover. Second, though the FY 2013 performance taxes boosted the contribution of taxes to domestic revenue, they still constitute a very small proportion of actual domestic revenue, i.e., 0.28 percent in FY 2012, 1.36 percent in FY 2013, and 1.65 percent in FY 2014. Fees, fines, penalties, and licenses are a more important source of revenue for the district. The district's 2013/2014 budget lists 19 different types of fees against only three types of taxes.

3.23 *The poor performance of taxes is a source of concern to the CG, which responded by initiating countrywide reforms in early 2014 to enhance their collection.* The CG prevailed on districts to transfer responsibility for collection of district taxes (but not fees, yet) to the Rwanda Revenue Authority (RRA) in 2014. The RRA explained that LGs could not properly enforce payment of these taxes and did not have the capacity to do tax audit. Each district signed an MOU with the RRA to this effect, but a law to formalize the arrangement is currently in the works. The RRA now collects and transfers tax proceeds to a transit account of the district at the Banque Nationale du Rwanda (BNR). The RRA currently bears the cost of collection, but plans to transfer this to districts in due course.

PI-4: Stock and Monitoring of Expenditure Payment Arrears

3.24 This indicator assesses existence and size of expenditure payment arrears (EPS) and efforts to control and address the systemic problems that occasion them. Expenditure payment arrears are outstanding payments in contractual commitments or specific legal obligations, when payment obligations to employees, suppliers, contractors, and loan creditors (interest payment) become overdue. Such arrears are a source of non-transparent financing, and they indicate a number of PFM problems: procurement difficulties, inadequate commitment controls, cash rationing, award of contracts without adequate budget cover, under-budgeting of specific items,

[11] Article 4 also provides that, "All revenue projections of decentralized entities shall be included in their annual budget"

bookkeeping defects, and sheer lack of information. The indicator has two dimensions, as *Score Box 3.5* shows.

Score Box 3.5: Stock and Monitoring of Expenditure Payment Arrears						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
Stock of Expenditure Payment Arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the	Accounts payable was 1.2% of aggregate expenditure in FY 2014, down nearly 32 percent from the level in FY 2013.	A	A The stock of arrears is low (i.e. is below 2% of total expenditure)	Audited financial statements / audit reports - FY 2012 – FY 2014	NA Dimension not assessed in 2010	
Availability of data for monitoring the stock of expenditure payment arrears	Notes to the financial statements include detailed schedule of accounts payable, usually invoices for small purchases made after formal closure of the books at yearend; the district pays off the invoices immediately at the beginning of the new year.	A	A: Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).			
Score (Method M1)		**A**				

Rationale for the Score

Stock of Expenditure Payment Arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock – the stock of expenditure payment arrears (EPA) was Frw 105,768,013 or 1.2 percent of total expenditure as at June 30, 2014, a decline of 31.6 percent its level at the close of business on June 30, 2013 *(Figure 3.2)*. EPAs "mainly relate to invoices for goods and services which were outstanding on the date of the closure of the fiscal year" and "recognized as liabilities for that specific fiscal year".[12] This is in line with the Modified Cash Basis of Accounting in use.

Figure 3.2: Analysis of Expenditure Payment Arrears

Kamonyi District: Analysis of Expenditure Payment Arrears (Rwandan Francs, %)				
Fiscal Year	**Payment Arrears**	**Total Expenditure**	**% of Expenditure**	**% Reduction in Stock**
2011/2012	76,096,468.00	7,654,362,559.00	1.0%	
2012/2013	154,603,879.00	8,241,423,566.00	1.9%	103.2%
2013/2014	105,768,013.00	8,783,721,541.00	1.2%	-31.6%

Source: Audit Reports for Fiscal 2011/2012, 2012/2013, & 2013/2014

[12] FY 2014 audit report, p. 17; however, Frw 30,460,636 of the accounts payable in 2013/2014 are amounts due to sectors, but not transferred to them due to insufficiency of funds (audit report, pp. 55 – 56)

3.25 The Organic Law on State Finances and Property[13] regulates expenditure commitments and payments. Generally, the OBL disallows payments not backed with prior commitment[14] *(Art. 47)*; budget entities are to make commitment based on the approved quarterly or monthly expenditure plan *(Art. 43)*, prepared based on the approved budget *(Art. 42)*. The cutoff date for expenditure commitments is May 15,[15] but payment for committed expenditure may continue to the end of the fiscal year on June 30 *(Art. 48)*. In addition, the CBM must ensure the sufficiency of bank balances before authorizing payment *(Art. 61)*, although this rule does not really prevent the creation of payment arrears, since the arrears would have occurred at the time of authorizing or failing to authorize payments. The IFMIS gives effect to these rules, because it embeds financial policies to secure adherence. Thus, the IFMIS limits expenditure plans to the approved budget, commitments to approved expenditure plans, and payments to commitments and cash availability. The system automatically disallows override of these limits, except with due authority of the Minister as provided by the OBL.

3.26 The District abides by these rules and procedures, thereby limiting incurrence of accounts payable or EPAs to invoices received after yearend accounts closing protocols established by Ministry of Finance and BNR. These protocols usually set cut off dates for receiving invoices and processing payments within the last two weeks of the fiscal yearend, i.e., from around June 15. The IFMIS marks paid invoices as such and automatically classifies unpaid invoices as 'accounts payable', which financial statements report. The district settles the accounts payable immediately on commencement of business in the new fiscal year.

3.27 *Availability of data for monitoring the stock of expenditure payment arrears* – audit reports include a detailed schedule of accounts payable (taken from the notes to the financial statements). These are usually invoices for small purchases made after formal closure of the books at yearend ("petty creditors"). This schedule compares values of all outstanding payment for the current and preceding year, thus affording opportunity for monitoring the age of debt. Audit reports reproduce the same schedules (see for instance, 2013/2014 audit report, *pp. 24 - 25*). However, the district does not record unpaid invoices in the general ledger (GL), because the configuration of the IFMIS is to the accounting system in use, i.e., (modified) cash basis, which does not have the functionality of accrual accounting recording.

3.2 Comprehensiveness and Transparency (PI-5 – PI-10)

3.28 These crosscutting indicators assess the comprehensiveness and transparency of the PFM system: planning, budgeting, accounting, audit, and reporting. They measure the completeness of oversight over budget and fiscal risks and public access to fiscal information. Comprehensiveness ensures that all activities and operations of governments take place within an established fiscal policy framework and are subject to adequate management and reporting arrangements. Transparency enables external scrutiny of government policies/programs and their implementation.

[13] Law No. 12/2013/OL of 12/09/2013, generally referred to as the Organic Budget Law (2013) or OBL for short
[14] i.e., without the approval of the Minister of Finance, except for compulsory or urgent payments, and direct debits
[15] Except with the authorization of the Minister

PI-5: Classification of the Budget

3.29 *PI-5* assesses the robustness and consistency of the budget and accounts classification and its conformity with international standards. A robust system allows the tracking of budget and reporting of expenditure data on administrative, functional/sub-functional, economic, and programme categories. The Government Finance Statistics (GFS) classification provides a recognized international framework for economic and functional classification of transactions. The GFS classifies revenues into three levels and expenditures into four. The functional classification applied in GFS is the UN-supported Classification of the Functions of Government (COFOG), which has 10 main areas at the highest level[16] (nine for subnational governments) and 69 at the second (sub-functional) level. The indicator has only one dimension, assessed in *Score Box 3.6* below.

Score Box 3.6: Classification of the Budget

Classification	Extent of Conformity with GFS/COFOG		Information Source	2010 Score
	Budget Formulation	Budget Execution		
Administrative	Compatible - the category described as 'program' in the budget is indeed administrative/organizational classification at the district level or sub organizational when viewed from the CG / national perspective	Reflected in the General Ledger (GL) kept on the IFMIS, but not in actual reporting; the IFMIS can generate this when queried	MINECOFIN / District Administration: (i) Annex II-1: 2014-2017 Detailed Expenditure by Budget Agency and (ii) Annex II-2: 2014/15 Development Projects; Budget Execution Reports, & Annual Financial Statements	
Economic	Compatible, but; employee compensation not fully attributable to administrative categories, except in Education & Health sectors. This design is useful to control costs at the CG level, for which the district as a whole is a single administrative/budget entity. Teachers and health workers are staff of the Ministries of Education & Health respectively, which pay their salaries through earmarked transfers to the district. This explains why the budget shows their remuneration costs separately.	Compatible; default mode of reporting execution	MINECOFIN / District Administration: (i) Annex II-1: 2014-2017 Detailed Expenditure by Budget Agency and (ii) Annex II-5: 2014/15: Budget By Economic Classification, & Annual Financial Statements	Not assessed in 2010
Functional	Compatible at both main and sub functional levels	Not reflected in actual reporting, but available on the IFMIS; system can generate it upon query	MINECOFIN / District Administration: Annex II-4: 2014-2017 Expenditure by Division and Groups	
Program	The program corresponds to		MINECOFIN /	

[16] I.e., (i) general public services, (ii) defence, (iii) public order and safety, (iv) economic affairs, (v) environmental protection, (vi) housing and community amenities, (vii) health, (viii) recreation, culture, and religion, (ix) education, and (x) social protection.

	administrative divisions of the district, but the budget maps them to COFOG at the sub-functional level		District Administration: (i) Annex II-6: 2014-2017 Budget ay Agency, Programme and Sub-Programme and (ii) Annex II-7: 2014/15 Budget by Programme, Sub-Programme and Economic Category	
2015 Score: Method M1		**A**		

Rationale for the Score

3.30 *Budget formulation and reporting applies the Chart of Accounts (CoA) and reporting system defined at the CG level; the district has no independent decision or control over the system.* Budget formulation is mainly according to administrative (programs) and economic classifications and but mapped to COFOG complaint functions and sub functions (divisions and subdivisions). The classification also includes fund, output, activity, and geographic or sector categories. The segment classified as 'program' in the budget corresponds to administrative divisions of the district; they are not 'development programs' by general description. Thus, they do not straddle functions or sub functions. There are currently about 13 such programs, each headed by a director or such other senior official. These are (i) Administrative and Support Services, (ii) Good Governance and Justice, (iii) Education, (iv) Health, (v) Social Protection, (vi) Youth, Sport, and Culture, (vi) Private Sector Development, (vii) Agriculture, (viii) Environment & Natural Resources,(ix) Energy, (x) Water and Sanitation, (xi) Housing, (xii) Urban Development and Land Management, and (xiii) Transport.

3.31 *Reporting currently pays more attention to internal management needs for decision-making), rather than the needs of external parties.* Consequently, in-year budget execution and annual financial reports use only the economic classification, although the IFMIS holds the information to report by administrative and functional categories as well. For example, the General Ledger in the IFMIS shows the administrative, economic, and sectoral classification, but the extracted data for in-year and yearend fiscal reports show only the economic category. However, the existence of the functionality to report according to these multiple means meets the requirement for a 'A" score under this indicator, but not under *PI-24* on in-year budget reporting.

PI-6: Comprehensiveness of Information Included in Budget Documentation

3.32 This indicator assesses the completeness of documentation accompanying the budget proposal submitted to the Legislature for scrutiny. Sufficient documentation provides the legislature a complete picture of underlying fiscal assumptions and fiscal risks. The indicator lists nine essential documentations that would meet that purpose. The number of these items provided to the Legislature along with the budget proposal determines the indicator score. *Score Box 3.7* presents the assessment.

Score Box 3.7: Comprehensiveness of Information Included in Budget Documentation			
Item	**2015 Assessment**	**2010**	**Explanation**

<table>
<tr><th></th><th></th><th>Whether Provided</th><th>Source of Information</th><th>Score</th><th>of Change since 2010</th></tr>
<tr><td>1.</td><td>Macro-economic assumptions, including state level estimates of economic growth in the SNG jurisdiction, etc.</td><td rowspan="5">Not applicable</td><td rowspan="4"></td><td rowspan="10" colspan="2">Not assessed in 2010</td></tr>
<tr><td>2.</td><td>Fiscal deficits (where relevant)</td></tr>
<tr><td>3.</td><td>Deficit financing, describing anticipated composition (where relevant)</td></tr>
<tr><td>4.</td><td>Debt stock, including details, at least for the beginning of the current year (where relevant)</td></tr>
<tr><td>5.</td><td>Financial assets, including details, at least for the beginning of the current year</td><td>The only financial assets the district has are operational cash balances; the district has no investment in financial stocks and similar instruments.</td></tr>
<tr><td>6.</td><td>Prior year's budget out-turn, presented in the same format as budget proposal</td><td>Not provided</td><td></td></tr>
<tr><td>7.</td><td>Current year's budget (either the revised budget or the estimated out-turn), presented in the same format as the current budget</td><td>Not rated</td><td>The district did not provide the PPT presentation to the District Council, in which it suggests it provides the information.</td></tr>
<tr><td>8.</td><td>Summarized budget data for both revenue and expenditure according to main heads of classification, including data for the current and previous year</td><td>Not provided</td><td></td></tr>
<tr><td>9.</td><td>Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programme</td><td>Not provided</td><td>Tariff statements contain information on taxes and fees, but not explanation of policy implications</td></tr>
<tr><td></td><td>Score (Method M1)</td><td>D</td><td>None of the elements provided</td></tr>
</table>

Rationale for the Score

3.33 *Macroeconomic assumptions* – the district does not make macroeconomic assumptions, but conforms to the nationwide Budget Framework Paper (BFP) made by the Ministry of Finance & Planning (MINECOFIN) and approved by Parliament for the entire country. *Art. 34* of the OBL requires decentralized entities to base their expenditure estimates on existing national priorities as indicated in the extant medium term strategy and action plan.

3.34 *Fiscal deficits* – not applicable the district does not prepare deficit budgets; the CG and OBL do not oblige districts to project expenditures beyond available resources.

3.35 *Deficit financing* – not applicable

3.36 *Debt stock* – not applicable, the district does not borrow and thus does not have any debt stock. The law allows districts to borrow to finance development projects with the approval of the Minister of Finance *(Article 50 of the OBL)*; however, the district explained that it has not yet used this power. The district's year end debt comprises accounts payable, i.e., petty creditors, who submitted their invoices too late, after the yearend cutoff date. These invoices receive prompt and priority payment at the commencement of the new year.

3.37 *Financial assets* – not applicable. The district explained that its only financial assets comprise operational cash balances at fiscal yearend, i.e., that the district has no investment in financial stocks and similar instruments.

3.38 *Prior Year's budget outturn* – **not provided.**

3.39 *Current year's budget outturn* – **not rated.** This district explained it provides the information, but not in the same format as the budget proposal as required by the PEFA Framework. The district asserted that it provides information only on major items. The rationale is to make the information easily digestible to the councilors, several of who often lack the technical capacity to deal with sophisticated fiscal presentation. However, the district did not provide evidence on what it provides to the DC to enable rating, as requested.

3.40 *Summarized budget data according to the main heads for both revenue and expenditure according to the main classifications used, including for the current and previous year* – **not provided**; the district explained that information provided is a description of revenue and expenditure, but not according to the main heads of expenditure.

3.41 *Budget implications of new government policies* – **not provided –** the district explained that it provides information on the implications new tax tariffs, comparing this with the preceding year's tariff level. However, it did not provide evidence to justify this.

PI-7: Extent of Unreported Government Operations

3.42 *PI-7* assesses the extent to which fiscal reports include all budgetary and extra budgetary[17] activities. Extra budgetary operations (EBOs) are activities of government not included in the annual budget, for example, those funded through extra budgetary funds (EBFs).[18] EBFs carry out specific government functions outside of the main stream, sometimes to ensure efficient and effective service delivery, e.g., state owned tertiary educational institutions. Usually, the special laws or regulations establishing EBFs, authorize them to follow different accounting rules, classification systems, or even different fiscal years. However, concern for comprehensiveness requires that annual budget estimates, in-year budget reports, year-end financial statements, etc. meant for public consumption cover all government operations (including extra budgetary revenues and expenditure) to allow a complete picture of revenue, expenditure, and financing across all categories. The coverage may be by consolidation into the fiscal report or by disclosure in the notes to the reports or other document referenced by the report. *Score Box 3.8* scores the two dimensions of this indicator.

Score Box 3.8: Extent of Unreported Government Operations

[17] An extra budgetary entity is one whose budget is partially or wholly financed by public funds, but managed outside the regular government budget and accounting system

[18] "The extra-budgetary" units / entities subsector includes a variety of units that belong to the central government, but have their own separate budgets. Most usually, these units receive transfers from the budgetary central government, but also generate some of their own revenues (grants from international organizations, sale of products and services, etc.). Examples of these units include universities and technical institutes, research centers, regulatory bodies, councils, commissions, special funds (e.g., road fund, development fund, housing fund, etc.), nonprofit institutions, hospitals, and other government agencies"; see IMF, **Government Finance Statistics: Compilation Guide for Developing Countries** September 2011, p. 80

Score Box 3.8: Extent of Unreported Government Operations						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
The level of extra budgetary expenditure (other than donor funded projects) which is unreported, i.e., not included in fiscal reports	Monthly and annual financial reports disclose key fiscal information of the district's government in the main accounts, and of the 143 subsidiary entities (AGAs, i.e., schools, health institutions, and administrative sectors), excluding PTA collections, in the notes.	A	A. The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure).	District's monthly and annual financial statements for FY 14, 13, and 12	NA Dimension not assessed in 2010	
Income/expenditure information on donor-funded projects included in fiscal reports	The audit report confirms that financial statements report information on donor grants received in cash; however; they do not report PTA donations to schools.	NA	In line with PEFA Secretariat's guidance, this dimension does not apply to districts, since districts do not directly contract loans/grants. The CG does.	District's monthly and annual financial statements for FY 14, 13, and 12		
Score (Method M1)		**A**				

Rationale for the Score

Level of unreported extra budgetary expenditure (other than donor funded projects)

3.43 The district has 143 extra budgetary entities, referred to in local parlance as non-budget agencies (NBAs) as at close of business on June 30, 2014.[19] These comprise one district pharmacy, one district (level) mutual health fund, 12 administrative sectors, 51 primary schools, 46 secondary schools, one district hospital, 12 health centres, 12 mutual health (funds) - sector level,[20] and seven VUPs[21] (*Table 3.11).*

[19] See Section 2 of the Consolidated Report for a description of the nature of NBAs and their relation to district administrations and the central government.
[20] This is he term used in the 2013/2014 Audit Report from which this section summarized the data used; this is the same as the mituelle du sante or community based health insurance (CBHI) institutions.
[21] Vision Umurenge projects

Table 3.13: Summary of AGAs of Kamonyi District, June 2014

	Kamonyi District: Summary of NBAs as at June 30, 2014	
	Type	**Number**
1	District Pharmacy	**1**
2	District Mutual Health Fund	1
3	Sectors	12
4	Primary Schools	51
5	Secondary Schools	46
6	District Hospital	1
7	Health Centres	12
8	Mutual Health - Sector Level	12
9	VUP Services	7
	Total	**143**

Summarized from 2013/2014 Audit Report, pp 30 - 40

3.44 All the NBAs prepare and send monthly reports to the district headquarters in hardcopies. The reports cover all financial operations of the NBA and includes a summary of the asset register. The district extracts, summarizes, and discloses key fiscal information on these NBAs in its monthly and quarterly financial reports submitted to the Ministry of Finance by the middle of the following month *(see PI-9 below)*, and the annual financial statements submitted to the Ministry and to the auditor general at fiscal yearend. The reporting takes two forms: consolidation of reports of the 12 administrative sectors into its statements and disclosure of details of the fiscal position of these sectors and the other NBAs as notes in the annex. The information disclosure is according to the following 10 headings:[22] (i) adjusted[23] opening bank balance, (ii) transfer from the District, (iii) other revenue, (iv) expenses, (v) fund balance at the end of the period, (vi) bank balances, (vii) cash balance, (viii) accounts receivables, (ix) accounts payables, and (x) fund balance. Fiscal reports disclose the information on each NBA. They also group the NBAs by type (i.e., primary schools, secondary schools, etc.), showing the totals under each item. Finally, fiscal reports show the grand totals under each heading.

Figure 3.3: Income from Donors

During the 12 months period to 30 June 2014, Kamonyi District received funds from donors as detailed in the table below:

ID account	Name of the donor	12 months to 30 June 2014 Frw	12 months to 30 June 2013 Frw
Grants received from multilateral donors (*International Organizations*)			
132106/2088026	Rwanda Family Health Project	15,841,315	16,063,429
132106/2088222	GIZ	5,000,000	0
132106/2088271	FHI	-	3,525,300
132106/2085100	ACCORD	-	400,000
Grants received from local individuals and organizations			
133106/2068002	Rwanda Association of Local Government Authorities (RALGA)	5,848,000	902,867
Total		**26,689,315**	**20,891,596**

Source: 2013/2014 Audit Report, p. 19

3.45 <u>Income/expenditure information on donor-funded projects included in fiscal reports</u>

3.46 The template for monthly and annual financial reports/statements includes a section on (donor) grant in the notes, which reporting entities must complete. The audit reports confirm that grants from development partners "are funds received from partners including domestic grants and external grants … recognized as revenue when the institution receives the cash from the donors".[24] The donor support reported by districts are those made to them specifically and in support of particular projects, but which must pass through the CG for proper coordination. Besides, internal regulations do not permit international

[22] i.e., excluding the serial number and the name of subsidiary entity, which would take the number of columns to 12.

[23] The 2013/2014 audit report (p. 30) for which this dimension summarized this information uses "adjusted opening balances"; some other district financial statements use simply 'opening balance'

[24] 2013/2014 Audit Report, p. 16

donors to deal directly with subnational governments, as is also the case in many developing countries. The District received grants of Frw 26,689,315 in FY 2013/2014 and Frw 20,891,596 in FY 2012/2013, as shown in *Figure 3.3*. The district keeps detailed information on the flow of donor funding in the General Ledger maintained on the IFMIS. In addition, the financial statements report "Transfers from Government Reporting Entities", under two subheadings: "Transfers from Central Government entities" and "Transfers from Independent Development Projects. These transfers are CG funds for specific projects, sometimes co-funded by donors. Total transfers from government reporting entities amounted to Frw 1,119,096,503 in FY 2014 and Frw 1,131,808,885 in FY 2013.[25]

PI-8: Transparency of Inter-Governmental Fiscal Relations

3.47 *PI-8 assesses the transparency of criteria for horizontal distribution of revenues due to its first line SNGs.* Transparency here requires clarity, publication, and correct application of criteria. The indicator also assesses whether the government provides its SNGs with advance information on expected allocations in the coming year to enhance SNGs' short and medium terms fiscal planning. Finally, the indicator measures the extent to which the government tracks and consolidates SNGs' expenditure information to provide accurate information on sectoral resource allocations and actual spending. This is vital given the increasing role SNGs play in the delivery of primary services, especially in education and health. *Score Box 3.9* summarizes performance on this indicator.

Score Box 3.9: Transparency of Inter-Governmental Fiscal Operations						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from the central government (both budgeted and actual allocations)	The district transfers to administrative sectors are according to a clear and transparent rules-based distribution formula, i.e., 50% of district fees and charges collected by the sector plus 10% of previous year's own revenues shared equally among the sectors and paid in equal monthly instalments.	NA	NA – this indicator is not applicable, since sectors are not autonomous entities of the district.	District administration Art. 7, 8 of Ministerial Order No. 01/09 of 25/02/2009 Determining the Use of Funds Allocated at Sector Level	Dimension not assessed in 2010	
(ii) Timeliness of reliable information to SN governments on their allocations from central governments for the coming year	The district is the lowest level of government for development planning purposes. Sectors and cells are their non-budget agencies.	NA				
(iii) Extent to which financial information (at least on revenue and expenditure) is	The district is the lowest level of government for development planning purposes. Sectors and cells are their non-	NA				

[25] 2013/2014 audit report, p. 11

Score Box 3.9: Transparency of Inter-Governmental Fiscal Operations					
collected and reported by the general government according to sectoral categories	budget agencies.				
Score (Method M2)		**NA**			

Rationale for the Score

3.48 *The context* - Rwanda's decentralized administrative entities comprise the City of Kigali, districts, sectors, cells, and villages; the Ministry of Local Government (MINALOC) supervises and monitors their functioning and management.[26] However, sectors, cells, and villages have very limited autonomy, being affiliates or subsidiary entities funded and supervised by districts *(Arts. 123 & 184 of Law No. 87/2013)*. Subsidiary entities do not have legal personalities as the City of Kigali and districts do *(Arts. 3 & 4 of Law No. 87/2013)*. The OBL defines a subsidiary entity as *"a public entity without legal personality and administrative and financial autonomy supervised and funded through the Central Government or a Decentralized Entity to which it is affiliated"*.[27] Sectors, cells, and villages cannot hire personnel, since they lack legal personalities; therefore, the district performs human resource management (HRM) functions on its behalf *(Art. 182 of Law No. 87/2013)*. Subsidiary entities cannot discipline staff, since they do not have the HR function, instead, sectors and cells may send back personnel to the District for "degrading behavior" and inability to "carry out his/her duties properly or … fulfil his/her responsibilities."

Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from the central government (both budgeted and actual allocations)

3.49 From the foregoing, districts constitute the lowest tier of real subnational government in Rwanda's decentralized system; sectors, cells, and villages do not strictly qualify as SNGs. However, the legal regulations enjoin districts to allocate resources to sectors to help them implement their expenditure plans. A Ministerial Order[28] details such allocations as follows

- "fifty per cent (50%) of all revenues received by the District Treasury from fines and civil registration services rendered by the Sector" *(Art. 7)*; however, this provision applies only to provincial districts and not the City of Kigali districts
- for provincial districts, "a twelfth (1/12) of ten percent (10%) of all the revenues received every year by the District on the ordinary budget ... equally distributed to Sectors"; or for districts in the City of Kigali, a twelfth (1/12) of twenty-five percent (25%) of all revenues received by the District from taxes, and other dues" *(Art. 8)*
- "districts may also allocate additional funds to sectors to supplement the funds already received, depending on the financial capacity of the District and the activity programs to be implemented by the Sector" *(Art. 8)*

[26] See Art. 2 of "Law Nº 87/2013 of 11/09/2013: Law determining the organisation and functioning of decentralized administrative entities", i.e., the Decentralization Law
[27] *Art. 3 of Law N° 12/2013/OL of 12/09/2013, Organic Law on State finances and property*, i.e., the OBL.
[28] Ministerial Order N° .01/09 of 25/02/2009 Determining the Use of Funds Allocated at Sector Level

3.50 By the *Decentralization Law (No. 87/2013),* provincial sectors must deposit all revenues *(Art. 3),*[29] including revenue from fines and civil registration services rendered by the sector *(Art 7)* into the joint account of the district opened to receive revenues *(Art 5)* within seven days from the date of receipt *(Art 5).* Sectors of districts in the City of Kigali deposit their collections on behalf of districts in the joint account of the District and the City of Kigali. The district and sectors keep and use records of the collections for calculating and reconciling entitlements due to sectors. Payments are with a one-year time lag, in accordance with the Ministerial Order, i.e., collections in *year n* are the basis of payment in *year n + 1*.

3.51 The District makes the following allocations to its sectors, following these provisions

- Revenues collected on behalf of the district by the sector (fees and charges) paid monthly; the sectors transfer the full collection to the district, which then pays them monthly.
- District's own revenue - 10 percent of the preceding year's collection shared equally among the 12 sectors and paid monthly

3.52 However, the District delays in transferring these funds to NBAs, as audit reports reveal. For instance, the 2013/2014 audit report notes that 'accounts payable' at the end of 2013/2014 fiscal year includes amounts Frw 30,460,636 due to sectors, but transferred to them until the next fiscal year. The amount comprises operational funds of Frw 29,518,145 for April, May, and June 2014 paid on July 16 2014 and 10% tax collected at sector level in May 2014 of Frw 942,491 paid on 18 August 2014. The District management blamed the delay on "insufficient own revenues".[30]

<u>Timeliness of reliable information to SN governments on their allocations from central governments for the coming year</u>

3.53 This dimension is not applicable, despite the following provision in Art 42 of the OBL.

> *"For decentralized entities, the Executive Committee Chairperson shall inform the subsidiary entities that are entitled to the budget and require them to prepare and submit a detailed annual expenditure plan. The modalities of preparation and approval of the expenditure plans in decentralized entities shall be provided for in financial regulations."*

Sectors do not do any real development planning; they are non-budget entities. Districts do the actual planning for their entire jurisdictions, including sectors, consulting sectors as necessary. A Sector is "an administrative entity responsible for the implementation of development programs, service delivery, and promotion of good governance and social welfare" *(Art. 182 of Law No. 87/2013).* Sectors' expenditures centre on programming the recurrent costs of coordinating district programmes around those areas; fund allocations to them are mostly for running costs.

<u>Extent to which financial information (at least on revenue and expenditure) is collected and reported by the SG according to sectoral categories</u>

[29] Of the Ministerial Order requires

[30] See 2013/2014 audit report, pp. 55 - 56

3.54 Not applicable; sectors do not have responsibility for any development function (sector), e.g., education or health. The CG prepares consolidated fiscal reports that covers all functional areas (sectors) of government.

PI-9: Oversight of Aggregate Fiscal Risks from Other Public Sector Entities

3.55 *PI-9* measures the extent of government tracking of fiscal risk exposure of autonomous government agencies (AGAs), public enterprises (PEs), and subnational governments. Fiscal risks include debt default (with or without government guarantee), operational losses, trade debts, unfunded pension obligations, etc. The indicator underlines government's responsibility to obtain and consolidate periodic financial and other statements to monitor exposure of AGAs and PEs against preset targets. Monitoring allows proactive, transparent, and accountable measures consistent with governance arrangements and relative responsibilities of those institutions. *Score Box 3.10* presents the assessment.

Score Box 3.10: Oversight of Aggregate Fiscal Risk from Other Public Sector Entities						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Extent of the SG's monitoring of AGAs and PEs	The 143 NBAs do not audit their accounts, but they submit unaudited monthly financial reports to the District, which the Finance Unit consolidates into an overall report and includes in the notes to its monthly, quarterly, and annual financial statements. The large number of NBAs, and the limited number of internal auditors and accounting personnel makes effective review of financial statements submitted by the NBAs difficult.	C	C. Most major AGAs/PEs submit fiscal reports to central governments at least annually, but a consolidated overview is missing or significantly incomplete.	District administration	Not assessed in 2010	
(ii) Extent of the SGs' monitoring of LGs' fiscal position	The district is the lowest tier of formal government.	NA	NA – Not applicable: in the case of a dimension, then the dimension is excluded from any further consideration i.e. the assessor proceeds as if the dimension did not exist.			
Score (Method M1)		**C**				

Rationale for the Score

Extent of the SG's monitoring of AGAs and PEs – Art. 19 of the OBL requires the CBM "to supervise and ensure proper use of public funds at the disposal of subsidiary entities under his/her responsibility".

3.56 The district thus supervises and monitors the activities of its 143 subsidiary entities, i.e., non-budget agencies (NBAs) categorized in *PI-7* above. These NBAs comprise autonomous, quasi autonomous, and non-autonomous entities. Sectors, cells, and villages are non-autonomous administrative units of districts, while schools, health institutions, and universities are either autonomous or quasi autonomous. The agencies submit unaudited monthly financial reports with supporting documents to the District; the supporting documents include bank reconciliation statements (with supporting document - bank statements and cashbook) and assets register. The District's finance department summarizes and consolidates the NBA reports into an overall report, and includes it in the notes to its quarterly and annual financial statements to the Ministry of Finance. The summary is under the following 10 headings: (i) name of subsidiary entity, (ii) adjusted opening balance, (iii) transfers of funds from the District, (iv) other revenues of the NBA, (v) expenses of the NBA, (vi) Fund balance at the end of the period, (vii) bank balances, (viii) cash balance, (ix) accounts receivables, (x) accounts payables, and (xi) fund balance.

3.57 *The District takes a number of additional measures designed to improve the integrity of fiscal monitoring of non-budget agencies, but several inhibiting factors limit their effectiveness of these efforts.* Among these additional measures are periodic PFM evaluation meetings and internal audit monitoring. Monthly PFM meetings hold at both district and sector levels to evaluate different areas of the PFM - planning, execution, and reporting. Quarterly PFM meetings also hold at NBA (schools and hospitals) level to discuss internal and external audit recommendations and plans for their implementation. There are also quarterly sessions to evaluate the performance contract (Imihigo); the District evaluates sectors, sectors evaluate cells, and cells evaluate villages.

3.58 Factors affecting effective monitoring of fiscal risks of NBAs include the large number of NBAs[31] relative to the human and technical capacity available in both the District and NBAs[32] and different accounting (recording and reporting) systems used by the District and most of its NBAs. The district's finance staff check the NBAs' bank balances, bank reconciliation, payables, receivables, petty cash, etc., but their effectiveness at this is in doubt due to the limited accounting personnel who must combine these tasks with their regular duties of running the finance department of the district headquarters. Approved district accounting establishment quotas is two to three per district. Even then, unfilled vacancies sometimes exist for the establishment positions. Further compounding the task is the poor quality of records keeping and reporting in NBAs, especially schools. Schools do not have accounting and internal audit personnel; they use teachers to do their accounting task. These teachers have no technical

[31] 143, as at June 30, 2014, as illustrated above; the indication is the number has increased. For instance, the District management indicated there were 105 primary and secondary schools as at the time of the assessment team visited on June 22/23, 2015, whereas they were only 97 as at June 30, 2014, according to the audit report for the period (see PI-7 above).

[32] Approved establishment position is for two to three accounting personnel per district, but unfilled vacancies sometimes exist. Schools do not have accounting personnel; they appoint ill-trained teachers to do their accounting task.

accounting background, making their work error prone. Besides, schools do not operate on the IFMIS and the GoR was yet to deploy the Subsidiary Entities Accounting System (SEAS) to schools (as at the time of the assessment) as it had to hospitals. Schools' therefore still sent manual reports, prepared under a different format to Districts, making tracking, and monitoring, and consolidation difficult.

3.59 Internal audit (IA) faces similar constraints. The District has the full complement of internal auditors approved for it, i.e., three.[33] IA mandate covers both the district headquarters and the 143 NBAs. IA therefore can only review a small risk-based sample of NBAs. However, internal auditors, sometimes perform other tasks assigned by the CG, which also affects their ability to discharge their tasks effectively.

3.60 In addition, the auditor general audits NBAs as part of the annual audit process, but the audit reviews only a small risk-based sample. Audit reports regularly complain that the District's fiscal risks monitoring of NBAs is incomplete. The District management's typical response is as contained in the 2013/2014 audit report, i.e., "This issue is beyond the control of the District Management. In collaboration with MINECOFIN, the recommendation will be implemented."[34]

3.61 The 2013/2014 audit reports contain evidence of instances of the crystallization of the fiscal risks of NBAs. These include cases of "fraudulent transfer of payments for drugs to a wrong bank account" and long standing accounts payable and accounts receivable.[35] The "fraudulent" payments involved issuing payment orders for payment for purchases of drugs worth Frw 17,471,300 to the District Pharmacy accountant's personal bank account, rather than the bank account of the suppliers as clearly indicated on the invoices. This resulted in losses to the District, which had to pay the supplier the amount owing, while prosecuting the accounts in courts. The aged debts involve eight debtors who owe the District Hospital (Remera Rukoma Hospital) amounts totaling Frw 60,737,375. Some of these debts have been outstanding 2000 and 2011. The aged creditors also involve the same hospital and have been outstanding since 2011. They are owing to four creditors and they amount to Frw 55,722,333.

Extent of the SN governments' fiscal position

3.12 *The district does not have any SNG below it (see PI-8 above).* Sectors, cells, and villages are part of the district's administration and the district integrates their financial position into its fiscal reporting. Sectors, cells, and villages have very limited autonomy, being affiliates or subsidiary entities funded and supervised by districts *(Arts. 123 & 184 of Law No. 87/2013)*.[36] Subsidiary entities do not have legal personalities as the City of Kigali and districts do *(Arts. 3 & 4 of Law No. 87/2013)*. The OBL defines a subsidiary entity as *"a public entity without legal personality and administrative and financial autonomy supervised and funded through the Central Government or a Decentralized Entity to which it is affiliated"*.[37] Sectors, cells, and

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[33] Approved establishment quota is also two to three per district, but there are often unfilled vacancies.
[34] 2013/2014 audit report, p. 42
[35] See 2013.2014 audit report, pp. 42 - 46
[36] See Art. 2 of "Law Nº 87/2013 of 11/09/2013: Law determining the organisation and functioning of decentralized administrative entities", i.e., the Decentralization Law
[37] Art. 3, *Law N° 12/2013/OL of 12/09/2013, Organic Law on State finances and property*, i.e., the OBL.

villages cannot hire personnel, since they lack legal personalities; therefore, the district performs human resource management (HRM) functions on its behalf *(Art. 182 of Law No. 87/2013)*. Subsidiary entities cannot discipline staff, since they do not have the HR function, instead, sectors and cells may send back personnel to the District for “degrading behavior” and inability to “carry out his/her duties properly or … fulfil his/her responsibilities.”

PI-10: Public Access to Key Fiscal Information

3.62 *PI-10* reviews the level of public access to budget documentation: in-year budget report, annual financial statements, annual audit report, major contract awards, resources available to service delivery units, service delivery fees and charges, etc. Public access is vital to promoting transparency and accountability. Access can be through official websites, official gazettes, public libraries, or even sale at cost of production to the interested persons, etc. The document should be accessible at the public’s location. *Score Box 3.11* lists these items and the District’s score.

Score Box 3.11: Public Access to Key Fiscal Information

	Item	Whether Accessible	Rationale for the Score	Source of Information	2010 Score	Explanation of Change since 2010
1.	Annual budget documentation: the public can obtain a complete set of documents (including the items listed under *PI-6*) through appropriate means when it is submitted to the Approving Authority	Not accessible	Current legislation provides as follows, “When the draft budget of a decentralized entity is approved by the Council, it shall be made public through appropriate media, including public on the entity website” *(Article 40 of the OBL)*. The District’s contains the approved budgets for FYs 2012, 2013, and 2014, but not the drafts.			Not assessed in 2010
2.	In-year budget execution reports: routinely made available to the public through appropriate means within one month of their completion	Not accessible	The District management explained that it occasionally posts this on its website, but that this is not regular. There was none on its website at the time of the assessment.			
3.	Year-end financial statements: available to the public through appropriate means within six months of completed audit	Not accessible	The District explained that it posts financial statements on its website; however, the latest statement found on its site relates to FY 2012			
4.	External audit reports: all reports on consolidated central government operations made available to the public through appropriate means within six months if	**Yes**	Summary included in audit report published by the OAG on its website, www.oag.gov.ng immediately after presentation to the Parliament. This is usually well within six months of completion of the audit. In addition, the District posted scanned copies of FYs 2012, 2013, and 2014 audit	Auditor General’s website		

	completed audit		reports on its website, www.kamonyi.gov.ng			
5.	Contract awards: that the SG publishes award of all contracts with value above US $ 100,000 equivalent at least quarterly through appropriate means	**Yes**[38]	Details of contracts awarded in FY 2013 and FY 2014 are on the District's website, www.kamoni.gov.ng			
6.	Resources available to primary service units: the SG publicizes information through appropriate means at least annually, or available on request, for primary service units, e.g., hospitals	Not accessible	The district provided copies of routine monthly reports on resources in cash and kind available to schools, although the district publishes only cash information in periodic financial reports			
7.	Fees and charges for major service organizations are posted at the service delivery site and in other appropriate locations/media	**Yes**	Disseminated through district's website, distributed in sectors and cells, markets, and collecting banks.			
8	Services provided to the community, e.g., potable water, sewage, street lighting, etc.	**Yes**	Services provided to the community detailed in service charter and posted in notice boards on District and sector noticeboards. The District also posts Service Charters at District, Sector and Cell level, prepared with the aid of German Cooperation (GIZ) on its website: www.kamonyi.gov.ng; the charter is in the local Kinyarwanda language.			
Score (Method M1)		**C**	**Four out of 8 elements accessible to the public**			

3.3 Policy Based Budgeting (PI-11 – PI-12)

3.63 A disciplined pursuit of the budgetary objectives of fiscal discipline, strategic prioritization, and efficient service delivery requires that clear policies and sectoral strategies underpin the budget. The next two indicators assess the extent to which this is the case. The two indicators are *orderliness and participation in the annual budget process* and *multi-year perspective in fiscal planning, expenditure policy, and budgeting*.

PI-11: Orderliness and Participation in Annual Budget Process

3.64 *PI-11* assesses the effectiveness and orderliness of participation in the annual budget process. Effective participation requires an integrated top-down, bottom-up budget process: budget entities should receive appropriate guidance, e.g., clear guidelines and hard budget constraints (binding medium-term priorities and sectoral ceilings) at the commencement of the budget process. Orderliness involves timely adherence to a predetermined and fixed budget formulation calendar. The calendar should afford meaningful time to budget entities to prepare

[38] Ministerial Order No. 001/08/10 of 16/01/2008 establishing regulations on public procurement and standard bidding documents, and reporting requirements, requires publication of this information.

their detailed proposals and to the legislature to approve the budget before the start of the fiscal year. Delay in approving the budget creates uncertainties about levels of approved expenditures and slows down operations, especially the processing of major procurements. The indicator has three dimensions, assessed in *Score Box 3.12* below.

Score Box 3.12: Orderliness and Participation in the Annual Budget Process						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Existence and adherence to a fixed budget calendar	The district does not prepare an independent budget calendar, but rather applies that issued by the MINECOFIN, as all other budget entities do.	A	A. A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (and at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time.	MINECOFIN / District Government		
(ii) Clarity / comprehensiveness of and political involvement in the guidance on the preparation of budget submissions	The CG (MINECOFIN) issues two call circulars to all budget entities, including the district. The first announces commencement of the budget season and provides planning guidelines; the second conveys firm and clear expenditure ceilings.	A	A. A comprehensive & clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to MDAs.	MINECOFIN / District administration		
(iii) Timely budget approval by the District Council (within the last three years)	Budget approved before the commencement of the fiscal year on July 1, e.g., June 26, 2014 for FY 2015, June 23, 2013 for FY 2014, and June 21, 2012 for FY 2013	A	A. The legislature has, during the last three years, approved the budget before the start of the fiscal year.	Approved District budget books		
Score (Method M2)		**A**				

Rationale for the Score

3.65 *Existence and adherence to a fixed budget calendar* – the Government of Rwanda operates a central planning and budgeting process. Decentralized entities align their process with the CG's, by legal requirements. Thus, districts do not prepare independent budget calendars; they follow budget guidelines and calendar issued by the Minister of Finance & Economic Planning in line with legal provisions. Current provisions require districts' "preparation and approval of the budget" to "follow the budget cycle on the basis of the calendar included in the instructions issued by the Minister" *(Article 26 of OBL)*. The Minister's instructions usually includes the following

- modalities for preparation of annual budget and medium term expenditure framework,
- the format and contents of the finance bill,
- timeframe for the preparation and submission of the Budget Framework Paper,
- timeframes for the preparation and submission of finance law,
- roles and responsibilities of various stakeholders in the budget process, and
- other pertinent information to assist public entities to develop plans and budget

3.66 The Organic Budget Law sets boundaries for the budget calendar. These include: presentation of the Budget Framework (BFP) to Parliament by April 30, Parliament's opinion on the BFP by May 30 *(Article 32)* presentation of the Finance Bill by June 15 to Parliament and legislative adoption of the Bill by June 30, i.e. before the commencement of the fiscal year on July 1 *(Article 35)*. The calendar allows for cabinet approval of both the BFP and the finance bill before their presentation to Parliament. It also allows for inputs from budget entities (including districts) before cabinet approval. The sample budget calendar provided by MINECOFIN shows that the budget process begins in the first week of September and culminates with the adoption of the Finance Bill in the following June.

3.67 *Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions* – districts do not issue budget call circulars, but comply with circulars issued by the Minister of Finance. The current practice is to issue two budget call circulars, an early one in September detailing planning and budgeting guidelines, and a later one around April/May conveying expenditure ceilings to budget entities, including districts. The Cabinet approves the policies and guidelines ahead of the issuing of the call circulars. Cabinet's approval covers (i) medium term strategic objectives and priorities for budgetary policies set out in the BFP, (ii) the BFP itself, especially the targets for aggregate revenues, aggregate expenditures, fiscal balance, and debt repayment, (iii) the annual finance bill, (iv) formula for allocation of grants to decentralized entities, etc. *(Art 12 of the OBL)*.

3.68 *Timely budget approval by the District Council (within the last three years)* – the combined effects of *Article 79 of the 2003 Constitution* as amended to date and *Article 35 of the OBL* require approval of the Finance Bill (budget) by June 30 each year. The District complies with this provision and consequently approves the budget before the commencement of the next fiscal year on July 1. Budget approval dates for the last three fiscal years is as follow: June 26, 2014 for FY 2015, June 23, 2013 for FY 2014, and June 21, 2012 for FY 2013. A meeting of the DC to approve the FY 2016 budget held on June 23, 2015 during the pendency of the field visit for this assessment. The result was not immediately available for the assessment.

3.69 De jure, the CG does approve the overall district budget. De facto, however, the CG budget includes expenditures earmarked to districts and funded by CG transfers. These constitutes about 95 percent of district expenditures, on average. In practice, therefore, the CG indirectly approves district budgets, when it adopts its own budget, since the budget includes about 95 percent of districts' expenditures. The only district expenditures not approved by the CG are those funded from districts' own resources. The CG also approves its budgets before the commencement of the next fiscal year on July 1.

PI-12: Multi-year Perspective in Fiscal Planning, Expenditure Policy and Budgeting

3.70 This indicator tracks the multi-year nature of economic development on fiscal planning and expenditure decisions. It examines existence of forward costing of sector strategies, including recurrent and investment expenditure of new and existing initiatives. Costed strategies help to evaluate policy alternatives/options and affordability of current and new policies, and they simplify policy choices, identification of priorities, and medium-term sector allocations. *Score Box 3.13* shows the performance of GoR on the four dimensions of measurement under this indicator.

Score Box 3.13: Multi-year Perspective in Fiscal Planning, Expenditure Policy and Budgeting						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Preparation of multi-year forecasts and functional allocations or programs	The CG (MINECOFIN) makes three-year rolling fiscal forecasts for the entire country along the main economic categories (wage, nonwage, development/capital, domestic and foreign funds, etc.) and allocations to the main sectors. The forecasts are the basis of ceilings to CG ministries, which use them to prepare more detailed expenditure forecasts that include earmarked transfers to districts.	A	A. Forecasts of fiscal aggregates (on the basis of main categories of economic and functional/sector classification) are prepared for at least three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences explained.	MINECOFIN / District administration and budgets	Not assesses in 2010	
(ii) Scope and frequency of debt sustainability analysis (DSA)	The District has no need for a DSA; it does not borrow; its only debts are accounts payable comprising mainly of unpaid invoices caught up with by financial yearend routine.	NA	See "Supplementary Guidelines for the Application of the PEFA Framework to Subnational Governments", *p. 21*	District government / annual financial statements		
(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditures	The District Development Plan (DDP), 2013 – 2018 provides ballpark costs for development projects (but not the recurrent cost component) for all sectors and links this with the EDPRS 2 (2013 – 2018). The DDP is also the basis for the MTEF (although with some modifications) and	B	A. The legislature has, during the last three years, approved the budget before the start of the fiscal year.	District DDP 2013 - 2018		

Score Box 3.13: Multi-year Perspective in Fiscal Planning, Expenditure Policy and Budgeting					
	budget.				
(iv) Linkages between investment budgets and forward expenditure estimates	The link between investment and recurrent expenditure costing is weak; the two are separate activities. The budget also has provisions for staff compensation and goods and services, but not tied to specific investment or program activities. The CG budgets and funds most of the development and investment activities, and some personnel costs; district's own revenues contribute largely to their recurrent expenditures. This dichotomy introduces complications to any effort to link the investment and recurrent expenditure.	D		The District administration / district budgets / district financial statements	
Score (Method M2)		**B**			

Rationale for Score

<u>Preparation of multi-year forecasts and functional allocations or programs –</u>

3.71 The district makes little realistic independent fiscal forecasts in its MTEF; it depends largely on forecasts prepared by the Ministry of Finance. Current regulations provide that,

> *"The expenditure estimates in decentralized entities, shall be based on existing and proposed expenditure policies of decentralized entities and in conformity with medium term strategies established by the State. ... The organization and documentation of the budget of decentralized entities, including the amount of the expenditures to be approved, shall follow the general principles relating to State budget, except with variations in order to reflect particular organization of the decentralized entities" (Article 36 of the OBL).*

3.72 The Minister prepares and submits a BFP to both Chambers of the Parliament (after cabinet approval) by April 30 each year, as required by *Article 32 of the OBL*. The Parliament submits comments on the Budget Framework Paper to the Cabinet by May 30. The BFP contains the following annexes as required by the law

- basic macroeconomic indicators
- fiscal projections for the relevant period
- mid-year budget execution report of the current year

- borrowing and loan servicing projections
- projections of grants by source
- guidelines on earmarked transfers to decentralized entities
- projected internally generated revenues and related expenditures of Central Government entities
- consolidated summaries of revenues and expenditures of decentralized entities
- revenues and expenditure projections of public institutions
- amount of dividends paid by companies in which the State holds shares and the part of the amount which will go to the budget
- securities issued by the Government
- gender budget statement

3.18 In summary, the CG prepares multi-year estimates for the entire country; however, districts have little control over the preparation process. First, the Ministry of Finance and Economic Planning projects generic macroeconomic and fiscal indices for the entire country. This projection is in the Budget Framework paper, and is not district by district. Based on these indices, the Ministry forecasts. Ministries of the CG prepare and control their detailed three-year expenditure forecasts, which includes the transfers that they would earmark to districts for execution. Districts cannot alter them. Below are extracts from the 2015/2016-2017/2018 BFP.

3.19 BFP fiscal projections for 2015/2016-2017/2018

Figure 3.4: Fiscal Projections from the Budget Framework Paper 2015/2016-2017/2018

The table below shows a summary of the budget for fiscal year 2015/16 to 2017/18.

Fiscal projections (2015-16 – 2017 /18, billion FRw)

(billion RwF)	2014/15 Revised Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget
RESOURCES				
Domestic revenue	**997.4**	**1,038.1**	**1,176.3**	**1,273.8**
Tax revenue	894.6	938.6	1,072.1	1,173.6
Direct taxes	364.0	387.6	442.7	509.0
Taxes on goods and services	461.5	486.4	554.9	637.1
Taxes on international trade	69.1	64.6	74.5	27.5
Non-tax revenue	102.9	99.5	104.2	100.2
Domestic financing	**131.2**	**134.6**	**104.1**	**69.3**
Sale of Securities, net (Bank & non-bank T-Bills and Bonds)	54.8	30.0	34.0	36.0
Use of BNR deposit	76.4	104.6	70.1	33.3
Accumulation of arrears	0.0	0.0	0.0	0.0
Grants	**417.1**	**358.4**	**327.1**	**350.7**
Budget Support	176.1	189.9	183.6	102.9
Project Support	241.0	168.4	143.5	247.8
Loans	**212.6**	**233.2**	**271.7**	**340.4**
Budgetary Loans	107.1	121.4	95.0	170.2
Project loans	105.5	111.8	176.7	170.2
Net Lending (repayments)	**4.0**	**4.0**	**2.5**	**2.5**
Other Receipts (errors and ommissions)	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL RESOURCES	**1,762.3**	**1,768.2**	**1,881.7**	**2,036.7**
EXPENDITURES				
Recurrent Budget	**842.6**	**858.1**	**937.3**	**979.0**
Wages and salaries	207.0	222.0	248.1	279.5
Purchases of goods and services	151.2	159.8	170.1	191.6
Interest payments	42.9	54.3	60.7	70.0
Domestic	15.6	24.6	28.3	30.1
External	27.3	29.7	32.4	39.9
Amortization	48.2	48.0	54.1	58.0
Domestic (non bank)	33.0	30.0	34.0	36.0
External	15.2	18.0	20.1	22.0
Transfers	301.0	273.2	298.0	270.0
Exceptional expenditure	92.3	100.8	106.3	109.9
Development Budget	787.0	747.3	828.5	957.8
Domestically financed	440.4	467.1	508.3	539.8
Externally financed	346.6	280.2	320.2	418.0
Net Lending (lending)	122.8	132.3	84.2	86.2
Arrears Payment	10.0	11.4	13.0	13.2
Accumulation of Deposit	0.0	0.0	0.0	0.0
Other Payments	0.0	19.1	18.8	0.5
TOTAL EXPENDITURES	**1,762.3**	**1,768.2**	**1,881.7**	**2,036.7**

Source: Rwanda Ministry of Finance and Economic Planning - Budget Framework Paper 2015/2016-2017/2018, p. 34

3.20 Resource Allocation per the Economic Development and Poverty Reduction Strategy (EDPRS) clusters.

Figure 3.5: Resource Allocation in the BFP (1)

Table 14: Resource Allocation to EDPRS Clusters 2015/16 – 2017/118 (Bn RWF)

BUDGET PROJECTIONS BY EDPRS 2 INITIATIVES	REVISED 2014/2015		2015/2016		2016/2017		2017/2018	
	RWF	%	RWF	%	RWF	%	RWF	%
I. Thematic Areas	**878.0**	**50%**	**882.5**	**50%**	**1041.4**	**55%**	**1087.9**	**53%**
1. Economic Transformation	411.8	**23%**	413.6	**23%**	475.3	**25%**	500.2	**25%**
2. Rural Development	260.1	**15%**	227.9	**13%**	307.2	**16%**	302.2	**15%**
3.Productivity and Youth Employment	153.6	**9%**	152.0	**9%**	166.1	**9%**	181.9	**9%**
4. Accountable Governance	52.5	**3%**	89.0	**5%**	92.9	**5%**	103.5	**5%**
II. Foundational Sectors	**665.0**	**38%**	**645.6**	**37%**	**593.0**	**32%**	**677.9**	**33%**
1. Foundational Issues	665.0	**38%**	645.6	**37%**	593.0	**32%**	677.9	**33%**
III. Support Function	**219.4**	**12%**	**240.1**	**14%**	**247.3**	**13%**	**270.9**	**13%**
1. Support Function	219.4	**12%**	240.1	**14%**	247.3	**13%**	270.9	**13%**
TOTAL BUDGET	**1762.4**	**100%**	**1768.2**	**100%**	**1881.8**	**100%**	**2,036.7**	**100%**

46

Source: MINECOFIN

Source: Rwanda Ministry of Finance and Economic Planning - Budget Framework Paper 2015/2016-2017/2018, pp. 46 - 47

3.21 Resource Allocation in the BFP per EDPRS sectors

Figure 3.6: Resource Allocation in the BFP (2)

Table 16: Economic Transformation Resource Allocation (RWF)

THEMATIC AREA	EDPRS SECTORS	2015/2016	2016/2017	2017/2018
Economic Transformation *(Objective: Sustain rapid economic growth and facilitate the process of economic transformation by increasing the internal and external connectivity of the Rwandan economy)*	Education	3,306,824,110	6,761,815,431	7,250,571,037
	JRLOS	4,468,839,817	3,359,642,354	3,638,015,347
	Environment and Natural Resources	15,222,395,912	14,333,832,383	15,302,891,441
	Urbanization	9,100,104,831	10,127,178,312	11,058,134,871
	Decentralisation	175,016,186	138,613,137	153,747,363
	Youth	1,029,537,815	1,052,580,149	1,137,038,201
	PFM	4,176,819,344	4,621,035,097	5,123,705,330
	Financial	1,810,461,278	2,861,557,888	3,268,265,438
	Support Function	1,707,207,112	1,254,311,792	1,317,396,761
	Agriculture	27,757,647,410	21,668,415,588	3,107,638,533
	Health	4,615,026,063	4,573,146,438	4,754,943,357
	Transport	131,063,770,964	178,080,167,929	189,166,473,287
	Water and Sanitation	2,605,997,614	3,838,558,240	2,768,399,207
	Energy	132,257,724,606	166,698,247,937	190,985,700,066
	Social Protection	3,313,806,536	5,565,761,093	4,178,278,798
	PSD	59,778,083,246	37,243,651,563	42,544,465,648
	ICT	11,168,361,882	13,083,878,453	14,856,672,470
TOTAL		**413,557,624,726**	**475,262,393,784**	**500,612,337,155**

49

Source: Rwanda Ministry of Finance and Economic Planning - Budget Framework Paper 2015/2016-2017/2018, pp. 49 - 50

<u>Scope and frequency of debt sustainability analysis (DSA)</u>

3.73 The District has no need for a DSA, because it has no debt stock. Its debt comprises accounts payable, which are mainly unpaid invoices caught up in yearend financial routine. Audit reports[39] confirm that the accounts payable "mainly relate to invoices for goods and services which were outstanding on the date of the closure of the fiscal year … recognized as liabilities for that specific fiscal year". The district quickly clears this in the new fiscal year". Although districts have the power to borrow (with the approval of the Minister of Finance) for development project financing *(Article 50 of the OBL)*, the District did not exercise this option in the period leading up to this assessment.

Existence of sector strategies with multi-year costing of recurrent and investment expenditures

3.74 Districts do not prepare sector strategies in Rwanda; this is the responsibility of sector ministries of the CG. However, districts prepare detailed District Development Plans (DDP) aligned to the CG's Economic Development & Poverty Reform Strategy (EDPRS) and reflecting the sector strategies, as appropriate. The Local Development Agency (LODA) assists districts to prepare the development plans in line with a template provided by the Ministry of Finance & Economic Development. The district's current DDP (2013 – 2018) covers the following.[40]

- *Introduction* – a brief discussion of the significance, methodology, organization of the DPP, partnership within the district that would facilitate its implementation, and "potentialities" of the District.
- *District Overview* – a review of specific issues: historical background, vision and mission, geographical localization and situation, human and socio-economic development activities, key achievements of the District over the last five years, key challenges currently faced by the District, priorities not achieved by the District in previous DDP, and main issues identified in various studies
- *Strategic Framework* – a discussion under three headings, namely, Contribution to Thematic Areas and Foundational Issues, Prioritization of the District outputs (Sector by Sector), and Key Innovations for EDPRS 2. There are four thematic areas - (i) economic transformation for rapid growth, (ii) rural development, (iii) productivity and youth employment, and accountable governance – six cross cutting issues – (i) gender balance and equality, (ii) capacity building, HIV/AIDS and non-communicable diseases, (iii) disability and social inclusion, (iv) environment and natural resources, (v) climate change and disaster management, and (vi) regional integration. The priority sectors are 16, (i) agriculture, (ii) private sector, (iii) energy, (iv) transport, (v) water and sanitation, (vi) urbanization, (vii) health, (viii) education, (ix) social protection, (x) youth, (xi) ICT, (xii) public finance management (PFM), (xiii) environment and natural resources, (xiv) Justice, Reconciliation, Law and Order (JRLO), (xv) decentralization, and (xvi) Financial Sector Development (FSD). The discussion on key innovations is also on the 16 priority sectors.
- *Implementation Framework* – which discusses sequencing of interventions, roles and responsibilities, mechanisms for co-ordination and information sharing, and assumptions, risks ,and risk mitigation and management
- *Monitoring and Evaluation approaches* – discusses arrangements for monitoring and evaluation under eight headings: (i) overview of organizational arrangements for the DDP M & E, (ii) supervision of implementation, (iii) monitoring arrangements, (iv) M

[39] See for instance, 2013/2014 Audit Report, *p. 24*
[40] See Electronic Word version of the Kamonyi District Development Plan (2013 – 2-18), provided as evidence.

and E and Results-Based Management, (v) DDP evaluation, (vi) key performance indicators, (vii) communication with stakeholders, and (viii) reporting for EDPRS 2.

- *Cost and Financing of the District Development Plan* – which summarizes the estimated total cost of the DDP *(see Figure 3.7)* and discusses funding sources, distinguishing between public (GoR) funding, District's own revenues, and NGOs funding mechanisms. Annex 4 (Projects in 2013-2018 DDP) discloses details of the costing under the following headings, (i) sectors, (ii) name (of project), (iii) period (i.e., years covered), (v) location, (vi) estimated cost, (vii) sources of fund, and (viii) the partners. Other annexes discuss expected outputs over the next five years and results matrixes showing priorities and expected output, and output targets.

Figure 3.7: Kamonyi DDP - Total Cost and Source of Funds by Year in Billions of Rwanda Francs

Source: Kamonyi District Development Plan, 2013 – 2018 (Electronic Word Version, p. 56 - 57)

RWF '000	2013/14	2014/15	2015/16	2016/17	2017/18	Total for EDPRS 2
Own Funds Available						
Government block grants	933,313	979,979	1,028,978	1,080,427	1,134,448	**5,157,146**
Own taxes and fees	600,000	630,000	660,000	690,000	730,000	**3,310,000**
Donor projects	578,291	607,206	637,566	669,444	702,916	**3,195,423**
Private sources						**0**
Other sources	961,169	1,009,228	1,059,689	1,112,674	1,168,307	**5,311,067**
Total	2,532,891	2,659,536	2,792,512	2,932,138	3,078,745	**16,973,636**
Existing Baseline Expenditure						
Available funds for DDP Priorities	2,532,891	2,659,536	2,792,512	2,932,138	3,078,745	**16,973,636**
Total Projected Cost of DDP Priorities	**5715147.623**	**11643354.02**	**13312151.83**	**11914749.45**	**8402797.072**	**60,163,200**
Overall Deficit/Surplus	**-3,182,257**	**-8,983,818**	**-10,519,640**	**-8,982,612**	**-5,324,052**	**-34,014,564**
% Surplus/deficit	*-56%*	*-77%*	*-79%*	*-75%*	*-63%*	*-73%*

3.12 The DPP is a five-year, which is difficult to cost realistically. However, the rolling three-year MTEF and annual BFP that informs the budget details both recurrent and development costs. The Ministry of Finance and CG entities are responsible for this costing, although they consult districts in the process.

<u>Linkages between investment budgets and forward expenditure estimates</u>

3.75 Link between investment and recurrent expenditure costing is weak; the two are separate activities. The budget provides for staff compensation and goods and services (running costs), but does not tie this to specific investment or development budget. The CG budgets and funds most development and investment activities, most personnel costs, and some running cost. District resources contribute largely to their running costs and some development activities. However, both the CG and the district use the dual budgeting approach that provides separately for recurrent and development costs. This dichotomy introduces complications to any effort to link the investment and recurrent expenditure. For example, CG earmarked transfers budget separately for their recurrent and development components - teachers' salaries, health workers' salaries, construction of new schools and classrooms, etc. CG block grants comprise exclusively of recurrent costs - salaries of district personnel and an amount for running costs. In addition, the district provides an omnibus budget line for "public infrastructure maintenance" to cater for the upkeep of public assets.

3.4 Predictability and Control in Budget Execution (PI-13 – PI-21)

3.76 The nine indicators in this set assess the orderliness and predictability of budget implementation. They also review arrangements for exercising control and stewardship over the use of public funds.

PI-13: Transparency of Taxpayer Obligation and Liabilities

3.77 *PI-13* evaluates the ability of the tax system to communicate taxpayer responsibilities transparently. It reviews the clarity of tax legislation, ease of taxpayer access to information on tax liability, and mechanism for aggrieved taxpayers to contest administrative rulings on tax liability, etc. It also examines the comprehensiveness of tax legislation and the use of discretionary powers for individual negotiation of liability and exemptions. *Score Box 3.14* presents the rating on each of the three dimensions of this indicator, and the overall score.

<table>
<tr><th colspan="7">Score Box 3.14: Transparency of Taxpayer Obligations and Liabilities</th></tr>
<tr><th rowspan="2">Comments</th><th colspan="4">Current Assessment (2015)</th><th rowspan="2">2010 Score</th><th rowspan="2">Explanation of Change since 2010</th></tr>
<tr><th>Evidence Used</th><th>Score</th><th>Framework Requirement</th><th>Information Source</th></tr>
<tr><td>(i) Clarity and comprehensiveness of tax liabilities</td><td>Tax legislation is the responsibility of the CG, which also makes procedures for their collection, and from FY2014, collects them on behalf of district governments.</td><td>NA</td><td></td><td>Law No. 59/2011 on sources of revenue and property for decentralized entities / RRA website, www.rra.gov.rw</td><td colspan="2" rowspan="3">Not assessed in 2010</td></tr>
<tr><td>(ii) Taxpayers' access to information on tax liabilities and administrative procedures</td><td>The district government uses a variety of means to provide taxpayers access to tax information: website, public noticeboards, tax enlightenment campaigns, meetings and seminars in localities, and a helpdesk</td><td>A</td><td>A. Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RA supplements this with active taxpayer education campaigns.</td><td>District administration</td></tr>
<tr><td>(iii) Existence and functioning of a tax appeals mechanism</td><td>The RRA has taken over tax administration responsibilities.</td><td>NA</td><td></td><td></td></tr>
</table>

Score Box 3.14: Transparency of Taxpayer Obligations and Liabilities					
	Prior to this though, the appeal process was not independent and it required recourse to the tax authority and to the court.				
Score (Method M2)		**A**			

Rationale for the Score

3.78 *Clarity and comprehensiveness of tax liabilities* – Law N° 59/2011 of 31/12/2011 enacted by the CG establishes the sources of revenue and property of decentralized entities and rules governing their management. The Law lists and describes 10 sources of revenue for decentralized entities (see PI-3 above), including taxes *(Art. 4)*. Taxes comprise fixed asset tax, trading license tax, rental income tax *(Art. 5)*. Fixed asset is property tax levied on (i) the market value of parcels of land, (ii) market value of registered buildings and all improvements thereto, (iii) the value of land exploited for quarry purposes, and (iv) the market value of a usufruct with a title deed *(Art. 6)*. Trading license tax is payable "by any person who commences a profit-oriented activity in Rwanda" *(Art. 39)*. Rental income tax applies to "income generated by individuals from rented fixed assets located in Rwanda. The natural person who receives such an income shall be a taxpayer" *(Art. 48)*. The tax year is different from the financial year and runs from January 1 to December 31. The CG also fixes tax rates and regulates administration and procedures. The Rwanda Revenue Authority (RRA) makes and posts administrative procedures on its website, www.rra.gov.rw.

3.79 *Taxpayers' access to information* – Tax enlightenment and dissemination campaigns in the District is through various activities, including consultations with taxpayers before finalizing tax rates, monthly sector meetings, activities of the Tax Advisory Council (TAC), and notices on boards and the website. The prior consultations brief potential taxpayers on proposed changes to the existing tax structure and their implications for them, and enlighten them on their liabilities and payment procedures. Similar regular sessions hold in sectors after approval of the taxes. District and sector officials led by the Mayor conduct these sessions. Other high key officials in attendance include District executive secretary, the director of finance, sector executive secretaries, members of the TAC[41] and officials from the RRA. Discussions held with RRA officials[42] at its headquarters in Kigali prior to field visits to districts corroborate the evidence of tax enlightenment sessions in districts and the involvement of RRA officials in them. The sessions also take questions including on procedures for grievance redress. The TAC also helps to sensitize members of the public and disseminate information to them periodically, i.e., independent of the sessions referred to above. Further, the District publishes tax information on noticeboards and its official website. All enlightenment meetings, dissemination documents, and notices are in the local Kinyarwanda language, spoken and understood by every citizen. The

[41] TAC comprises members from the private sector, RRA, District (Mayor and Vice Mayor in charge of economic affairs), and security organs.
[42] On June 10, 2015 with Richard Tushabe (Commissioner General), Agnes Kanangeyo (Deputy Commissioner, Planning & Resource Development), and Augustine Mwebaze (Head of Reforms & Mobilization)

District has a 'good governance' hotline (No. 4057) on which citizens can call and complain about anything. This is not a dedicated tax helpdesk line, but the responsible official can direct complainants to the right officials. Sectors also have tax offices, which engage with and render different services to taxpayers.

3.80 *Existence of a functioning tax appeal mechanism* – aggrieved persons should appeal in writing to the district government within one month of receiving the notice of assessment and thereafter, to a competent court of law, if not satisfied with the decision of the district government.[43] However, the district government does not appear to have any more role in the matter with the takeover of tax administration duties by the RRA. Prior to this, the practice in the district was for the aggrieved party to appear first, to the official in charge of collections at the sector level. Subsequent appeals lie to the official in charge of taxes at the district level, the district executive secretary, the executive committee, and to the district council in that order. ..

PI-14: Effectiveness of Measures for Taxpayer Registration and Tax Assessment

3.81 *PI-14* measures effectiveness of systems for registering taxpayers and facilitating tax administration to enhance assessment and boost tax revenue. Taxpayer registration is a compulsory civil obligation, often governed by law with penalties for non-compliance. A good registration system creates a comprehensive taxpayer database with control features, including a unique taxpayer identification number (TIN) linked to/combined with other government registration systems involving taxable turnover of assets[44] and occasional surveys of potential taxpayers, e.g., by selective, physical inspection of business premises and residences. *Score Box 3.15* summarizes performance of this indicator.

Score Box 3.15: Effectiveness of Measures for Taxpayer Registration and Tax Assessment						
Comments	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Controls in taxpayer registration system	Tax registration is a responsibility of the CG, not the district.	NA		Tax registration is a responsibility of the CG, not the district.	Not assessed in 2010	
(ii) Effectiveness of penalties for non-compliance with registration and tax declaration	This dimension no longer applies to the district with the takeover of tax collection by the RRA in FY 2014	NA		This dimension no longer applies to the district with the takeover of tax collection by the RRA in FY 2014		
(iii) Planning and monitoring of tax audit programs	This dimension no longer applies to the district with the takeover of tax collection by the RRA in FY 2014	NA		This dimension no longer applies to the district with the takeover of tax collection by the RRA in FY 2014		
Score (Method M2)		**NA**				

[43] *Arts. 20* and *21* of No. 59/2011 of December 31, 2011- Law establishing sources of revenue and property for decentralized entities
[44] Issuance of business licenses, opening of bank accounts and pension fund accounts, etc., for instance

Rationale for the Score

3.82 *Controls in taxpayer registration system* – this dimension does not apply at the district level; its critical period/time of assessment is "as at the time of the assessment". Taxpayer registration is the responsibility of the Rwanda Revenue Authority (RRA), which had taken over tax administration and collection from the district as at the time of this assessment, as explained in *PIs – 3* and *13* above. The district gave a mandate to the RRA in an MoU authorizing the RRA to administer/collect taxes on its behalf. This mandate was at the instance of the GoR, which is preparing legislation to back up this transfer of authority. This dimension therefore does not apply to the district.

3.83 *Effectiveness of penalties for non-compliance with registration and tax declaration* - this dimension no longer applies to the district for the same reasons as in dimension (i) above does not apply. The RRA had taken over duties of district tax administration as at the time of the assessment. Its critical period/time of assessment are "as at the time of the assessment".

3.84 *Planning and monitoring of tax audit programs* – this dimension no longer applies to the district for the same reasons dimensions (i) and (ii) above do not apply. The RRA had taken over duties of district tax administration as at the time of the assessment. Its critical period/time of assessment are "as at the time of the assessment".

PI-15: Effectiveness in Collection of Tax Payments

3.85 *PI-15* assesses ability to collect taxes (including arrears) and taxpayers' willingness to pay voluntarily. Collection is important, because assessment does not raise revenue. Prompt payment and transfer of collections to the Treasury will enhance controls and ensure that the funds are quickly available for use. The indicator evaluates the quality of records for tracking arrears, and the extent of reconciliation of assessments record against collections and arrears. The indicator has three dimensions, assessed in *Score Box 3.16*.

Score Box 3.16: Effectiveness of Collection of Tax Payments

Comments	Current Assessment (2015)				2010 Score	Explanation of Change since 2010
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Collection ratio for gross tax arrears, being percentage of tax arrears at beginning of a fiscal year, which was collected during that fiscal year (average of last two fiscal years)	Collection rate of arrears in FY 2014 was 51.6%, i.e., collection of Frw 11,032,655.00 in FY 2014 out of a beginning balance of Frw 21,401,037.00	D	D. The debt collection ratio in the most recent year was below 60% and total amount of tax arrears is significant (i.e. more than 2% of total annual collections).	2013/2014 Financial Statements and 2013/2014 Audit Report	Not assessed in 2010	
(ii) Effectiveness of transfer of collections to the Treasury by the revenue administration	The district no longer had responsibility for tax collection as at the time of assessment; the RRA had taken over this task	NA				

Score Box 3.16: Effectiveness of Collection of Tax Payments					
(iii) Frequency of complete accounts reconciliation between tax assessments, collection, arrears records, and receipt by Treasury	Audit evidence establishes the district's failure to reconcile tax assessment with collections	D	D. Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does not take place annually OR is done with more than 3 months" delay.	2013/2014 Audit Report	
Score (Method M1)		**D**			

Rationale for the Score

<u>Collection ratio *for* gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)</u>

3.86 The critical time/period for this dimension is the last two financial years, during which time the district still had jurisdiction over tax administration. The Ministry of Finance provides districts with a template for financial reporting. The template reports revenue arrears as a note to the financial statements under the general heading of "accounts receivables". The note distinguishes between outstanding receipts from third parties and employees (if any) for the preceding and current years. Audit reports reproduce these statements. Information in the 2013/2014 audit report *(p. 23)* shows outstanding receipts from the existing 12 third parties on June 30, 2013 was of Frw 21,401,037.00, while the balance on June 30, 2014 Frw 10,368,382.00 on June 30, 2013. Further inspection of the information shows that the debtors were the same names on the two dates and the amounts outstanding against them either did not change (indicating they made no payments in FY 2014) and were zero or less (indicating the extent of payments they made within the year). In other words, no new receivables added to the list in FY 2014. (This is a case of incomplete bookkeeping, as audit evidence establishes.)[45] The difference between the beginning and ending balances (Frw 11,032,655.00) represents amounts of existing arrears collected in FY 2014. This is 51.6 percent of beginning arrears.

3.87 However, it is not clear whether the arrears all relate to taxes or whether they relate to other revenues as well, although the indication is that they are taxes due,[46] although the audit report confirm that "receivables mainly relate to outstanding collections from taxes".[47] Besides, information in the 2012/2013 audit report indicates that (at least some of) the debtors are indeed tax collectors who failed to pay over their collections to the District; some of the debts date back to before 2009, while several are cases of misappropriation. The District has received court

[45] The 2013/2014 audit report (pp. 47 - 48) report notes, "the District did not disclose any debtors for rental income tax in the financial statements as at 30 June 2014", even though records show it failed to collect Frw 7,603,502 in rental income taxes and that it collected only 0.47 percent of the Frw 62,000,000 due on property tax.
[46] The major indication is the lack of new debts in the year, which suggests that the takeover of taxes by the RRA in the year is the reason behind this. Had the arrears included revenues still collected by the District, the likelihood is that there would have been fresh debts.
[47] 2013/2014 audit report p. 15

judgment against some of them, but they have still refused to pay, while the District is unable to locate some of others.[48]

3.88 The district retains responsibility for collection of arrears existing prior to the CG taking over the collection.

Effectiveness of transfer of collections to the Treasury by the revenue administration

3.89 This dimension no longer applies to the district with the takeover of tax administration and collection duties by the RRA *(see PIs 3, 13, and 14 above)*. Its critical period/time of assessment are "as at the time of the assessment".

Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury

3.90 This dimension is still relevant to the district, notwithstanding the takeover of tax collection duties by the RRA. The dimension requires the district to reconcile tax receipts from the RRA with tax assessment, RRA collections, and arrears records. Audit evidence establish that the district did not do this during the period of assessment. For example, the 2013/2014 audit report[49] shows that the District failed to reconcile the property tax register with actual collections. Reconciliation done by the Office of the Audit General established collections of only 0.47 percent of the Frw 62,000,000 due as per the register. In addition, audit "compared the rental income tax expected to be collected as per the taxpayers' register and the actual tax collected as per the District's general ledger,[50] … [and noted that] Frw 7,603,502 that was to be collected according to the taxpayers' register could not be collected … ." The District management accepted the audit findings and the recommendations and committed to

- "Ensuring that the taxpayers' register is complete and regularly updated to include all eligible taxpayers,
- "Ensuring that proper control mechanisms and records are in place to ascertain whether or not each taxpayer included in the taxpayers' register has actually paid the tax due for the year.
- "*Ensuring that regular reconciliations are performed between records kept in the taxpayers' register with actual tax collections to monitor whether tax is actually collected from each registered taxpayer*" (emphasis added)

3.91 It is unclear why the transfer of tax assessment and collection to the CG does not extend to tax reconciliation. A possible explanation is that districts are the primary stakeholders, the ultimate beneficiaries / recipients in the transaction; the RRA is not. Further, districts (not the RA) are accountable to their citizens on how much revenue accrued, and how they used it. Besides, their reconciliation makes the process more transparent, and affords them the opportunity to oversight the work of the RRA.

[48] See 2012/2013 audit report, pp 46 – 47; 58 - 59
[49] See *p. 47 - 49* for details of the case and all the direct quotations here; emphasis on quotes added by the assessors.
[50] Which the District did not do

PI-16: Predictability in Availability of Funds for Commitment Expenditure

3.92 *PI-16 assesses the extent of provision of timely and reliable information to budget entities on funds available for implementation of the approved budget.* Provision of timely and reliable information is crucial to effective scheduling of commitments by spending units. The method of informing spending entities depends on local circumstance and practices. For instance, the MoF could provide information at staged and regular intervals during the budget year, e.g., quarterly. Alternatively, budget entities may have full authority to spend upon approval of the budget, with no further information on resource availability required. However, the success of this approach depends on existence of (i) a record of fiscal and budget discipline, (ii) strict commitment to achievement of budget targets, (iii) measures to forestall midstream shortfalls in revenue collection, e.g., by drawing from savings, short-term (bridging) finance, and sale of (financial) assets, and (iv) realistic, achievable budget. Even then, the MoF may still impose delays on budget entities in making new commitments in periods of temporary cash squeeze. *This indicator has three dimensions, assessed in Score Box 3.17.*

<table>
<tr><th colspan="7">Score Box 3.17: Predictability in the Availability of funds for Commitment of Expenditures</th></tr>
<tr><th rowspan="2">Comments</th><th colspan="4">Current Assessment (2015)</th><th rowspan="2">2010 Score</th><th rowspan="2">Explanation of Change since 2010</th></tr>
<tr><th>Evidence Used</th><th>Score</th><th>Framework Requirement</th><th>Information Source</th></tr>
<tr><td>(i) Extent to which cash flows are forecast and monitored</td><td>The district does not have its own independent treasury and cannot forecast cash inflows, except for its own resources, which was only 8.8% of total revenues in FY 2014. The district prepares and submits expenditure plans as input into the MINECOFIN's overall cash forecasts; however, the district did not provide documentary evidence for review.</td><td>NR</td><td></td><td>MINECOFIN / District / the OBL</td><td rowspan="3" colspan="2">Not assessed in 2010</td></tr>
<tr><td>(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment</td><td>The district cannot provide commitment authorization information on CG funded projects to districts, being a budget entity for budget implementation; it also does not provide commitment information on own revenues, but sectors are able to calculate their expectations from the district.</td><td>NA</td><td></td><td>MINECOFIN / District / the OBL</td></tr>
<tr><td>(iii) Frequency and transparency of</td><td>The CBM reallocates the budget during implementation and</td><td>A</td><td>A. Significant in-year adjustments to budget</td><td>District management</td></tr>
</table>

Score Box 3.17: Predictability in the Availability of funds for Commitment of Expenditures					
adjustments to budget allocations, which are decided above the level of management of MDAs	reviews the budget in line with regulatory provisions in December, especially *Arts. 41 of the OBL.*		allocations take place only once or twice in a year and are done in a transparent and predictable way.		
Score (Method M1)		**NR**			

Rationale for the Score

3.93 *Extent to which cash flows are forecast and monitored – districts do not have independent treasuries in Rwanda. Rwanda has only one treasury, which resides in the Ministry of Finance and Economic Planning (MINECOFIN) and serves the entire country.* The GOR uses the centralized cash planning model and the ministry prepares cashflow forecast (inflow and outflows) for the entire country. All budget entities (including districts) prepare and submit annual and quarterly expenditure plans as inputs to facilitate the Ministry's discharge of this function. Consequently, the district prepares annual expenditure or disbursement plans at the beginning of the fiscal year and revises them quarterly in line with the provisions of Organic Budget Law (OBL) and at the request of the ministry. The district therefore, does not have the mandate or capacity to prepare and monitor cash inflow projections. MINECOFIN does cashflow projections for all of public sector Rwanda centrally; these projections form the basis of its funds transfer to all budget entities, including districts.

3.94 The District prepares and submits annual and quarterly expenditure plans to assist the Ministry in the preparation of cashflow projections. The district's management meets with unit heads to establish their expenditure commitments plans for the year and the timing of cash needs, once the DC adopts the budget and the district receives the Minister's call on submission of expenditure plans. The finance and planning departments work with the unit heads to reconcile the timing of cash needs, taking into account such factors as the district's performance contract, capacity constraints, normal workflows and the need for proper sequencing, etc. This reconciled information forms the basis for the district's comprehensive annual expenditure plan, broken down into quarters.

3.95 *Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment* – this dimension enquires whether the district provides reliable period information for expenditure commitment to its sectors, schools, and health institutions. This is not relevant in the district since sectors do not need such information. The district is the lowest budget entity with responsible for implementing the budget; sectors, schools, and health institutions are non-budget agencies (NBAs). Besides, the district does not set cash commitment limits; MINECOFIN does that for the district and its NBAs, as shown above. The district only communicates information provided by MINECOFIN on the approved budget and expenditure plans in line with the OBL. The OBL provides as follows, *"For decentralized entities, the Executive Committee Chairperson shall inform the subsidiary entities that are entitled to the budget and require them to prepare and submit a detailed annual expenditure plan"* (Art. 42).

3.96 The MINECOFIN examines and approves the annual expenditure plan after "taking into account … available resources" *(Art. 42).* Thereafter, it issues quarterly authorization to the district to make commitments. These authorizations usually come at the beginning of the quarter and the district's management passes them on to its subsidiary entities as necessary. The district does not provide advance information to its subsidiary entities with regard to projects executed with its own resources. However, the district gives sectors 50 percent of the internal revenues (fines and fees) generated from their respective sectors and an equal share of 10 percent of the district's own revenues, excluding fines and fees. These own resources are very small for the lack of advance information to make an impact, only 6.6% total revenues in 2013/14.

3.97 *Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs* – this dimension assess the extent to which the district management reallocates the approved budget without involving its administrative units. *Arts. 46 and 49* of the OBL allow CBMs to "reallocate funds from one program to another … to a cumulative maximum of twenty percent (20%) of the total budget for the program". Reallocations in excess of 20 percent of the cost of a program and recollections between recurrent and development expenditure budget require the approval of the minister. However, reallocation from "employee costs to other expenditure categories" shall only be with approval of the Chamber of Deputies.

3.98 *In addition, Art. 41 of the OBL allows the district to revise the budget once a year, based "on the mid-year budget execution report".* The revision shall follow the same process as the original budget and the DC shall approve it. The district shall publish the revised budget in the same way as the original budget, i.e., "through appropriate media, including on the entity's website" *(Art. 40).* The revision "shall be consistent with approved medium term strategies and the budget framework"; the district management shall notify the DC of reasons for "any deviation from the approved budget framework and MTEF". The exercise happens in December in line with the timetable established for this exercise in ministerial regulations for implementing the section.

3.99 *Budget revision has become an exercise ritual and the district revises the budget for both own and transferred resources once in a year in December, using the same process used in passing the original budget in line with Art. 41.* Budget revision involving own resources covers both revenue and expenditure, but that involving the budget on CG transfers is only of expenditure, unless Ministry of Finance revises the budget framework and advises as such. The district explained that it usually initiates changes involving the domestic component of earmarked transfers (i.e., the portion of earmarked transfers funded by the GoR), although the government department that owns the funds may also do so. Either the district or the Local Development Agency (LODA) can initiate changes involving development grants (LODA funds). LODA initiates based on its commitments, while the District initiates based on the progress of implementation and fund balances.

3.100 *The District reallocates the budget during implementation, but only in accordance with the regulations cited above.* In addition, the District revises the budget in December, also as provided.

PI-17: Recording and Management of Cash Balances, Debt, and Guarantees

3.101 *PI-17* evaluates the quality of debt management. Effective debt management helps reduce unnecessary borrowing, debt service costs, and fiscal risks. Maintenance of a Treasury Single Account (TSA), centralization of all bank accounts, or regular consolidation of cash balances does the same. Proper management of guarantees through accurate recording and reporting of guarantees issued by the government and a single entity to approve all guarantees are also useful tools of debt management. *Score Box 3.18* assesses the three dimensions of this indicator.

Score Box 3.18: Recording and Management of Cash Balances, Debt, and Guarantees						
Comments	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Quality of debt data recording and reporting	The district has no debt (except for small amounts of accounts payable caught up in yearend accounts closing formalities, which the district quickly pays off in the new fiscal year)	NA			Not assessed in 2010	
(i) Extent of consolidation of the government's cash balances	Balances on bank accounts holding funds sourced from the CG consolidate daily on the TSA, but the District manually consolidates and reports all District revenue bank balances monthly in the financial reports sent to MINECOFIN, but separately discloses consolidated its NBAs bank balances by category and grand total in the notes.	B	B. Most cash balances calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement.	District administration		
(iii) Systems for contracting loans and issuance of guarantees	The district does not have regulatory powers; the Minister of Finance does and must also approve district's borrowings *(Arts 50 – 54);* the Minister had not made any such regulations, as at the time of the assessment.	C	C. Central government's contracting of loans and issuance of guarantees are always approved by a single responsible government entity, but are not decided on the basis of clear guidelines, criteria or overall ceilings.			
Score (Method M2)		**C+**				

Rationale for the Score

<u>Quality of debt data records</u>

3.102 *Debt comprises accounts payables, incurred in the routine course of business; the district does not borrow*. Although districts have the power to borrow for development project financing with the approval of the Minister of Finance, *(Article 50 of the OBL)*, the District does not exercise that power. Accounts payable “mainly relate to invoices for goods and services … outstanding on the date of the closure of the fiscal year … [and] recognized as liabilities for that specific fiscal year”.[51] This is in line with the modified IPSAS cash basis of accounting the GoR uses. Accounts payable stood at Frw 179,168,850 on June 30, 2014 and Frw 373,609,823 on June 30, 2013.[52] The finance department of the district maintains records of the accounts payable. However, these records do not include those of subsidiary entities (schools and health institutions) under its supervision. Failure to integrate these into its accounts has been the subject of negative audit findings over the years. The district’s response blamed difficulties in resolving this perennial finding on the Ministry of Finance, which has not provided modalities for it.[53]

Extent of consolidation of the government’s cash balances

3.103 The district maintains seven expenditure accounts at the Banque Nationale du Rwanda (BNR), which is the country’s central bank and one revenue account at the Banque Populaire du Rwanda (BPR), which is a commercial bank. The 2013/2014 financial audit report list the details of these bank accounts on page 23. In addition, each of the 143 subsidiary entities[54] maintain individual bank accounts, with some having more than one (according to information provided by the District during the assessment field visit). Subsidiary entities require the approval of the District to open bank accounts. The accounts at the BNR operate on the platform of the country’s Treasury Single Account (TSA) system, which consolidates and sweeps into a single treasury balance at close of work daily. (This consolidation and sweeping affects only bank accounts holding funds sourced from the CG funds; it does not include accounts holding funds sourced from the District’s “own” resources and held in accounts at the BNR). The District consolidates and reports balances on its eight accounts in the monthly financial reports prepared and submitted to the Ministry of Finance by the middle of the following month. Subsidiary entities prepare and submit monthly financial reports to the District, which the District summarizes, consolidates by type of subsidiary entity and in grand total, and includes by way of notes in the financial report it sends to the Ministry. Subsidiary entities’ information consolidated in this way includes bank balances.

3.104 In summary, the scenario is as follows; consolidation of

(i) operational balances - daily on the IFMIS. These accounts are the allocations from the CG, which accounts for more than 90 percent of the districts’ finances; excluding NBAs funds

(ii) operational balances + (own) revenue balances – monthly in the financial reports; own revenues constitute less than 10 percent of total district finances

(iii) most NBA balances separately in the notes to the monthly financial reports; NBAs have a special relationship with districts, but they are not strictly their extra-budgetary agencies.

[51] See Audit Report for the Year Ended 30 June 2014, p. 13
[52] See Audit Report for the Year Ended 30 June 2014, p. 9
[53] See Audit Report for the Year Ended 30 June 2014, pp. 30 - 31
[54] See *PI-7* above

3.105 This, in fact exceeds the requirements for a "B" rating, which is: "Most cash balances calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement". The requirements do not meet the "A" rating, which is that, " All cash balances are calculated daily and consolidated."

System for contracting loans and issuance of guarantees

3.106 The district does not have powers to regulate debts and issue guarantees, as already explained. That power belongs to the Minister of Finance *(Arts 50 – 54 of the OBL).* However, the district stands in *de facto* guarantor status for NBA debts, since subsidiary entities do not have legal capacities. Potential risks from this status do crystallize into reality sometimes, as the cases reported in the *2013/2014 audit report (42 - 46)* illustrates. In one of those cases, the accountant of the District Pharmacy fraudulently misdirected payments due to a drugs supplier to his private account; the District had to intervene to settle with the supplier. There were also several cases of accounts payable outstanding since 2011, which the District also had to take measures to settle *(see PI-9 above).*

3.107 Districts may borrow for development project financing, with the approval of the Minister of Finance and Economic Planning *(Article 50 of the OBL), which provides as follows*

> "The Minister shall be the sole person with the authority to borrow or to permit borrowing for purpose of financing the Central Government budget deficit or to raise loans for other public entities.
>
> "The Minister shall also be the sole authority to give and approve guarantees and security for the loans granted to public institutions by financial institutions.
>
> "For decentralized entities, the Council of each entity may borrow loans only for development projects upon authorization of the Minister. However, the Minister shall, by use of instructions, determine the maximum amount that the Council may borrow without prior authorization from the Minister.
>
> "The members of organs of decentralized entities shall not have powers to give guarantees but may pledge securities for a debt. An Order of the Minister shall determine the procedures for giving and approving guarantees and pledging securities by decentralised entities.
>
> "Public institutions may borrow, but with authorization of the Minister."

3.108 *Article 52 of the OBL* empowers the Chamber of Deputies to "set the overall general limit of the source of new borrowing as well as the securities that may be given by Central Government" while voting the annual budget. This limit shall include debt of third parties to be taken over by the CG. The basis of such limits shall be the recommendations of the CG. Different limits may apply to domestic borrowing (including short term overdrafts) and foreign borrowing.

3.109 The wording of the provisions of *Art. 52* shows that the limits set by the Chamber of Deputies apply to the CG only, and does not include districts. The law does not provide for the setting of such limits in the case of districts. The intention of the law, probably, is that any guideline issued by the Minister pursuant to Art. 50 would include such limits. However, the Minister did not issue any such guidelines in the period covered by the assessment.

3.110 The minister approved the loan taken by the district; however, the guidelines for approving such borrowing is unclear, given that no clear and published guidelines existed at the time of the borrowing. The applicable score is, “C”.

PI-18: Effectiveness of Payroll Controls

3.111 *PI-18* evaluates payroll controls. The wage bill is one of the largest items of government expenditure and is often susceptible to weak controls, abuse, and corruption. The indicator assesses the link between the personnel database (nominal roll) and the payroll, including procedures for amending the nominal roll. The database (computerized or not) must be verifiable and should provide the staff list for payroll. Enhanced controls would confirm the payroll against the establishment list and individual staff files. Amendments to the nominal roll in particular, require proper and timely authorization and processing to avoid accumulating unnecessary arrears, leads to the generation of change reports, and triggers an audit trail. In addition, regular personnel audits help identify ghost workers, fill data gaps, and identify control weaknesses. The indicator has four dimensions, assessed in *Score Box 3.19.*

Score Box 3.19: Effectiveness of Payroll Controls						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Degree of integration and reconciliation between personnel records and payroll data	Districts can only apply the Integrated Personnel and Payroll System (IPPS) as designed and given by the Ministry of Labour & Productivity (MIFOTRA) and cannot make changes to it. Personnel database and payroll are not just integrated, but are the same, creating potential integrity issues. Personnel records and payroll data are the same, maintained and processed by the same official.	A	A. Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.		Not assesses in 2010	
(ii) Timeliness of changes to personnel records and the payroll	Changes to personnel records and the payroll happen simultaneously, occasioning no delays, since the two are the same.	A	A. Required changes to the personnel records and payroll are updated monthly, generally in time for the following month’s payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments).	District administration		
(iii) Internal controls of changes to	The HR must receive documentary authorization from the mayor, in	B	B. Authority and basis for changes to personnel records and the payroll	District administration		

Score Box 3.19: Effectiveness of Payroll Controls					
personnel records and the payroll	addition to other relevant documentary notifications before effecting changes to the payroll. A system of periodic ex post review of the payroll is in place and involves the Ombudsman, MIFOTRA, the Province, internal audit, and the auditor general.		are clear.		
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	The District has not conducted any recent payroll audit.	D	D. No payroll audits have been undertaken within the last three years. "Supplementary Guidelines for the application of the PEFA Framework to Sub-National Governments", *p. 24*	District administration	
Score (Method M1)		**D+**			

Rationale for the Score

3.112 *Degree of integration and reconciliation between personnel records and payroll data –* the GoR operates a uniform Integrated Personnel and Payroll System (IPPS) for both the CG and decentralized entities, which the district cannot change. IPPS merges the human resource management (HRM) and payroll functions into one; it does not just integrate them through the process of sharing a common information database.[55] Thus, the same officer keeps personnel records in the files, maintains the staff list on the IPPS, and uses the staff list to prepare the payroll at month end. This system potentially poses serious risks to the integrity of the

Case 3.1:: Payroll Fraud in the RRA

(3) Irregularities in payment of salaries and other staff benefits

My review of payroll process and procedures noted the following irregularities:

(a) During my review of salary changes for the months of September 2013, October 2013 and April 2014 selected on sample basis, I noted that RRA prepares statement of changes in Salary but they lack important information regarding change in monetary terms for each individual and the summary of salary changes (in monetary terms) compared to the payroll of the previous months. The statement only comprises the type of changes made, without any supporting documents for the monetary value associated with those changes to facilitate comparison with previous month payroll. Ultimately, approval of these changes is inappropriately done.

(b) An internal audit report issued on 23 September 2014 highlighted a case of embezzlement of funds amounting to **Frw 56,797,855** and ineligible statutory deductions of **Frw 27,963,855** (PAYE: 19,420,919, contributions to social security: Frw 3,875,602 and contributions to medical insurance: Frw 4,667,334) from January 2012 to June 2014.

These amounts were embezzled through transfer of salaries and bonuses to fictitious bank accounts and ghost employees. The fraudulent amounts in salaries were mainly associated with payroll changes whose monetary value had not been documented during the approval process and ghost employees added on the payment list prepared for bonus outside the IPPS system.

(c) The above fraudulent transactions occurred despite various review levels and approvals in the salary payroll and bonus preparation process. This is an indicator that those review levels and approvals were not effective to detect significant alterations and manipulations included in the approved payrolls. All payrolls provided for the year ended 30 June 2014 were reviewed by Head of personnel division, Head of expenditure and accounting division, Deputy Commissioner for Human Resource, Commissioner for Finance before final approval by the Commissioner General or Deputy Commissioner General.

The above weaknesses in controls over payroll management resulted in loss of public funds and is likely to continue unless addressed. In addition, failure to indicate the monetary implication of payroll changes shows that approvals provided for these changes are not appropriate. *See details in sub-section 5.4.2.*

Source: Rwanda Revenue Authority (RRA) - Audit Report for the Year ended 30 June 2014, p. 7

use in some other countries,
ns (and records) into one,
ven though they share a
overarching agency say, the
minal roll/personnel
is separation of functions
n important layer of control,

payroll, as was the case recently in the Rwanda Revenue Authority (RRA). The personnel in charge of HR and payroll successfully manipulated the IPPS to add and pay ghost employees over time to the tune of more than 85 million francs *(see Case 3.2)*. A similar incident has also occurred at the district level. Financial audit of the Karongi District for FY 2014 reveal a case of payroll fraud, possibly facilitated by this merging of HR and payroll functions. The district conitnued to pay a former executive secretary of a cell eight (8) months after he had left the service of the District. The payment continued even after the replacement executive secretary resumed office.[56] Separating personnel from payroll functions adds an additional layer of control that makes occurrence of such errors more difficult.

3.113 *The district operates three different payroll processes, each with its own database, but changes to personnel records in all three reflect in the payroll during payment, because the payroll draws directly from the personnel records, as explained above.* The first process is for the district's 313 core personnel, including staff of District headquarters (49) and sectors and cells (264), which District directly payrolls and pays. The second process is for health services personnel.[57] The district does not payroll these workers; the health institutions do this directly,[58] but the district headquarters has the information. The third process is for teaching personnel. The district prepares the teachers' payroll and sends to the MINECOFIN to pay them directly. All three payroll systems use the same software deployed by the Ministry of Public Services of the CG, i.e., the Integrated Personnel and Payroll System (IPPS).

3.114 *The Executive Secretary is responsible for staff management, but delegates the responsibility to the Human Resource (HR) department under the Director of Administration (DA).* The payroll routine for district's direct employees is as follows. The HR prepares the payroll, the DA verifies, and the ES approves, after which the Finance unit pays by e-direct payment to staff bank accounts. The routine for teachers' payroll is the same, except that actual payment is by the MINECOFIN, instead of the district's finance department. The rationale is that the Ministry of Education own, controls, and manages the fund for teacher's salaries, which it allocates to districts through the budget. The practice for health workers' salary is that the Ministry of Health makes annual commitment for the salary of health workers, divided into four quarters. The district prepares and submits quarterly disbursement proposals based on information on its database to the MINECOFIN. The ministry then transfers the (quarterly) funds to the health institution. Health institutions have independent HR, administration, and finance units, which prepare, verify, process, and pay their personnel directly through e-direct payments. Health institutions submit quarterly payroll reports to the district for control purposes. The district crosschecks, reviews, and uses the information in preparing the next quarterly request from MINECOFIN.

3.115 *In summary*, personnel and payroll records are the same, domiciled in the HR resource department. The same HR personnel maintains personnel records on the IPPS and prepares payroll from it. No reconciliation thus, takes place between personnel records and the payroll.

[56] Audit Report 2013/2014, pp. 8 – 9

[57] The district did not provide information on the number of health services' personnel at the time of the assessment.

[58] The district also did not provide information on the number of personnel involved at the time of the assessment.

3.116 *Timeliness of changes to personnel records and the payroll* – there is no time lag between changes to personnel records and the payroll, since both are the same. The same official who maintains personnel records on the IPPS uses them to prepare the payroll. The district adopts measures put in place by the CG on payroll procedures. For instance, districts generally endeavour to ensure that new staff assume duties at the beginning of the month to avoid payroll adjustments. Thus, districts will only issue appointment letters to new entrants upon completion of all necessary processes and documentation, including medical tests. Besides, the sector executive secretary or other appropriate supervisor of outpost staff must confirm their resumption of duties and being on before the 15th of the month, which is the payroll cut date.

3.117 *Internal controls of changes to personnel records and the payroll* – the Finance Department produces a monthly "payroll changes list" detailing and explaining all changes and modifications made to the payroll in that month. The mayor authorizes changes to personnel records and the payroll (which are the same). Each change must have the necessary supporting documents. For instance, supporting documents for new recruitments include communication from the appointee's supervising officer indicating date of resumption of duties and the appointment letter with all the attachments, including CVs, copy of identity card, qualifications, criminal clearance, medical certificate, etc.

3.118 A system of periodic ex post review of the payroll is in place, carried out separately by the Ombudsman, MIFOTRA, the Western Province, internal audit, and the auditor general. It is not clear what triggers these reviews and how frequently they take place, except the review by the auditor general, done as part of the annual financial audit process. The review by internal audit is also part of routine audit work; however, it's frequency and scope are also unclear, especially given the limited internal audit personnel and the heavy internal audit workload *(see PI-21)* below.

3.119 *Existence of payroll audits to identify control weaknesses and/or ghost workers* – the District has not conducted any payroll audit in the to identify control weaknesses and / or ghost workers in the last three years. The District explained that the last payroll audit was in 2011, although it did not provide any evidence in support. Periodic payroll audit is important, especially involving staff dispersed in far-flung sectors, cells, and schools.

PI-19: Transparency, Competition, and Complaints Mechanism in Procurement[59]

3.120 *PI-19* assesses the quality and transparency of the public procurement process. It measures the extent of preference for open and fair competition in procurement and extent of justification for use of less competitive options. Public procurement is vital because, "Few activities create greater temptations or offer more avenues for corruption than public procurement. Damage from corruption is estimated at normally between 10% and 25%, and in some cases, as high as 40 to 50%, of the contract value."[60] The PEFA PFM Measurement Framework consequently pays close attention to the procurement process. Other indicators associated with procurement include *PI-4, 10, 12, 16, 20, 21, 26,* and *28*. The indicator *(PI-19)*

[59] This is the new title of the indicator following an amendment in September 2010. The old title was, "Competition, Value for Money, and Controls in Procurement"

[60] Transparency International (TI): TI Handbook on Curbing Corruption on Public Procurement (2006), www.transparency.org/content/download/12496/120034

has four dimensions, assessed in *Score Box 3.20*. Dimension (i) deals with the scope of the legal and regulatory framework, the other three dimensions focus on how the system operates practice.

Score Box 3. 20: Transparency, Competition, and Complaints Mechanism in Procurement							
Dimension		**2015 Assessment**				**2010 Score**	**Change since 2010**
		Score	**Items/Explanation**		**Information Source**		
			The legal and regulatory framework for procurement should	***Tick***		Not assessed in 2010	
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework	**B**	• be organized hierarchically and precedence is clearly established	√	See Ministerial Order on Public Procurement (Articles 23, 34)[61]		
			• be freely and easily accessible to the public through appropriate means	√	Art. 5 of the PPA		
			• apply to all procurement undertaken using government funds	√	Except items for national defence & security items, or items covered by internal treaties or agreements Art 2, 3 of PPA 2007		
			• make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified	√	*Art. 23* of PPA, 2007		
			• provide for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints	X	*Art. 5* provides that, "This Law, orders, standard bidding documents, and contracts, shall be made available to the public". Arts. 3 & 60 of the Ministerial Order mandate public access to procurement plans and decisions of the independent review panel.		
			• provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature		*Art 21* of PPA		

[61] Ministerial Order N° 001/14/10/TC of 19/02/2014 Establishing Regulations on Public Procurement, Standard Bidding Documents and Standard Contracts

Score Box 3. 20: Transparency, Competition, and Complaints Mechanism in Procurement							
Dimension		2015 Assessment				2010 Score	Change since 2010
		Score	Items/Explanation		Information Source		
(ii)	Use of competitive procurement methods	A	The list of contracts awarded in 2014/2015 posted on the District's website indicates names of bidders, their bids, & the successful bidder. This implies that all contracts awarded were by competitive bidding.		District's annual procurement report for 2014/2015 posted on the District's website, www.kamonyi.gov.ng		
(iii)	Public access to complete, reliable and timely procurement information	B	The district advertises procurement plans and bidding opportunities on the RPPA's and its own websites, at least, one national newspaper, and its noticeboard; it also publishes contract awards on its website. However, information on conflicts resolution is not on the website, contrary to the District's assertion		District management / RPPA website www.rppa.gov.rw / District's website, www.kamonyi.gov.ng		
(iv)	Existence of an independent administrative procurement complaints system	A	Are complaints reviewed by a body which				
			• is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	√	District management - An independent appeal panel exists, with membership comprising both state and non-state actors. The panel does not charge fees, decides cases in 30 days, and issues decision binding on all parties		
			• does not charge fees that prohibit access by concerned parties	√			
			• follows processes for submission and resolution of complaints that are clearly defined and publicly available	√			
			• exercises the authority to suspend the procurement process	√			
			• issues decisions within the timeframe specified in the rules/regulations	√			
			• issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority)	√			
	Score (Method M2)	**B+**					

Rationale for the Score

3.121 *Transparency, comprehensiveness and competition in the legal and regulatory framework –.* This dimension is not applicable to the district, because the CG regulates public procurement in the entire country, including districts. It makes procurement laws and regulations, which all public procuring entities (including districts) apply and cannot change. The extant legal and regulatory framework for public procurement include the Public Procurement Act (PPA) 2007[62] and the Ministerial Order on Public Procurement of February 2014.[63] Features of the framework with regard to this dimension is as follows.

- *Hierarchical organization* – the Ministerial Order establishes thresholds for use of procurement methods.
    - o The threshold for use of single-source is three hundred thousand (300,000) Rwandan francs *(Art. 23)*; however, "the procuring entity shall not … split tenders in a manner aimed at avoiding the normal procurement methods provided for by the law".
    - o The threshold for requesting expression of interests in consultancy contacts is tenders in excess of fifty million (50,000,000 Rwf) Rwandan francs *(Art. 34).*
    - o The threshold for performance security (guarantee) for non-consultancy services is generally ten million Rwandan francs (10,000,000 Rwf) and above;[64] tenders for consultancy services do not require performance security *(Art. 33).*

- *Free and easy public access* – provided for in the PPA in *(Art. 5),* which provides for public access to "the Law, orders, standard bidding documents, and contracts".

- *Scope of applicability* – applies "to all procurement of works, goods, consulting services or other services carried out by the procuring entity except the procurement provided for in Article 3 of this Law." *Art. 3* excludes "procurement of classified items meant for national defence and security" and procurement under a multilateral or bilateral treaty, which provide for use of different rules.

- *Open competitive bidding as default procurement method* – provided for under *Art. 23,* which provides that, "Except where provided otherwise by this chapter, the procuring entity shall apply open competitive bidding to supplies, works, goods, and other services. Bidders from different foreign countries shall be allowed to participate in the Open Competitive bidding if they are willing to do so".

- *Public access to key procurement information* – mandated by the PPA and Ministerial Order. The PPA requires public access to "the Law, orders, standard bidding documents, and contracts" (*Art. 5),* while the Ministerial Order provides for publication of "Some of the elements of the procurement plan namely title and quantity of the tender, method of tendering, source of funds, expected publication and execution dates" by posting the

[62] Law N° 12/2007 of 29/03/2007 - Law on Public Procurement
[63] Ministerial Order N° 001/14/10/TC of 19/02/2014 Establishing Regulations on Public Procurement, Standard Bidding Documents and Standard Contracts
[64] However, the performance security may not be required depending on special nature of the tender whose characteristics does not show any risk of poor performance

information on procuring entity's notice board, its official website and that of RPPA, and advertisement in "at least one newspaper of wide circulation, which may be national or international" (*Art. 3)*. The Ministerial Oder also provides for "Publication of the decisions of the Independent Review Panel" by posting it "on the official website of the procuring entity, … the RPPA official website and … the procuring entity's notice board" (*Art. 60)* and for audit of the independent review panel by the RPPA (*Art. 62)*.

- Independent administrative procurement review process – provided for under Article 21 of the PPA and Article 49 of the Ministerial Order. The panel shall comprise "seven (7) members appointed for a one period of four (4) years, and drawn for the public sector, private sector and civil society; however, "members from the public sector shall not exceed three (3)". Members of tender committees and persons not qualified to serve on tenders committees are not eligible to serve on the panel. The independent review panel shall submit quarterly reports to the district Council *(Art. 61)*. The RPPA shall appoint a full time official as secretary of the panel *(Art. 50)*.

3.122 *Use of competitive procurement methods* – the district predominantly uses open competition for its procurements, and rarely uses noncompetitive methods. Evidence of the 2014/2015 report on contract awards posted on the District's website shows the district used competitive procurement method for al procurements throughout the year, although the law allows use of noncompetitive methods under certain conditions. The different bidding methods and the lawful justifications for their use are as follows.

3.123 <u>Restricted tendering</u> *(Art. 51 - 52)* - this procuring entity invites a limited number of bidders (at least three) to bid. The justifying circumstances are that only a limited number of suppliers or contractors can provide the goods or construction, because of "their highly complex or specialized nature, or otherwise" or that the time and cost required to examine and evaluate a large number of bids within the procurement threshold outweighs the value of the goods, construction or services. Selection of bidders must be "in a fair and non-discriminatory manner from a list of prequalified bidders"; however, the procuring entity may not contact more than two bidders in the same country when the shortlist involves bidders based abroad. In addition, the procuring entity shall advertise at least annually in at least one newspaper of the largest nationwide circulation for interested bidders to apply for inclusion on the prequalified list.

3.124 <u>Request for Quotations</u> *(Art. 53 - 54)* – involves "quotations from as many bidders as possible, but not less than three". This method applies when the procurement items (i) are readily available **goods** or **services**, (ii) have standard specifications, (iii) have an established market, and (iv) are of a very low cost. However, "the procuring entity shall not split its tender into separate contracts for the purpose of applying" this method.

3.125 <u>Single-source procurement/direct contracting</u> *(Art. 55 - 56)* - involves soliciting a price quotation from a single qualified bidder. A procuring entity may use this method in four situations. First, the cost of the procurement is within limits established by the Minister. Second, the contract is for additional works, which are technically inseparable from the initial tender and the value of additional works does not exceed 20 percent of the initial tender value. Third, there is a case of *force majeure*, if the circumstances giving rise to it were neither foreseeable by the procuring entity nor the result of dilatory conduct on its part; the procurement shall only be in respect of those goods, works or services that are necessary to cater for the emergency. Fourth, the procurement is for items available only from a monopolist; however, this will not be justification "if functionally equivalent goods, works or services from other bidders would meet the needs".

3.126 Force Account *(Art. 57)* – involves recourse to civil servants and use of public equipment. The circumstances are when (i) quantities of work are not proactively definable, (ii) qualified contractors may not bid reasonably, because the works are small and scattered in remote locations, (iii) work must proceed without disrupting ongoing operations, (iv) emergencies need prompt attention, and (v) the entity is completing works delayed by a contractor after written warnings failed to yield results.

3.127 Community participation *(Art. 57)* - this involves the beneficiary community participating in delivery of services within the context defined by the procurement regulations. The condition is that use of the method will contribute to the economy, create employment, and involve the beneficiary community.

3.128 *Public access to complete, reliable and timely procurement information* – The district posts procurement plans, invitation to tender, and contract awards on its website. It also publishes procurement awards and invitations to tender on the website of the Rwanda Public Procurement Authority (RPPA), (www.rppa.gov.rw). In addition, it advertises invitations to tender in at least, one national newspaper. The District asserted that it also posts data on contract resolution on its website, but this information was not there at the time of visiting the website.

3.129 *Existence of an independent administrative procurement complaints system* – the district has established an independent review panel of comprising both state and non-state actors, in line with *Art. 35* of an earlier Ministerial Order; the 2014 Order became applicable only recently, following its gazetting.[65] The panel has five members, two females and three males.[66] The panel does not charge fees for its deliberations, but complainants pay a fee of Frw 50,000 to the district to file their cases. Complaints take 30 days to dispose of, and decisions are binding on both parties, but an aggrieved party can appeal to the National Independent Review Panel.

PI-20: Effectiveness of Internal Controls for Non-Salary Expenditures

3.130 *PI-20* reviews effectiveness of internal controls for non-salary operations, i.e., relevance, comprehensiveness, understandability, acceptance, and level of compliance. Compliance is particularly crucial to controls effectiveness; circumvention must be occasional allowing only genuine and exceptional emergencies. Exceptions are transparent, properly documented, and result in an audit trail. Effective internal controls protect the integrity of the procurement process; weak controls create gaps that allow errors, wastes, and fraud. *Score Box 3.21* outlines the three dimensions of this indicator and their ratings.

Score Box 3.21: Effectiveness of Internal Controls for Non-Salary Expenditure

[65] Article 64 provides that, "This Order shall come into force on the date of its publication in the Official Gazette of the Republic of Rwanda."
[66] The District provided the appointment letters, written in Kinyarwanda in evidence. For example, see the Mayor's letter of 16/09/2013, ref No. 1339/07.02/08

Score Box 3.21: Effectiveness of Internal Controls for Non-Salary Expenditure						
Comments	**Current Assessment (2015)**				**2010 Score**	**Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Effectiveness of Expenditure Commitment Controls	The IFMIS locks commitment to approved expenditure plans and this effectively limited commitment to approved budget and cash availability in FY 2014.	A	A. Comprehensive expenditure commitment controls are in place & effectively limit commitments to actual cash availability & approved budget allocations (as revised).	Treasury, IFMIS & Decentralization units at the MINECOFIN / District Administration	Not assessed in 2010	
(ii) Comprehensiveness, relevance, and understanding of other control rules/procedures	Other PFM laws and regulations are comprehensive and understood at the district level, but not at the NBA level; some rules and procedures are excessive and contradictory, at times.	C	C. Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures	District management		
(iii) Degree of compliance with rules for processing and recording transactions	The District complies with many processing and recording rules, but audit reports cases of noncompliance both at the district headquarters and especially at the NBA level.	C	D. The core set of rules are not complied with on a routine and widespread basis due to direct breach of rules or unjustified routine use of simplified/emergency procedures.	2013/14 audit report		
Score (Method M1)		**C+**				

Rationale for the Score

3.131 *Effectiveness of expenditure commitment controls* – the CG-controlled IFMIS platform helps to enforce established expenditure commitment and payment policy. This policy limits commitment to the approved expenditure plan, expenditure plans to the approved budget, and payments to expenditure commitments and cash availability.[67] The OBL requires that budget

[67] The IFMIS does effectively limit commitment to cash availability in practice. Additional measures to secure this are in the Manual of Government Policies and Procedures, Volume I: Financial Management and Accounting. Section 4.2.1 of the Manual prohibits overdrawing of bank accounts except with the authorization of the Secretary to the Treasury or mayor, as applicable or the district has obtained formal overdraft facilities as set out in chapter 6 of

entities, "In accordance with the authorization issued by the Minister, make commitments based on the approved expenditure plans for the quarter or the month as the case may be. In making commitments, the chief budget manager shall comply with this Organic Law and other related laws as well as the regulations issued by the Minister *(Art 43 OBL)*. Consequently, the IFMIS locks the budget on the system, allowing access only to the amount transferred by MINECOFIN in accordance with the approved expenditure plan.

3.132 The minister requests budget entities (including districts) to prepare and submit annual and quarterly expenditure plans based on the approved budget. The minister authorizes this plan or its modification on the IFMIS and this limits the expenditure plan by line in 'local mode'. Budget entities can only make commitment by line items and this, on the system. The system automatically rejects attempts to commit above the expenditure limit by returning an error message. This approval effectively limits payment to the approved expenditure plan. The IFMIS also limits payment to actual cash availability by linking all bank accounts and ensuring that all procurement, approvals, authorization, and actual payment are through the platform. This enables it to reject authorization and payments of amounts in excess of available cash balance.

3.133 The District complied with procedures in FY 2014 and effectively limited commitment to the approved expenditure plan, which was not the case in FY 2013. Excess commitment resulted in a deficit cash position of Frw 107,044,381 in FY 2014, but stricter compliance reversed the situation to a surplus cash position of Frw 103,422,895 in FY 2014 (see page 13 of 2013/2014 audit report).

Comprehensiveness, relevance, and understanding of other control rules/procedures – PFM laws and orders include comprehensive rules and procedures on authorization, approvals, delineation of roles, verifications, access and custody of resources, etc. Core district personnel clearly understand these rules, but there is some evidence of non-adherence, especially in NBAs, which leads to repeated adverse audit findings annually. Further, the rules can be excessive and at times and lead to delays, especially when the Ministry of Finance provides guidelines on some issues and ministries provide additional instructions on the same issues. Donors also provide conflicting guidelines at times, leading to confusion on which to follow. An example is allowance (sitting, transport) provided by donors, which often conflict with government's.

3.134 *Degree of compliance with rules for processing and recording transactions* – the Manual of Government Procedures: Financial Management & Accounting, Vols 1 – 4 published by MINECOFIN sets out details of rules and procedures for recording transactions, among others. The District complies with these rules, but there are important instances of noncompliance, especially in subsidiary entities, and less so at the District level. The high level of noncompliance in NBAs is due to shortage of necessary capacity skills to in NBAs, especially in primary schools. A common practice in primary schools is to assign any teacher to do the accounting work for the period. The teacher's insufficient knowledge of financial procedures leads to noncompliance with them. Instances of noncompliance at the District level include

the Manual regarding government borrowing. The section enjoins the Chief Budget Manager to institute mechanisms to prevent overdrawing accounts. "The overdraft preventive mechanisms may include ensuring that the bank account has sufficient funds to cover all payment orders or cheques issued, expected direct debits and regular reconciliation of the bank accounts at short intervals*" (see 2013/2014 audit report, p. 6)*.

failure to record all invoices in the invoice register and to stamp paid invoices as such, as required by the regulations.[68] The failure involved 14 invoices in 2013/2014.[69]

3.135 *NBAs are non-budget entities, but the CG requires districts to supervise and monitor their performance (see PI-9).* NBAs also report to the CG through districts, which must incorporate their reports in the district's monthly reports. The CG makes direct budgetary allocations to NBAs, but includes the allocations in districts' budgets. Districts cannot withhold these allocations or discipline NBAs in any other way for nonperformance. Districts are responsible for training NBAs on accounting and procurement procedures, and for securing compliance. Districts internal auditors monitor NBAs and report to the district for necessary corrective action. Audit reports clearly holds districts accountable for controls shortcomings to NBAs.

3.136 *Districts are, therefore, responsible for control flaws in NBAs, despite their being non-budget entities.* The regulations (especially the Organic Budget Law) and external audit reports confirm that districts are responsible for monitoring financial management performance of NBAs.

PI-21: Effectiveness of Internal Audit

3.137 *PI-21* assesses the effectiveness of internal audit, measured by its ability to provide sufficient and timely feedback to management and support external audit. Internal audit must then focus on systems monitoring not prepayment audit unit[70] and produce relevant and timely reports. The indicator also examines management's reaction to internal audit reports. Internal audit must be approach be professional and independence, adhering to international standards such as *International Standards for the Professional Practice in Internal Audit (ISPPIA)* issued by the Institute of Internal Auditors (IIA). The indicator has three dimensions rated in *Score Box 3.22* below.

Score Box 3.22: Effectiveness of Internal Audit							
Comments	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Coverage and quality of internal audit function	Internal audit does not involve accounting work; it focuses on expenditures, revenues, transactions, and some system work, but the limited capacity adversely affects its scope and	C	C. The function is operational for at least the most important central government entities and undertakes some systems review (at least 20% of staff time),	District administration / Internal Auditors / 2013/14 Report of the Auditor General	Not assessed in 2010	

[68] *Section 5 point (iii)* of The Manual of the Government Policies and Procedures: Financial Management & Accounting Volume 3, section 5 requires the finance department at each entity to maintain a register of supplier invoices to facilitate tracking of progress on settlement of liabilities, reflecting date of delivery of goods/services, date of receipt of invoice, invoice value, due date, and date of settlement. *Section 5 point (ix)* of the same Volume requires return of the Payment Order together with the entire pack of documents to the accountant, who then marks the invoice together with the supporting documents as "PAID".
[69] See 2013/2014 audit report, pp. 52 – 53
[70] Which is an accounting control function assesses assessed under *PI-20*.

Score Box 3.22: Effectiveness of Internal Audit					
	effectiveness.		but may not meet recognized professional standards.		
(ii) Frequency and distribution of reports	Internal auditors prepare reports for the auditee, and quarterly reports for the DC, with copies to MINECOFIN, MINALOC, and the Province, but not the auditor general, except on request.	B	B. Reports are issued regularly for most audited entities and distributed to the audited entity, the ministry of finance and the SAI.	District administration / Internal Auditors	
(iii) Extent of management response to internal audit findings	Auditees respond to internal audit findings and accepts to implement them. The internal auditor, audit commission, and District and PFM committees also engage with the follow up process.	A	A. Action by management on internal audit findings is prompt and comprehensive across central government entities.	District administration / Internal Auditors	
Score (Method M1)		**C+**			

Rationale for Score

3.138 *Coverage and quality of internal audit function* – the District currently has provision for three internal auditors, but the 2014/2015 audit workplan indicate only two internal auditors. The internal auditors report directly to the DC. Internal auditors are administratively independent of the district executive committee; the mayor and the executive secretary do not control the hiring and discipline (including dismissal) of internal auditors. Internal auditors interact with the executive management, but report to the Audit Committee of the District Council. Audit personnel hold Bachelor's degree at the point of entry into service, and undergo training for professional accounting qualification under the sponsorship MINECOFIN. The Internal Audit Plan 2014-2015 lists IA functions as including financial review, systems audit, compliance audit, investigative reporting, advisory services, performance management, and monitoring records of work done.

3.139 IA capacity shortages seriously constrains the scope of audit work to a small "representative" sample of 20 of the 139 auditable entities,[71] according to the district. The extent of representativeness of the sample is questionable, despite the risk analysis that underlies the process as shown in the internal audit plan. For example, the 2014/2015 audit plan includes only two or three schools are, notwithstanding that schools represent more than three quarters of the 139 auditable entities.

[71] The 2014/2015 Internal Audit Plan identifies 139 auditable entities (including the District headquarters), contrary to the 143 NBAs listed in the 2013/2014 financial statements *(see PIs-7, 9 above)* plus the District headquarters.

3.140 Internal audit does not involve accounting work such as ex ante checking and approval of vouchers (so-called prepayment audit). A review of the FY 2015 IA plan shows that IA does some system monitoring, but its extent is difficult to assess accurately. The audit workplan always combines procurement and logistics management work (which involves a large dose of systems monitoring work) with financial audit and compliance audit *(see Table 3.12)*. This is in addition to conducting financial audit alone or in conjunction with compliance audit. Joint financial audit / compliance audit / and procurement and logistics management (systems audit) accounts for nearly 53 percent of audit time. This analysis assumes that systems audit will take at least half of this time, thus warranting the "C" rating. The District explained that the basis of IA work is an audit plan prepared at the beginning of the fiscal year, but it was not possible to determine extent of adherence to the workplan.

Table 3.14: Extent of Systems Monitoring in Internal Audit

Analysis of Time Allotted to Different Audits in 2014/2015 Internal Audit Plan

Type of Audit	% Time Allocated
% Financial Audit Alone	9.0%
% Financial Audit / Compliance Audit	15.7%
% Financial Audit / Compliance Audit/Procurement & Logistics Management	52.9%
% Fin Review	13.5%
% Peer Review	9.0%
Total	100.0%

Note: Seven days out of the 231 available days are unaccounted for in the audit plan

3.141 *Frequency and distribution of reports* – the district produces monthly internal audit reports, consolidated into quarterly reports. Distribution of monthly reports is within the district to the executive council and audit commission. Distribution of the consolidated quarterly reports goes further to include the District Council, the Ministry of Finance (MINECOFIN), Ministry of Local Government (MINALOC), and the Province. The auditor general is not on the routine distribution list, but gets a copy on demand, usually at the commencement of external audit.

3.142 *Extent of management response to internal audit findings* – internal audit prepares and submits draft IA reports to managers of audited entities for comments. The auditee reviews the findings and recommendations and agrees implementation action plan for recommendations with the auditor. The implementation plan details who should take what action and the timeline for action. IA prepares monthly reports incorporating these findings for the audit commission of the DC. The audit commission reviews the reports and implementation plan. The PFM committee at the District and sector levels also review and follow up on implementation of internal audit findings.

3.143 The internal audit report for Quarter 2 of 2014/2015 dated April 15, 2015 provided in evidence lists findings, recommendations, and management response. The report relates to a District hospital. Findings in the report include these six (i) delays of sometimes up to 20 days in the banking of cash receipts, contrary to regulations, (ii) overspending of budget lines, (iii) failure to support receipts from other budget entities with appropriate documentation, (iv) inadequate partially supported expenditure, (v) failure to insure hospital buildings, stock, and equipment, (vi) award of tenders outside of the procurement plan, etc. The report follows up findings with their detailed particulars, recommendations on each finding, risks, and management response. Management accepted to implement all the recommendations.

3.5 Accounting, Recording, and Reporting

3.144 The accounting and reporting process helps secure and strengthen integrity of the PFM system. The accounting system maintains records and disseminates information for management decision-making and public enlightenment. *PIs 22 – 25* measure how effectively the accounting process discharges these obligations.

PI-22: Timeliness and Regularity of Accounts Reconciliation

3.145 *PI-22* assesses verification of recording practices of accountants, especially reconciliation of bank and book balances and treatment of suspense accounts and advances. ‘Advances’ here refer to cash payments for which there is yet no record of expenses, even if such payments are for a specific purpose, e.g., travels advances and operational imprests. Advances exclude budgeted transfers (subventions) to parastatals and local government classified as expenditures when made, even if the practice is periodic reporting on any earmarked portion. Reconciliation is critical to internal control, helping to secure reliability and integrity of financial information. Timeliness and frequency of reconciliation are fundamental to reliability. The indicator has two dimensions, assessed in *Score Box 2.23* below.

Score Box 3.23: Timeliness and Regularity of Accounts Reconciliation						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Regularity of bank reconciliations	Regular bank reconciliation takes place at district level and NBA levels within two weeks of the month end.	A	A. Bank reconciliation for all central government bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period.	District Administration (Finance Unit) / monthly financial statements	Not assessed in 2010	
(ii) Regularity of reconciliation and clearances of suspense accounts and advances	The district does not use suspense accounts or operational advances.	NA	Suspense and advances accounts not used			
Score (Method M2)		**A**				

Rationale for the Score

3.146 *Regularity of bank reconciliations – the finance department of the district prepares monthly bank reconciliation statements on treasury held bank accounts, while each NBA prepares and forwards reconciliation statements along with supporting documents and its financial report to the district headquarters monthly.* Bank reconciliation is regular and takes place within two weeks of the succeeding month; bank reconciliation statements form part of the annex to the financial reports, which the district routinely sends to MINECOFIN about the middle of the month. The district reconciles statements on the IFMIS, while NBAs do so by other means, since they do not operate on the IFMIS platform. The District's bank reconciliation statements included in the notes of the audited 2013/2014 financial statements indicated there no unreconciled differences. The 2013/2014 audit report did not identify any issue with bank reconciliation, as it did in the preceding year. Besides, samples of bank reconciliation statement for fiscal 2014/2015 provided in additional evidence also show zero unreconciled differences.

3.147 *Regularity of reconciliation and clearances of suspense accounts and advances* – the district does not use suspense accounts or operational advances (travel or imprest) in its activities. The District management explained that it stopped issuing petty cash advances, because of the problems associated with making too many small payments. The frequent requests for its use and difficulties of proper accounting for the many small expense complicate bookkeeping. The District outsources small procurements to service providers / suppliers for a period through a framework tendering process and successful tenderers provide the needed service or supply when called upon to do so. Payment is upon submission of invoice. Travel advances also do not usually apply to staff. Instead, touring personnel receive allowances in line with ministerial guidelines, but return the balance to the District, if unused, e.g., if the tour does not take place as envisaged or takes less than the period planned.

PI-23: Availability of Information on Resources Received by Service Delivery Units

3.148 *PI-23* measures the extent to which the PFM system tracks cash and in- kind resources available to frontline service delivery units at the community level, e.g., schools and health clinics. Frontline service delivery units are furthest in the resource allocation chain; often there may be significant delays in providing resources to them and they withstand the worst of resource shortfall. Tracking information on resource allocation and availability to such primary service delivery units will help determine the extent to which the PFM system supports frontline service delivery. *Score Box 3.24* assesses the only dimension of this indicator.

Score Box 3.24: Availability of Information on Resources received by Service Delivery Units						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
Collection and processing of information to demonstrate resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to overall resources made available to the sectors(s) irrespective of which level of government is responsible for the operation of the funding	The district collates data on cash resources (but not for non-cash resources) available to its subsidiary entities (including primary schools and primary health centres) monthly, quarterly, and annually	D	D. No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years.	District administration	Not assessed in 2010	

Score Box 3.24: Availability of Information on Resources received by Service Delivery Units					
unit (i) Regularity of bank reconciliations					
Score (Method M1)		**D**			

Rationale for the Score

3.149 *The District has not comprehensively collated data on cash and in-kind resources available to primary schools and health centres in the last three years, although the system is capable of generating the information.* The current practice is to require non-budget agencies (NBAs) to report cash resources from all sources, but not in-kind gifts. NBAs provide these reports monthly and the district collates and discloses the information in the notes to its monthly financial reports and annual financial statements. The District did not disclose similar or any arrangement for collecting and collating information on non-cash resources. Consequently, available information on availability of resources is not comprehensive.

PI-24: Quality and Timeliness of In-year Budget Reports

3.150 *PI-24* assesses the ability of the accounting system to produce quality reports on all aspects of budget execution. In-year budget reports provide information for monitoring and corrective decision-making and covers both commitment and payment expenditures. Reports must be regular, timely, available to the Ministry of Finance and the cabinet (for monitoring purposes) and MDAs for managing their affairs, and identify new actions needed to "bring in" the budget. In-year reports include interim budget performance reports to the Legislature. The quality of in-year budget reporting determines the timeliness of final accounts and the ease of data verification, including bank reconciliations. The indicator has three dimensions, assessed in *Score Box 3.25* below.

Score Box 3. 25: Quality and Timeliness of In-year Budget Reports						
Comments	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Scope of reports in terms of coverage and compatibility with budget estimates	Monthly budget execution reports capture expenditure at the payment stage only (not also at commitment); comparison between budget and outturns is possible only by economic categories, and not by administrative headings, as well	D	D. Comparison to the budget may not be possible across all main administrative headings.	The district administration / monthly financial reports	Not assessed in 2010	
(ii) Timeliness of issues of the reports	Budget execution reports issued as part of monthly financial reports not later than the middle of the next month. Real-time	A	A. Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.			

Score Box 3. 25: Quality and Timeliness of In-year Budget Reports					
	record keeping. On the IFMIS system makes this possible.				
(iii) Quality of information	A number of revenue classification issues affect accuracy of reports, but not their overall usefulness.	C	C. There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness.		
Score (Method M1)		**D+**			

Rationale for the Score

3.151 *Scope of reports in terms of coverage and compatibility with budget estimates* – the Finance unit of the district prepares monthly budget execution reports comparing budget and actual expenditure on a template produced by the MINECOFIN. The template requires comparison of actual payment (not commitment) with the budget on economic categories only. Comparison is with the originally approved budget from July to December and the revised budget from January to June. Reporting uses information generated from the IFMIS, which also holds information administrative categories and commitment expenditure. *PI-20* above shows that commitment is online through the IFMIS platform; *PI-5* also shows that the general ledger on the IFMIS records budget execution along economic and administrative lines. It is possible therefore to reconfigure the budget execution template to show the original budget (always), commitment expenditure, and actual payment along administrative (and economic) lines, should the Ministry of Finance see the usefulness of such reporting in helping to "bring in" the budget. While administrative entities have access to that information through the IFMIS, periodic reporting of the information to the Ministry of Finance will focus attention on the role of administrative control in achieving budget targets.

3.152 *Timeliness of issues of the reports* – Budget execution reports is part of the package of annexes attached to the monthly financial reports, which the district submits to the Ministry of Finance by the middle of the next month. Meeting this target is not difficult, because the IFMIS platform makes real-time record keeping .possible. NBAs do not prepare budget execution reports, because they are non-budget agencies. The district is the lowest level budget entity.

3.153 Quality of information – a number of classification issues affect the accuracy of reports, but not to the extent of rendering them unusable. Financial reports (budget execution reports and financial statements) do not highlight these issues, but audit reports do. For example, 2013/2014 budget execution and financial reports misclassify tax revenues collected on behalf of the District and transferred to it by the RRA as "Transfers from CG entities".[72] That revenue head holds grants made to the District by CG agencies in support of specific projects. The 2013/2014

[72] See pap. 18 – 19 of the 2013/2014 audit report

audit report identify and explain two other misclassification issues. The first involves the external grant component of funds received from the Rwanda Local Development Support Fund (RLDSF / LODA), which financial reports wrongly classify as transfers from other government entities, instead of as external grants as budget classifies them[73] The second involves "other revenue". " … in the budget the subchapter 143 for fines, penalties, and forfeits are included in chapter 14: other revenues whereas in the budget performance report they are presented separately from other revenue".[74]

PI-25: Quality and Timeliness of Annual Financial Statements

3.154 This indicator assesses completeness, timeliness, and conformity of annual financial statements to generally accepted accounting standards. Completeness requires that financial statements the central government, independent departments, and deconcentrated units. Timeliness indicates how well the accounting system is functioning and the quality of records maintained. Compliance with international standards promotes understandability and transparency in dealing with assets and liabilities. This indicator has three dimensions, as rated in *Score Box 3.26*.

Score Box 3.26: Quality and Timeliness of Annual Financial Statements						
Comments	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Completeness of the financial statements	Financial statements report revenues, expenditures, bank balances, accounts payable, and accounts receivables of the District in the main statements, and both detailed and consolidated information of its subsidiaries as notes. The disclosure by way of notes, rather than full integration into the main accounts of the district is a major reason for the auditor general issuing a qualified audit report.	B	B. A consolidated government statement is prepared annually. They include, with few exceptions, full information on revenue, expenditure and financial assets/liabilities. See also "Supplementary Guidelines for the application of the PEFA Framework to Sub-National Governments", *pp. 28 -29*	District administration / FY 2014 audit report	Not assessed in 2010	
(ii) Timeliness of submission of the financial statements	FY 2014 financial statements submitted to the Accountant General on July 31, 2014 (one month from fiscal year end) and for audit on September 30, 2014,	A	A. The statement is submitted for external audit within 6 months of the end of the fiscal year.	District government / FY 2014 audit report		

[73] See 2013/2014 audit report, p. 28
[74] See 2013/2014 audit report, p. 29

Score Box 3.26: Quality and Timeliness of Annual Financial Statements					
	three months from yearend.				
(iii) Accounting standards used	The modified cash standard used is broadly compatible with IPSAS reporting requirements	A	A. IPSAS or corresponding national standards are applied for all statements.	FY 2014 audit report	
Score (Method M1)		**B+**			

Rationale for the Score

3.155 *Completeness of the financial statements* – the annual financial statements covers the main activities of the district and includes information on subsidiary entities or non-budget agencies in an annex. The format / template provided by the Ministry of Finance comprises three main sections: the statements, notes to the financial statements, and important disclosures.[75] The actual statements are three, i.e., statement of revenues and expenditure, statement of financial assets and liabilities, and cash flow statement. The notes show details of 23 items relevant to the financial position of the district, and include information on accounts payable, accounts receivables.[76] Items shown as disclosures include these four (i) statement of contingent liabilities, (ii) statement of investments, (iii) undrawn loan and grant balances, and (iv) disclosure on subsidiary entities financial results. The 2013/2014 audit expressed a qualified opinion[77] due mainly to issues relating to failure to consolidate NBAs accounts into the financial statements, poor accounting practices in NBAs, and a number of issues in the District that however, do not materially affect completeness of the financial statements. This NBA issues are "beyond the control of the District Management" and require the attention of the Ministry of Finance.[78] The issues affecting the District HQs include failure remit amounts due to sectors on time (the District reported outstanding amounts as accounts payable), debts outstanding for up to four years (duly reported in the financial statements and referred to the Ministry of Justice for prosecution), inability to collect due revenues, etc. Appropriate indicators of this report have dealt with these issues.[79]

3.156 *Timeliness of submission of the financial statements* – budget entities must submit their financial statements to the Ministry of Finance for comments by July 31 each year for review. The entity incorporates observations of the Ministry, resubmits the revised statements to the Ministry and submits it to the Office of the Auditor General. The District submitted the revised

[75] The financial statements are a component of the financial report, which also include budget execution report, progress report on follow up to auditor general's findings, and compliance checklist for budget agencies.
[76] Notes to the financial statements use these headings (i) tax revenue,(ii) fees, fines, penalties and licenses, (iii) transfer from central treasury, (iv) grants, (v) capital receipts, (vi) proceeds from borrowings, (vii) other revenue, (viii) compensation of employees , (ix) use of goods and service, (x) transfers to reporting entities, (xi) grants and other transfer payments, (xii) social assistance, (xiii) finance cost, (xiv) other expenses, (xv) capital expenditures, (xvi) loan repayments, (xvii) cash at bank, (xviii) cash in hand, (xix) accounts receivables, (xx) account payables, (xxi) accumulated surplus (deficit) from previous year, (xxii) prior Year Adjustments
[77] See 2013/2014 audit report, p. 10
[78] See 2013/2014 audit report, p 42
[79] For example, see *PIs 4, 8, and 15*

2013/2014 financial statements to the OAG on September 30, 2014,[80] three months after the end of the fiscal year.

3.157 *Accounting standards used* – the 2013/2014 financial statements contain a section on Statements of Accounting Policies indicating use of the "modified cash basis of accounting", which the audit report confirms is generally in line with IPSAS. The cash basis recognizes financial transactions only at the time the associated cash flows take place, does not capitalize expenditure on acquisition of fixed assets, i.e., written off on acquisition, this not depreciation, and writes off prepaid expenditure/advances when disbursed. The "modification"[81] recognizes (i) outstanding yearend invoices for goods and services as liabilities, (ii) loans/advances as liabilities/assets at time of disbursement, (iii) related interest only when disbursed and accrual of interest payable on public debt, and (v) exchange rate gains/losses associated with conversion of foreign currency denominated book balances recurrent revenue/expenditure.[82] The main categories of expenditure are as defined in ministerial order as follows employees, use of goods and services, capital expenditures, transfers and subsidies, loan and interest repayments, social benefits, transfers to reporting entities, and other expenses[83].

3.6 External Scrutiny and Audit

3.158 These indicators assess the quality of external oversight of the budget process by bodies unconnected with its preparation, implementation, recording, and reporting, e.g., the Legislature and the Supreme Audit Institution (SAI). Audit scrutinizes the final accounts and internal controls against internationally accepted principles and standards and makes recommendations for improvement to the Legislature to rule on. The Legislature also reviews and approves the executive budget proposal. It also examines audit findings and recommendations and makes resolutions for the executive to enforce.

PI-26: Scope, Nature, and Follow-Up of External Audit

3.159 This indicator assesses the quality of external audit reports, i.e., its scope, mandate, standards and procedures, and independence (political, administrative, financial, and emotional independence), and the extent of follow up of its findings. *Score Box 3.27* summarizes the assessment.

Score Box 3. 27: *Scope, Nature, and Follow-Up of External Audit*						
Comments	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Scope/nature of audit performed (including adherence to	Audit covers 100 percent of the operations (revenues,	A	A. All entities of central government are audited annually covering revenue,		The 2010 was not specific to districts, but rather entered generalized findings.	

[80] See letter from the Executive Secretary of Kamonyi District Ref No. 661/07.02/08 of August 14, 2014 titled, "Re: Submission of Annual Report and Financial Statements addressed to the Hon. Minister of Finance and Economic Planning and copied to the Auditor General of State Finances, the Minister of Local Government (MINALOC), and the Governor of Southern Province.

[81] Ministerial Order N° 002/07 of 9 February 2007 relating to Financial Regulations

[82] See 2013/2014 Financial Statements

[83] Article 19 of Ministerial Order N° 002/07 of 09/02/2007 relating to Financial Regulations

Score Box 3. 27: *Scope, Nature, and Follow-Up of External Audit*					
auditing standards)	expenditures, assets, liabilities) of the district headquarters; it also includes a sample of NBAs. The process involves transactions, systems, and some elements of performance audit, and accords with international standards.		expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.		
(ii) Timeliness of submission of audit reports to legislature	The SAI submitted the 2013/2014 audit report to the district council on April 14, 2015, i.e., six and half months after receiving the financial statements on September 30, 2014 (see PI-25 above).	B	B. Audit reports are submitted to legislature within 8 months of end of period covered and in the case of financial statements from their receipt by the auditor.		
(iii) Evidence of follow-up on audit recommendations	The level of implementation of previous audit findings was 85% in FY 2014, 67% in FY 2013, and 81% in FY 2012	A	A. There is clear evidence of effective and timely follow up.	Audit reports for FY 2012, 2013, & 2014	
Score (Method M1)		**B+**			

Rationale for the Score

3.160 *Background: Dimensions (i) and (ii) are not applicable to district, because external audit is not a function of district governments, but that of the Central Government.* The OBL[84] and the Decentralization Law[85] define the role of district administrations in external audit. The OBL requires the chief budget manager "to provide any other information as … required by the Ministry and the Office of the Auditor General of State Finances" and to "implement the audit recommendations of the Ministry and Auditor General of State Finances". The Decentralization Law defines the duties of district councils to include, "to monitor the implementation of recommendations contained in the report of the Auditor General of State Finance". Thus, the responsibility of districts is only to implement audit findings, making only dimension (iii) of this indicator relevant.

[84] Organic Law on State finances and property, **Law N°12/2013/OL of 12/09/2013**, Art. 19, paras. 9 - 10
[85] Law determining the organization and functioning of decentralized administrative entities, **Law Nº 87/2013 of 11/09/2013** Art. 125, para. 5

3.161 *Article 183* of the Constitution of the Republic Rwanda 2003 establishes the Office of the Auditor General of State Finances as "an independent **national** institution responsible for the audit of state finances … vested with legal personality … financial and administrative autonomy". The article defines the responsibilities of the Office to include the following :

- "auditing objectively whether revenues and expenditures of the State as well as local government organs, public enterprises and parastatal organizations, privatized state enterprises, joint enterprises in which the State is participating and government project were in accordance with the laws and regulations in force and in conformity with the prescribed justifications
- auditing the finances of the institutions referred to above and particularly verifying whether the expenditures were in conformity with the law and sound management and whether they were necessary
- carrying out all audits of accounts, management, portfolio and strategies which were applied in institutions mentioned above".

3.162 The article further provides that *"no person shall be permitted to interfere in the functioning of the Office or to give instructions to its personnel or to cause them to change their methods of work"*

3.163 Audit is therefore, a central government (CG) function, not district function. It is, at best, a deconcentrated function of the CG, better assessed at the CG level (as part of the CG PEFA taking place simultaneously with this exercise), rather than the district. This reasoning is in line with the provisions of the *Supplementary Guidelines for the application of the PEFA Framework to Sub-National Governments*. The Guidelines provide (page 5)

> "To date, PEFA assessments have been carried out for SN governments that have some degree of decentralization, which clearly requires some measure of fiscal decentralization. This is distinct from deconcentration, which is a transfer of responsibilities, powers and resources from the national government (ministries and agencies) to field offices at the local and regional level, thereby becoming closer to the citizens while remaining a part of the national government system. **Deconcentrated units (administrations déconcentrées) should therefore be covered by a national government assessment.**" The analysis has added this emphasis added.

3.164 However, the revised draft has proceeded to assess dimensions (i) and (ii) following comments by the PEFA Secretariat, and subsequent pressure by the GoR, based on the comments.

*S*cope/nature of audit performed (including adherence to auditing standards)

3.165 This dimension is not applicable in Rwandan districts; external audit is a CG responsibility. This assessment presents evidence answers to address the key questions in the Fieldguide as follows

3.166 *What legislation regulates external audit (including organization of SAI)?* – External audit is a constitutional function in Rwanda, as stated above. The Supreme Audit Institution (SAI) is the Office of the Auditor General for State Finance. The office audits both CG and in LG entities. The objective of the audit function in districts is as usually summarized in annual audit reports, i.e., to ascertain that Kamonyi district

- Kept proper books of account, and the financial statements prepared therefrom give a true and fair view of the state of the financial affairs of the district as at 30 June 2014 and of its receipts and expenditure for the year, and comply with existing laws and regulations
- observed controls put in place to safeguard the receipt, custody and proper use of public funds and the laws and regulations in force
- incurred only necessary expenditure and in conformity with the laws and regulations in force and with sound management, and
- acquired and utilized human, material and financial resources economically, efficiently and effectively[86]

3.167 *What % of total expenditure of central government was achieved in audit coverage for last FY audited (50% or less, over 50%, over 75% or 100%)?* – the 2013/2014 audit covered 100 percent of expenditures of the district headquarters. This percentage "refers to the amount of expenditure of the entities covered by annual audit activities, not the sample of transactions selected by the auditors for examination within those entities".[87]

3.168 *Do audit activities cover PEs & AGAs?* A special relationship exists between districts and its subsidiary entities or non-budget agencies (NBAs), as explained in *Chapter 2* of the consolidated PEFA report and highlighted in *PIs 7, 8, 9, 20, 21, and 24* of this report. These NBAs are neither PEs nor strictly AGAs; however, districts are responsible for monitoring them and ensuring that they conform to financial regulations. The audit function covers them, although only a limited sample basis, since they are many and will require much time and financial resources to audit in detail (see PI-7 for the composition districts' NBAs).

3.169 *What is nature of external audit performed (audits of transactions or audits of systems)?* – the 2013/2014 audit comprised both transactions and systems audit. The systems audit comprised an early review of the internal control system (including internal audit) and procurement processes to help inform the audit procedures. The transactions audit aspect carried out a test examination of evidence supporting amounts and disclosures in the financial statements. The audit also assessed the accounting principles used and significant estimates made by management, and evaluated the presentation financial statements. The 2013/2014 audit report includes findings on all these elements.

3.170 *Are performance audits performed in addition to financial audits?* The 2013/2014 audit also involved some performance and value for money audit, although only on a limited basis. For instance, the audit report includes a section on, "Results Noted from Field Visits for Physical Verification".[88] The section reports two broad classes of findings, one dealing with value for money (VFM) and the other performance. The VFM findings are as follows

a) Machines supplied and installed for a landfill (compostière) in Runda Sector (Frw 40,000,000), remaining unutilized seven months after the contractor completed and handed over the installation
b) premises (buildings) constructed (for the machines) at cost of Frw 123,708,163 – completed and handed over 17 months, without use

[86] See Kamonyi District Audit Report for The Year Ended 30 June 2014, p. 4
[87] *See the Fieldguide. p. 148*
[88] 2013/2014 Audit Report, *pp. 57 - 62*

c) Rukambura health center (cost, Frw 79,583,828) constructed in Musambira sector but not yet used, lying fallow 4 months after the contractor completed and handed over the project
d) Medical equipment purchased for Gatagara health center ((Frw 43,494,220)) but not yet used, six months, after receiving the items into stores

3.171 The audit report noted that,

- "The above issues imply lack of value for money for the concerned activities executed by the District. Accordingly, the District may fail to achieve the intended objectives.
- The population is deprived of the benefits expected to be derived from putting in place the above infrastructure.
- In addition, failure to use the infrastructure put in place as well as purchased equipment casts doubt on adequate planning by the District prior to implementing some of the activities".

3.172 The section also reports on "Weaknesses noted in the implementation of the "biogas programme"", observing that, "The constructed biogas systems which are not operational or biogas system not yet installed for households imply that the program may not achieve the intended purpose".[89]

To what extent do audit activities adhere to auditing standards?

3.173 The audit function enjoys a high degree of independence at the district level. First, audit is a CG function, which district administrations do not control. Appointment, remuneration, and discipline of auditors are not LG responsibilities, but that of the CG. Second, the SAI reports management s findings to the Parliament at the CG level, as required by law, although it also sends a copy of its report to the district as the auditee. Third, audit adopts international standards on auditing, especially the International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI) and standards issued by the African Organization of Supreme Audit Institutions (AFROSAI), to which the SAI has belonged since 2004. These standards require compliance with ethical principles in the planning and conduct of the audit. The SAI operationalized its internal Code of Ethics in 2007, in line with these standards. The appropriate score for this dimension is A.

Timeliness of submission of audit reports to legislature –

3.174 The SAI submitted the 2013/2014 audit report to the district council on April 14, 2015[90], i.e., six and half months after receiving the financial statements on September 30, 2014 (see PI-25 above). The applicable score is "B".

3.175 *Evidence of follow-up on audit recommendations* – audit reports include a section on "Implementation of Previous Year Audit Recommendations". Review of the section in recent audit reports shows the District has a track record of implementing audit findings. For instance, the 2013/2014 report shows the District fully implemented 11 of the 13 audit recommendations

[89] 2013/2014 Audit Report, *pp. 61 - 62*
[90] See District's minute of acknowledgement of receipt of the Auditor General's letter ref. No. 146/04/15/DEPA/OAG of 08 Avr, 2015 titled, "Re Final Audit Report for Kamonyi District for the Year Ended 30 June 2014.

made in FY 2013, i.e., a percentage of 85 percent.[91] The District had only partially implemented one and did not implement one at all, i.e., those relating to integration of NBA accounts into the District's financial statements and prompt transfer of operation funds to sectors.[92] The level of full implementation was 67 percent (i.e., four of six recommendations) in FY 2013 and 81 percent in FY 2012 (13 out of 16 recommendations).[93]

PI-27: Legislative Scrutiny of Annual Budget Law

3.176 PI-27 assesses the thoroughness and rigour involved in the legislature's approval of the Appropriation Bill. Accountability and transparency of government requires a rigorous and clear process in scrutinizing and approving the budget. *Score Box 3.28* rates the four dimensions of the indicator: (i) scope of the Legislature's scrutiny, (ii) the internal legislative procedures, (iii) time allowed for that process, and (iv) rules for in-year budget amendments and the level of adherence to them.

Score Box 3.28: Legislative Scrutiny of the Annual Budget Law						
Dimensions	**Current Assessment (2015)**				**2010 Score**	**Explanation of Change since 2010**
	Evidence Used	**Score**	**Framework Requirement**	**Information Source**		
(i) Scope of Legislatures Scrutiny	The DC reviews details of revenue and expenditures, but it cannot change fiscal policy decisions already made by the CG, which financed about 90% of the District's expenditure in FY 2014.	C	C. The legislature's review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.	District administration / MINECOFIN / OBL 2013	Not assesses in 2010	
(ii) to which Legislature's procedures are well-established and respected	Simple procedures for review exist; the Economic Commission reviews details of proposals and present to the DC for approval. The Commission interacts with the CBM and other technical staff of the District in the process.	B	B. Simple procedures exist for the legislature's budget review and are respected.	District administration		
(iii) Adequacy of time for the Legislature to provide response to budget proposals, both to detailed estimates, and where	Review of the budget begins after receipt of the first budget call circular and concludes sometime before or on June 30, a period of about three months.	A	A. The legislature has at least two months to review the budget proposals.	District administration		

[91] 2013/2014 audit report, p. 63
[92] See 2013/2014 audit report, pp. 67 - 74
[93] FY 2013 audit report, p. 48 and FY 2012 audit report, p. 34

Score Box 3.28: Legislative Scrutiny of the Annual Budget Law					
applicable, for proposals on macro fiscal aggregates earlier in the budget cycle (time allowed in practice for all stages combined)					
(iv) Rules for in-year amendments to the budget without ex-ante approval by the Legislature	The OBL 2013 and relevant regulations set out clear rules for in-year budget amendments. Arts. 48, 49 of the OBL permit the CBM to do up to 20% reallocation between programs (administrative units) during budget execution, but prohibits reallocation economic categories without authorization of the Minister of the Finance and the Parliament, as the case may be.	A	A. Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.	Legislations supplied by the MINECOFIN / the District administration district accounts	
Score (Method M1)		**C+**			

Rationale for the Score

3.177 *Scope of Legislatures Scrutiny* – the District has a legislative council, whose members serve part-time. The Council reviews and adopts the budget of the district in accordance with extant legal provisions, but its review has a limited scope. *Articles 5* of OBL and *125(3)* of the Decentralization Law[94] require the District Council to adopt the budget of the District. *Article 11* emphasizes that only the District Council may adopt the budget of the district, but that, "members of the Decentralized Entity Council shall consider and provide comments on the Budget Framework Paper" (BFP). However, the DC only provides comments to the cabinet, as other decentralized entities and the Chamber of Deputies do as well. It does not approve the Budget Framework Paper (BFP). The Minister of Finance prepares the BFP for the cabinet to approve *(Art. 32, OBL)*. The BFP sets the tone that the MTEF and the budget adopt. The law requires that expenditure estimates of the district be "in conformity with medium term strategies established by the State" in the BFP *(Article 36 of the OBL)*. In reality therefore, the district does not make fiscal policies and forecasts; the GoR does so in the BFP for the entire country. The District Council therefore, cannot approve fiscal policy, but only ensures that the district's budgets align with it. However, the DCs approve forecasts the District's own revenues, which accounted for close to only 8.8 percent of the District's its expenditures in FY 2014. The DC also

[94] Law determining the organization and functioning of decentralized administrative entities, **Law Nº 87/2013 of 11/09/2013**

approves the District Development plan, prepared once every five years, the action plan, and tariff.

3.178 *Extent to which Legislature's procedures are well established and respected* – the district follows simple, but well-established procedures in adopting the budget. The economic commission of the DC does in-depth review of the budget and reports to the Council, although it can also meet in extraordinary sessions. The district administration shares the budget proposal and other documents for review in advance with the economic commission[95] of the DC on commencement of the budget review process. The economic commission takes about two to three days to review the documents in detail, interacting with the executive committee and technical personnel in the process. This is an established tradition, based on the legal provisions. *Art. 11* of the OBL provides that, "The Council of the decentralized entity shall have the authority to require members of the Executive Committee and chief budget manager to appear before it and explain policies, programs and utilization of the budget of the concerned decentralized entity". The Commission can request for corrections or amendments to the proposals. The CBM oversees such amendments and returns the proposal to the commission. The Commission then presents its findings to the DC to consider and adopt.

3.179 *Adequacy of time for the Legislature to provide response to budget proposals* – review of the budget related documents begins after receipt of the first budget call circular (the planning circular) by the Ministry of Finance & Economic Planning around September or October. The DC receives the draft BFP around April or May, after its submission to Parliament by the Ministry; however, the district did not provide evidence of the date of its receipt. District officials had to interrupt the second (and final day of the) assessment / data collection mission to for the DC meeting to adopt the 2015/16 budget, which was held on that day. Notwithstanding this, the district would have received at the same time as other agencies did, since the Ministry sends it to all budget entities (including districts) by law. The DC reviews it and subsequently ensures that the District's budget is line with it. The date of approval of the District's 2014/2015 budget was 26/06/2014.[96] The DC was meeting on June 23 (during the field mission for this assessment) to approve the 2015/2016 budget.

3.180 *Rules for in-year amendments to the budget* – rules for in-year amendment to the budget are clear, set out in the OBL and relevant regulations. *Arts. 46* and *49* of the OBL permit the CBM to reallocate up to 20 percent of the budget of one program (administrative units) to another programme during budget execution. However, the articles expressly prohibits reallocation in excess of 20 percent or from one economic category to another without express approval. Reallocation from employee costs (salaries) to another category requires parliamentary (Chamber of Deputies) approval and reallocation between recurrent and development expenditures or between programmes requires the approval of the Minister of Finance. The District adheres to the rules. Commitment controls on the IFMIS also help to secure observance of the rules.

[95] Established under Art 46 of **Law Nº 87/2013 of 11/09/2013** on Decentralization
[96] See the approved 2014/2015 budget

PI-28: Legislative Scrutiny of External Audit Reports

3.181 *PI-28* assesses the extent the legislature's scrutiny of audit reports. Usually, a dedicated legislative committee (the Public Accounts Committee, PAC) examines eternal audit reports and questions responsible parties over irregular audit findings. The examination covers both government entities directly audited by the SAI, and AGAs audited by other auditors. The committee makes recommendations to the full House for approval as resolutions for the executive to implement. The House must allocate adequate financial and technical resources to facilitate the work of this committee. *Score Box 3.29* set out the states performance on the three dimensions of this indicator.

<table>
<tr><th colspan="7">Score Box 3.29: Legislative Scrutiny of External Audit Reports</th></tr>
<tr><th rowspan="2">Comments</th><th colspan="4">Current Assessment (2015)</th><th rowspan="2">2010 Score</th><th rowspan="2">Explanation of Change since 2010</th></tr>
<tr><th>Evidence Used</th><th>Score</th><th>Framework Requirement</th><th>Information Source</th></tr>
<tr><td>(i) Timeliness of examination of audit reports by the Legislature (for reports received within the last three years)</td><td>Completion of examination of audit reports takes about three months from date of its receipt by the DC; the district is not in not in arrears of review of audit report, but it was not possible to confirm the exact date of completion for review of 2013/2014 report.</td><td>NR</td><td></td><td rowspan="3">District Administration</td><td colspan="2" rowspan="3">Not assessed in 2010</td></tr>
<tr><td>(ii) Extent of hearings on key findings undertaken by the Legislature</td><td>The AC interviews responsible officials in cases of major findings, but obtains corrective action plan from the CBM for relatively minor infringements of rules.</td><td>A</td><td>A. In-depth hearings on key findings take place consistently with responsible officers from all or most audited entities, which receive a qualified or adverse audit opinion.</td></tr>
<tr><td>(iii) Issuance of recommended actions by the Legislature and implementation by the executive</td><td>The AC proposes recommendations, which the DC ratifies, and the CBM follows up on implementation.</td><td>A</td><td>A. The legislature usually issues recommendations on action to be implemented by the executive, and evidence exists that they are generally implemented.</td></tr>
<tr><td colspan="2">Score (Method M1)</td><td>NR</td><td colspan="2"></td><td colspan="2"></td></tr>
</table>

Rationale for the Score

3.182 *Timeliness of examination of audit reports by the Legislature* – the parliamentary Public Accounts Committee (PAC) reviews audit findings, hold public hearings, invites indicted persons, and makes recommendations. However, these hearings are of necessity, on a representative basis, given the impracticality of holding hearings on the findings of all 30 districts and the numerous other public entities. PAC review audit reports, but it does not invite every institution; it invites only those with serious audit issues. Besides, PAC review takes a relatively long time due to the bulk of the work involved, among other reasons. The District Council has parallel arrangements for reviewing audit findings and usually completes its hearings long before the PAC. The DC's review process begins with receipt of the audit report. Procedurally, the auditor general submits the audit report to the mayor of the district, who is both the elected political head of the district and a member of the District Council. The mayor promptly submits the report to the audit committee (AC) of the District Council. The DC usually completes its hearings and issues recommendations within three months of the receipt of the audit report, but it was not possible to confirm the exact date of completion of hearings on the 2013/2014 audit report. The District received the 2013/2014 audit report on April 14, 2015.[97]

3.183 *Extent of hearings on key findings undertaken by the Legislature* - the AC meets with the executive committee to review the findings, recommendations, and implementation measures, as stated above. The AC is a committee of the DC, but it coopts knowledgeable non-DC persons to assist it with its task, as it deems fit. For instance, the AC often seeks the technical assistance of internal auditors. For instance, the minutes of meeting of the AC held on November 14, 2014 submitted in evidence includes the names of the District's two internal auditors. The AC invites indicted officials to its hearings for explanation when the audit reports major findings, but not usually on relatively minor infringement of rules and procedures. The AC demands and obtains an action plan for correcting such minor infringements and ensuring they do not repeat from the CBM.

3.184 *Issuance of recommended actions by the Legislature and implementation by the executive* – The AC makes recommendations for remedial actions and follow up to the DC; these recommendations may include sanctions. The DC reviews, adopts, or modifies the recommendations, and issues them as District Council decisions / resolutions for implementation by the executive committee. The district's management implements these recommendations, follows up on progress, and periodically reports on the same to the DC. The follow-up process includes preparation of a formal progress report ("Progress on follow up of Audit Recommendations") with the following seven headings, (i) serial number, (ii) reference no. on the OAG Report, (iii) issue / observations from Auditor, (iv) management comments, (v) focal point and contact person (Names and Phone), (vi) status, and (vii) timeframe. This report forms part of the monthly, quarterly, and annual financial reports / statements submitted by the District to the Ministry of Finance. The AC also follows up on implementation progress of DC and Parliament recommendations. The annual financial statements reflect the extent of implementation of audit findings, showing each finding by the reference number used in audit report, describing the action taken to resolve it, and stating whether fully, partially, or not resolved at all. The AC / DC must approve this before the financial statements would reflect it. For example, the FY2013 report includes this information on pages 67 to 76.

[97] See District's minute of acknowledgement of receipt of the Auditor General's letter ref. No. 146/04/15/DEPA/OAG of 08 Avr, 2015 titled, "Re Final Audit Report for Kamonyi District for the Year Ended 30 June 2014.

3.185 For instance, the 2013/2014 report shows the District fully implemented 11 of the 13 audit recommendations made in FY 2013, i.e., a percentage of 85 percent.[98] The District had only partially implemented one and did not implement one at all, i.e., those relating to integration of NBA accounts into the District's financial statements and prompt transfer of operation funds to sectors.[99] The level of full implementation was 67 percent (i.e., four of six recommendations) in FY 2013 and 81 percent in FY 2012 (13 out of 16 recommendations).[100]

3.7 Donor Practices

3.186 The three indicators in this set assess the impact of donor practices on country PFM system. The indicators deal with both direct budget (D-1) and project (D-2) support, and use of national procedures by donors (D-3).

D-1: Predictability of Direct Budget Support

3.187 D-1 assesses the predictability of flow and timing of direct budget support. Direct budget support is an important source of revenue for many aid dependent countries. Predictability is therefore as important for fiscal management as predictability of other revenues is. Poor predictability can transmit shocks into the revenue performance and shortfalls may affect ability to implement the budget as planned. Delays in in-year distribution of aid flows also have similar serious implications. *Score Box 3.30* assesses the two dimensions of this indicator.

<table>
<tr><th colspan="5">Score Box 3. 30: Predictability of Direct Budget Support</th></tr>
<tr><th colspan="2">Dimension</th><th>Score</th><th>Comments</th><th>Information Source</th></tr>
<tr><td>(i)</td><td>Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the Government submitting its budget proposals to the Legislature (or equivalent body for approval)</td><td rowspan="2">Not assessed</td><td></td><td></td></tr>
<tr><td>(ii)</td><td>In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)</td><td></td><td></td></tr>
<tr><td colspan="2">Score (Method M1)</td><td colspan="2"></td><td></td></tr>
</table>

Rationale for the score

3.188 *This indicator does not apply at the local government level.* Districts do not directly interface with donors and thus, do not receive direct cash contributions (budget or project support). Donors channel their cash assistance through the central government, which disburses to districts through its agencies, such as sector ministries, LODA, RALGA, etc. These disbursements form an integral part of districts budgeting and financial reporting, as discussed in *PI-7 above*.

[98] 2013/2014 audit report, p. 63
[99] See 2013/2014 audit report, pp. 67 - 74
[100] FY 2013 audit report, p. 48 and FY 2012 audit report, p. 34

D-2: Financial Information provided by donors for Budgeting and Reporting on Project and Program Aid

3.189 Predictability is also important in project/program-tied aids because it affects implementation specific budget lines or items. The ability of the government to budget the resources and report actual disbursement and use of funds may depend on the extent of its involvement in planning and management of resources. Limited government involvement may create difficulties in budgeting and reporting. The less involved the government is, the greater the responsibility of the donor to provide necessary information for budgeting and reporting. For cash aids, disbursement may be through a separate bank account or as extra-budgetary funds. The government (through the spending units and the Treasury, perhaps) should be able to budget and report on cash received through such assistance. However, the government totally depends on donors for information on in-kind assistance. Whether assistance is in cash or kind, donor reports are vital for reconciliation between donor disbursement records and government project accounts. This indicator assesses the completeness and timeliness or budget estimates on project support by donors. It also assesses the frequency and coverage of reporting by donors on actual funds flow. *Score Box 3.31* assesses the two dimensions of this indicator.

Score Box 3. 31: Financial Information provided by Donors for Budgeting and Reporting on Project and Program Aid				
Dimension		**Score**	**Comments**	**Information Source**
(i)	Completeness and timeliness of budget estimates by donors for project support	Not assessed		
(ii)	Frequency and coverage of reporting by donors on actual flows for project support.			
Score (Method M1)				

Rationale for the Score

3.190 *This indicator does not apply at the local government level.* Districts do not directly interface with donors and thus, do not receive direct cash contributions (budget or project support). Donors channel their cash assistance through the central government, which disburses to districts through its agencies, such as sector ministries, LODA, RALGA, etc. These disbursements form an integral part of districts budgeting and financial reporting, as discussed in *PI-7 above*.

D-3: Proportion of Aid Managed by Use of National Procedures

3.191 This indicator assesses the extent to which donor agencies rely on domestic procedures to manage their assistance programmes. Some general national or domestic legislation and regulations establish procedures for the management of funds. Implementation of these procedures is usually through mainstream line management structures and functions of Government. Some donors do not trust existing domestic structures and arrangements. Consequently, they establish parallel structures to manage their assistance. This diverts capacity away from managing the state system and becomes worse when different donors require different management arrangements. Use of national/domestic structures help focus efforts on strengthening and complying with the national procedures, including for domestic operations.

Score Box 3. 32: Proportion of Aid Managed by Use of National Procedures				
Dimension		**Score**	**Comments**	**Information Source**
(i)	Overall proportion of aid funds to central Government managed through national/district procedures	Not assessed		
Score (Method M1)				

Rational for the Score

3.192 *This indicator does not apply at the local government level.* Districts do not directly interface with donors and thus, do not receive direct cash contributions (budget or project support). Donors channel their cash assistance through the central government, which disburses to districts through its agencies, such as sector ministries, LODA, RALGA, etc. These disbursements form an integral part of districts budgeting and financial reporting, as discussed in *PI-7 above*.

Appendixes

Appendix 1: Kamonyi District PEFA PFM Performance, 2014 Indicators Summary

Indicator	2015 Assessment					
	Dimension Ratings				Overall Indicator Scoring	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
HLG-1 Predictability of Transfers from Higher Level Government						
Predictability of Transfers from Higher Level Government	C	D	A		**D+**	HLG transfers fell short of the estimates by more than 15% in only FY14; however, the appropriate score is not, "B" but "C", because, it also the deviations were also more than 10% in FY13. Variance in earmarked transfers exceeded deviation in total transfers more than 10% each year. Disbursement does not experience delay; districts access transfers through the IFMIS in accordance with a quarterly cash / disbursement plan made by the Ministry of Finance & Economic Planning and locked on the IFMIS.
A. PFM Outturns: Credibility of the Budget						
1. Aggregate expenditure out-turn compared to original approved budget	C				**C**	Actual expenditure deviated from budget expenditure by more than 15% only in FY 2012. Expenditure deviation was 17.1% in FY 2012, 14.5% in FY 2013, and 5.6% in FY 2014.
2. Composition of expenditure out-turn compared to original approved budget	D	A			**D+**	Composition variance exceeded 15% in two of the last three years: 28.0% in 2011/2012, 22.6% in 2012/2013, and 9.9 in 2013/2014. The district did not use contingency votes in any of the last three years.
3. Aggregate revenue out-turn compared to original approved budget	B				**B**	Actual domestic revenue between 94% and or above 112 percent of prediction in FY 2013 and 2014, i.e., 118.9% in FY 2012, 100.6% in FY 2013, and 106.4% in FY 2014
4. Stock and monitoring of expenditure payment arrears	A	A			**A**	the stock of expenditure payment arrears (EPA) was Frw 105,768,013 or 1.2 percent of total expenditure as at June 30, 2014, a decline of 31.6 percent its level at the close of business on June 30, 2013. Notes to the financial statements include detailed schedule of accounts payable, usually invoices for small purchases made after formal closure of the books at yearend, and paid immediately at the beginning of the new year.
B. Key Cross-cutting Issues: Comprehensiveness and Transparency						
5. Classification of the budget	A				**A**	Budget classification uses administrative, economic, and functional categories; the program category fits into functional classification at the sub functional level. The general ledger records budget execution on the IFMIS using the same categories as in formulation, but actual reporting is only by economic category.
6. Comprehensiveness of information included in the budget	D				**D**	The district provides none of the four elements applicable.
7. Extent of unreported government operations	A	NA			**A**	Monthly and annual financial reports disclose key fiscal information of the district's government in the main accounts, and of the 143 subsidiary entities (AGAs, i.e., schools, health institutions, and administrative sectors), excluding PTA collections, in the notes. In line with PEFA Secretariat's guidance, dimension (ii) does not apply to districts, since districts do not directly contract loans/grants. The CG does.
8. Transparency of inter-	NA	NA	NA		**NA**	NA – this indicator is not applicable, since sectors are not autonomous entities of the district.

Indicator	2015 Assessment					
	Dimension Ratings				Overall Indicator Scoring	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
governmental fiscal relations						
9. Oversight of aggregate fiscal risk from other public sector entities	C	NA			**C**	The 143 NBAs do not audit their accounts, but they submit unaudited monthly financial reports to the District, which the Finance Unit consolidates into an overall report and includes in the notes to its monthly, quarterly, and annual financial statements. The large number of NBAs, and the limited number of internal auditors and accounting personnel makes effective review of financial statements submitted by the NBAs difficult. The district is the lowest tier of formal government.
10. Public access to key fiscal information	C				**C**	The District provides four of the eight elements.
C. Budget Cycle						
C (i). Policy-Based Budgeting)						
11. Orderliness and participation in the annual budget process	A	A	A		**A**	Districts do not prepare independent budget calendars and call circulars, but rather apply those issued by the MINECOFIN, as all other budget entities do. The CG (MINECOFIN) issues two call circulars to all budget entities, including districts. The first announces commencement of the budget season and provides planning guidelines; the second conveys firm and clear expenditure ceilings. The DC approves the budget before the commencement of the new FY on July 1, e.g., June 26, 2014 for FY 2015, June 23, 2013 for FY 2014, and June 21, 2012 for FY 2013.
12. Multi-year perspective in fiscal planning, expenditure policy, and budgeting	A	NA	B	D	**B**	The CG (MINECOFIN) makes three-year rolling fiscal forecasts for the entire country along the main economic categories (wage, nonwage, development/capital, domestic and foreign funds, etc.) and allocations to the main sectors. Dimension (ii) does not apply to the District, because the District does not have any debt. The District Development Plan (DDP), 2013 – 2018 has provides ballpark costs for development projects (but not the recurrent cost component) for all sectors and links this with the EDPRS 2 (2013 – 2018). The DDP is also the basis for the MTEF (although with some modifications) and budget. The link between investment and recurrent expenditure costing is weak; the two are separate activities.
C (ii). Predictability and Control in Budget Execution						
13. Transparency of taxpayer obligations and liabilities	NA	A	NA		**A**	The District has no responsibility for dimension (i), because the GoR makes tax laws and regulations; the District has also lost responsibility for dimension (iii) with the takeover of responsibility for tax collection by the RRA. The district government uses a variety of means to provide taxpayers access to tax information: website, public noticeboards, tax enlightenment campaigns, meetings and seminars in localities, and a helpdesk.
14. Effectiveness of measures for taxpayer registration and tax assessment	NA	NA	NA		**NA**	Responsibility for taxpayer registration belongs to the RRA, not the District, i.e., with the takeover of tax assessment and collection duties from districts.
15. Effectiveness in collection of tax payments	D	NA	D		**D**	Collection rate of arrears in FY 2014 was 51.6%, i.e., collection of Frw 11,032,655.00 in FY 2014 out of a beginning balance of Frw 21,401,037.00. Dimension (ii) not assessed, because the District no longer had responsibility for tax collections as at the time of assessment; the RRA had taken over this task. Audit evidence establishes the District's failure to reconcile tax assessment with collections

Indicator	2015 Assessment					
	Dimension Ratings				Overall Indicator Scoring	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
16. Predictability in the availability of funds commitment of expenditures	NR	NA	A		**NR**	The district does not have its own independent treasury and cannot forecast cash inflows, except for its own resources, which was only 8.8% of total revenues in FY 2014. The district prepares and submits expenditure plans as input into the MINECOFIN's overall cash forecasts; however, the district did not provide documentary evidence for review. The district is a budget entity and is user, not provider of, advance information on cash availability. The CBM reallocates the budget during implementation and reviews the budget in line with regulatory provisions in December, especially Arts. 41 of the OBL.
17. Recording and management of cash balances, debt, and guarantees	NA	B	C		**C+**	The district has no debt (except for small amounts of accounts payable caught up in yearend accounts closing formalities, which the district quickly pays off in the new fiscal year); neither does it have regulatory powers over borrowing and guarantees; that is within the legal province of the Minister of Finance. Balances on bank accounts holding funds sourced from the CG consolidate daily on the TSA, but the District manually consolidates and reports all District bank balances monthly in the financial reports sent to MINECOFIN, but separately discloses consolidated its NBAs bank balances by category and grand total in the notes. The district does not have regulatory powers; the Minister of Finance does and must also approve district's borrowings (Arts 50 – 54); the Minister had not made any such regulations, as at the time of the assessment.
18. Effectiveness of payroll controls	A	A	B	D	**D+**	Personnel database and payroll are not just integrated, but are the same, creating potential integrity issues, but districts can only apply the Integrated Personnel and Payroll System (IPPS) as designed and given by the Ministry of Labour & Productivity (MIFOTRA) and cannot make changes to it. There is no time lag between personnel and payroll changes, since the two are the same, simultaneously maintained and processed by the same official. The HR must receive documentary authorization from the mayor, in addition to other relevant documentary notifications before effecting changes to the payroll. A system of periodic ex post review of the payroll is in place and involves the Ombudsman, MIFOTRA, the Province, internal audit, and the auditor general. The District has not conducted any recent payroll audit.
19. Transparency, competition,, and complaints mechanisms in procurement	B	A	B	A	**B+**	The PPA is a CG Law applicable to the district; the law meets 4 out of the 6 required provisions. The District uses only competitive in contract awards. The public has access to procurement plans, bidding opportunities, and information on contract awards, but not data on conflicts resolution. An independent appeals panel of both state and non-state actors with powers to issue binding decisions exists.
20. Effectiveness in internal controls for non-salary expenditure	A	C	C		**C+**	The IFMIS locks commitment to approved expenditure plans and this effectively limited commitment to approved budget and cash availability in FY 2014. Other PFM laws and regulations are comprehensive and understood at the district level, but not at the NBA level; some rules and procedures are excessive and contradictory, at times. The District complies with many processing and recording rules, but audit reports cases of noncompliance both at the district headquarters and especially at the NBA level.
21. Effectiveness of internal audit	C	B	A		**C+**	Internal audit does not involve accounting work; it focuses on expenditures, revenues, transactions, and some system work, but the limited capacity adversely affects its scope and effectiveness. Internal auditors prepare reports for the auditee, and quarterly reports for the DC, with copies to

Indicator	2015 Assessment					
	Dimension Ratings				Overall Indicator Scoring	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
						MINECOFIN, MINALOC, and the Province, but not the auditor general, except on request. Auditee respond to internal audit findings and accepts to implement them. The internal auditor, audit commission, and District and PFM committees also engage with the follow up process.
C (iii). Accounting, Recording, and Reporting						
22. Timeliness and regularity of accounts reconciliation	A	NA			**A**	Regular bank reconciliation takes place at district level and NBA levels within two weeks of the month end; there are no unreconciled differences. The district does not use suspense accounts or operational advances.
23. Availability of information on resources received by service delivery units	D				**D**	The district collates data on cash resources (but not for non-cash resources) available to its subsidiary entities (including primary schools and primary health centres) monthly, quarterly, and annually.
24. Quality and timeliness of in-year budget reports	D	A	C		**D+**	Monthly budget execution reports capture expenditure at the payment stage only (not also at commitment); comparison between budget and outturns is possible only by economic categories, and not by administrative headings, as well. Budget execution reports issued as part of monthly financial reports not later than the middle of the next month. Real-time record keeping. On the IFMIS system makes this possible. A number of revenue classification issues affect accuracy of reports, but not their overall usefulness
25. Quality and timeliness of annual financial statements	B	A	A		**B+**	Financial statements report all revenues, expenditures, bank balances, accounts payable, and accounts receivables of the District in the main statements, and both detailed and consolidated information of its subsidiaries as notes. FY 2014 financial statements submitted to the for audit on September 30, 2014. The modified cash standard used is broadly compatible with IPSAS reporting requirements
C(vi). External Scrutiny & Audit						
26. Scope, nature, and follow-up of external audit	A	B	A		**B+**	Audit covers 100 percent of the operations (revenues, expenditures, assets, liabilities) of the district headquarters; it also includes a sample of NBAs. The process involves transactions, systems, and some elements of performance audit, and accords with international standards.
27. Legislative scrutiny of annual budget law	C	B	A	A	**C+**	The SAI submitted the 2013/2014 audit report to the district council on April 14, 2015, i.e., six and half months after receiving the financial statements on September 30, 2014 (see PI-25 above).
28. Legislative scrutiny of external audit reports	NR	A	A		**NR**	Completion of examination of audit reports takes about three months from date of its receipt by the DC; the district is not in not in arrears of review of audit report, but it was not possible to confirm the exact date of completion for review of 2013/2014 report. The AC interviews responsible officials in cases of major findings, but obtains corrective action plan from the CBM for relatively minor infringements of rules. The AC proposes recommendations, which the DC ratifies, and the CBM follows up on implementation.
D. Donor Practices						
D-1. Predictability of Direct Budget Support						

Indicator	2015 Assessment					
	Dimension Ratings				Overall Indicator Scoring	Brief Explanation and Cardinal Data Used
	i	ii	iii	iv		
D-2. Financial information provided by donors for budgeting and reporting on project and program aid						
D-3. Proportion of aid that is managed by use of national procedures						

Appendix 2: Excel Calculations for PI-1 & PI-2

Data for year =	2011/2012					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Admin & Support Services	1,816,475,053.00	1,766,637,612.00	2,127,436,415.93	(360,798,803.93)	360,798,803.93	17.0%
Good Governance & Justice	89,628,570.00	58,649,058.00	104,972,035.49	(46,322,977.49)	46,322,977.49	44.1%
Education	2,239,453,847.00	2,471,239,886.00	2,622,824,716.50	(151,584,830.50)	151,584,830.50	5.8%
Health	723,416,046.00	768,978,438.00	847,257,240.11	(78,278,802.11)	78,278,802.11	9.2%
Social Protection	585,270,554.00	679,772,292.00	685,462,697.49	(5,690,405.49)	5,690,405.49	0.8%
Youth, Sport, & Culture	23,195,774.00	25,127,058.00	27,166,645.76	(2,039,587.76)	2,039,587.76	7.5%
Private Sector Development	82,720,665.00	74,839,520.00	96,881,570.04			
Agriculture	136,126,652.00	79,708,010.00	159,430,098.51	(79,722,088.51)	79,722,088.51	50.0%
Environment & Natural Res	24,864,408.00	11,775,600.00	29,120,932.30	(17,345,332.30)	17,345,332.30	59.6%
Energy	403,957,951.00	5,796,000.00	473,111,289.94	(467,315,289.94)	467,315,289.94	98.8%
Water and Sanitation	30,000,000.00	-	35,135,683.46	(35,135,683.46)	35,135,683.46	100.0%
Housing, Urban Devt, & Land Mgt	733,796,086.00	1,469,868,598.00	859,414,233.43	610,454,364.57	610,454,364.57	71.0%
Transport	19,750,000.00	68,498,114.00	23,130,991.61	45,367,122.39	45,367,122.39	196.1%
Community Development	733,796,086.00	1,469,868,598.00	859,414,233.43	610,454,364.57	610,454,364.57	71.0%
			-	-	-	#DIV/0!
15			-	-	-	#DIV/0!
16			-	-	-	#DIV/0!
17			-	-	-	#DIV/0!
18			-	-	-	#DIV/0!
19			-	-	-	#DIV/0!
20			-	-	-	#DIV/0!
21 (= sum of rest)			-	-	-	#DIV/0!
allocated expenditure	7,642,451,692.00	8,950,758,784.00	8,950,758,784.0	22,042,050.0	2,510,509,653.0	
contingency						
total expenditure	7,642,451,692.00	8,950,758,784.00				
overall (PI-1) variance						17.1%
composition (PI-2) variance						28.0%
contingency share of budget						0.0%

Table 3

Data for year =	2012/2013					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Admin & Support Services	1,882,566,419.00	1,790,860,117.00	1,608,838,493.0	182,021,624.0	182,021,624.0	0.113139
Good Governance & Justice	406,813,124.00	191,759,476.00	347,661,897.5	-155,902,421.5	155,902,421.5	0.448431
Education	3,329,994,937.00	3,012,686,234.00	2,845,808,775.7	166,877,458.3	166,877,458.3	0.05864
Health	577,671,563.00	537,448,774.00	493,677,268.1	43,771,505.9	43,771,505.9	0.088664
Social Protection	800,458,705.00	794,494,789.00	684,070,832.0	110,423,957.0	110,423,957.0	0.161422
Youth, Sport, & Culture	39,557,541.00	32,564,282.00	33,805,816.4	-1,241,534.4	1,241,534.4	0.036725
Private Sector Development	325,100,379.00	405,313,315.00	277,830,305.8	127,483,009.2	127,483,009.2	0.458852
Agriculture	143,375,557.00	64,488,539.00	122,528,540.1	-58,040,001.1	58,040,001.1	0.473686
Environment & Natural Res	142,772,574.00	145,235,096.00	122,013,231.8	23,221,864.2	23,221,864.2	0.190323
Energy	705,157,160.00	30,000,000.00	602,626,271.9	-572,626,271.9	572,626,271.9	0.950218
Water and Sanitation	94,866,458.00	93,337,896.00	81,072,735.5	12,265,160.5	12,265,160.5	0.151286
Housing, Urban Devt, & Land Mgt	-	34,043,904.00	0.0	34,043,904.0	34,043,904.0	#DIV/0!
Transport	403,171,981.00	272,878,842.00	344,550,182.0	-71,671,340.0	71,671,340.0	0.208014
Community Development	48,374,708.00	200,714,040.00	41,340,954.3	159,373,085.7	159,373,085.7	3.85509
15			0.0	0.0	0.0	#DIV/0!
16			0.0	0.0	0.0	#DIV/0!
17			0.0	0.0	0.0	#DIV/0!
18			0.0	0.0	0.0	#DIV/0!
19			0.0	0.0	0.0	#DIV/0!
20			0.0	0.0	0.0	#DIV/0!
21 (= sum of rest)			0.0	0.0	0.0	#DIV/0!
allocated expenditure	8,899,881,106.00	7,605,825,304.00	7,605,825,304.0	0.0	1,718,963,137.7	
contingency						
total expenditure	8,899,881,106.00	7,605,825,304.00				
overall (PI-1) variance						14.5%
composition (PI-2) variance						22.6%
contingency share of budget						0.0%

Table 4

Data for year =	2013/2014					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Admin & Support Services	1,583,831,971.00	1,692,602,756.00	1,583,831,971.0	108,770,785.0	108,770,785.0	0.068676
Good Governance & Justice	881,851,174.00	729,938,329.00	881,851,174.0	-151,912,845.0	151,912,845.0	0.172266
Education	3,204,527,168.00	3,153,985,291.00	3,204,527,168.0	-50,541,877.0	50,541,877.0	0.015772
Health	936,994,629.00	918,037,924.00	936,994,629.0	-18,956,705.0	18,956,705.0	0.020231
Social Protection	1,343,356,793.00	1,064,915,818.00	1,343,356,793.0	-278,440,975.0	278,440,975.0	0.207273
Youth, Sport, & Culture	68,508,558.00	64,504,086.00	68,508,558.0	-4,004,472.0	4,004,472.0	0.058452
Private Sector Development	177,985,925.00	186,984,741.00	177,985,925.0	8,998,816.0	8,998,816.0	0.050559
Agriculture	39,490,628.00	45,834,105.00	39,490,628.0	6,343,477.0	6,343,477.0	0.160632
Environment & Natural Res	33,535,745.00	73,283,826.00	33,535,745.0	39,748,081.0	39,748,081.0	1.185245
Energy	-	17,700,000.00	0.0	17,700,000.0	17,700,000.0	#DIV/0!
Water and Sanitation	-	-	0.0	0.0	0.0	#DIV/0!
Housing, Urban Devt, & Land Mgt	76,000,000.00	46,718,000.00	76,000,000.0	-29,282,000.0	29,282,000.0	0.385289
Transport	170,193,752.00	45,842,649.00	170,193,752.0	-124,351,103.0	124,351,103.0	0.730644
14			0.0	0.0	0.0	#DIV/0!
15			0.0	0.0	0.0	#DIV/0!
16			0.0	0.0	0	#DIV/0!
17			0.0	0.0	0	#DIV/0!
18			0.0	0.0	0	#DIV/0!
19			0.0	0.0	0	#DIV/0!
20			0.0	0.0	0.0	#DIV/0!
21 (= sum of rest)			0.0	0.0	0.0	#DIV/0!
allocated expenditure	8,516,276,343.00	8,040,347,525.00	8,516,276,343.0	-475,928,818.0	839,051,136.0	
contingency						
total expenditure	8,516,276,343.00	8,040,347,525.00				
overall (PI-1) variance						5.6%
composition (PI-2) variance						9.9%
contingency share of budget						0.0%

Table 2

Data for year =	2011/2012					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Admin & Support Services	1,816,475,053.00	1,766,637,612.00	2,127,436,415.93	(360,798,803.93)	360,798,803.93	17.0%
Good Governance & Justice	89,628,570.00	58,649,058.00	104,972,035.49	(46,322,977.49)	46,322,977.49	44.1%
Education	2,239,453,847.00	2,471,239,886.00	2,622,824,716.50	(151,584,830.50)	151,584,830.50	5.8%
Health	723,416,046.00	768,978,438.00	847,257,240.11	(78,278,802.11)	78,278,802.11	9.2%
Social Protection	585,270,554.00	679,772,292.00	685,462,697.49	(5,690,405.49)	5,690,405.49	0.8%
Youth, Sport, & Culture	23,195,774.00	25,127,058.00	27,166,645.76	(2,039,587.76)	2,039,587.76	7.5%
Private Sector Development	82,720,665.00	74,839,520.00	96,881,570.04			
Agriculture	136,126,652.00	79,708,010.00	159,430,098.51	(79,722,088.51)	79,722,088.51	50.0%
Environment & Natural Res	24,864,408.00	11,775,600.00	29,120,932.30	(17,345,332.30)	17,345,332.30	59.6%
Energy	403,957,951.00	5,796,000.00	473,111,289.94	(467,315,289.94)	467,315,289.94	98.8%
Water and Sanitation	30,000,000.00	-	35,135,683.46	(35,135,683.46)	35,135,683.46	100.0%
Housing, Urban Devt, & Land Mgt	733,796,086.00	1,469,868,598.00	859,414,233.43	610,454,364.57	610,454,364.57	71.0%
Transport	19,750,000.00	68,498,114.00	23,130,991.61	45,367,122.39	45,367,122.39	196.1%
Community Development	733,796,086.00	1,469,868,598.00	859,414,233.43	610,454,364.57	610,454,364.57	71.0%
			-	-	-	#DIV/0!
15			-	-	-	#DIV/0!
16			-	-	-	#DIV/0!
17			-	-	-	#DIV/0!
18			-	-	-	#DIV/0!
19			-	-	-	#DIV/0!
20			-	-	-	#DIV/0!
21 (= sum of rest)			-	-	-	#DIV/0!
allocated expenditure	7,642,451,692.00	8,950,758,784.00	8,950,758,784.0	22,042,050.0	2,510,509,653.0	
contingency						
total expenditure	7,642,451,692.00	8,950,758,784.00				
overall (PI-1) variance						17.1%
composition (PI-2) variance						28.0%
contingency share of budget						0.0%

Table 3

Data for year =	2012/2013					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Admin & Support Services	1,882,566,419.00	1,790,860,117.00	1,608,838,493.0	182,021,624.0	182,021,624.0	0.113139
Good Governance & Justice	406,813,124.00	191,759,476.00	347,661,897.5	-155,902,421.5	155,902,421.5	0.448431
Education	3,329,994,937.00	3,012,686,234.00	2,845,808,775.7	166,877,458.3	166,877,458.3	0.05864
Health	577,671,563.00	537,448,774.00	493,677,268.1	43,771,505.9	43,771,505.9	0.088664
Social Protection	800,458,705.00	794,494,789.00	684,070,832.0	110,423,957.0	110,423,957.0	0.161422
Youth, Sport, & Culture	39,557,541.00	32,564,282.00	33,805,816.4	-1,241,534.4	1,241,534.4	0.036725
Private Sector Development	325,100,379.00	405,313,315.00	277,830,305.8	127,483,009.2	127,483,009.2	0.458852
Agriculture	143,375,557.00	64,488,539.00	122,528,540.1	-58,040,001.1	58,040,001.1	0.473686
Environment & Natural Res	142,772,574.00	145,235,096.00	122,013,231.8	23,221,864.2	23,221,864.2	0.190323
Energy	705,157,160.00	30,000,000.00	602,626,271.9	-572,626,271.9	572,626,271.9	0.950218
Water and Sanitation	94,866,458.00	93,337,896.00	81,072,735.5	12,265,160.5	12,265,160.5	0.151286
Housing, Urban Devt, & Land Mgt	-	34,043,904.00	0.0	34,043,904.0	34,043,904.0	#DIV/0!
Transport	403,171,981.00	272,878,842.00	344,550,182.0	-71,671,340.0	71,671,340.0	0.208014
Community Development	48,374,708.00	200,714,040.00	41,340,954.3	159,373,085.7	159,373,085.7	3.85509
15			0.0	0.0	0.0	#DIV/0!
16			0.0	0.0	0.0	#DIV/0!
17			0.0	0.0	0.0	#DIV/0!
18			0.0	0.0	0.0	#DIV/0!
19			0.0	0.0	0.0	#DIV/0!
20			0.0	0.0	0.0	#DIV/0!
21 (= sum of rest)			0.0	0.0	0.0	#DIV/0!
allocated expenditure	8,899,881,106.00	7,605,825,304.00	7,605,825,304.0	0.0	1,718,963,137.7	
contingency						
total expenditure	8,899,881,106.00	7,605,825,304.00				
overall (PI-1) variance						14.5%
composition (PI-2) variance						22.6%
contingency share of budget						0.0%

Table 4

Data for year =	2013/2014					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Admin & Support Services	1,583,831,971.00	1,692,602,756.00	1,583,831,971.0	108,770,785.0	108,770,785.0	0.068676
Good Governance & Justice	881,851,174.00	729,938,329.00	881,851,174.0	-151,912,845.0	151,912,845.0	0.172266
Education	3,204,527,168.00	3,153,985,291.00	3,204,527,168.0	-50,541,877.0	50,541,877.0	0.015772
Health	936,994,629.00	918,037,924.00	936,994,629.0	-18,956,705.0	18,956,705.0	0.020231
Social Protection	1,343,356,793.00	1,064,915,818.00	1,343,356,793.0	-278,440,975.0	278,440,975.0	0.207273
Youth, Sport, & Culture	68,508,558.00	64,504,086.00	68,508,558.0	-4,004,472.0	4,004,472.0	0.058452
Private Sector Development	177,985,925.00	186,984,741.00	177,985,925.0	8,998,816.0	8,998,816.0	0.050559
Agriculture	39,490,628.00	45,834,105.00	39,490,628.0	6,343,477.0	6,343,477.0	0.160632
Environment & Natural Res	33,535,745.00	73,283,826.00	33,535,745.0	39,748,081.0	39,748,081.0	1.185245
Energy	-	17,700,000.00	0.0	17,700,000.0	17,700,000.0	#DIV/0!
Water and Sanitation	-	-	0.0	0.0	0.0	#DIV/0!
Housing, Urban Devt, & Land Mgt	76,000,000.00	46,718,000.00	76,000,000.0	-29,282,000.0	29,282,000.0	0.385289
Transport	170,193,752.00	45,842,649.00	170,193,752.0	-124,351,103.0	124,351,103.0	0.730644
14			0.0	0.0	0.0	#DIV/0!
15			0.0	0.0	0.0	#DIV/0!
16			0.0	0.0	0	#DIV/0!
17			0.0	0.0	0	#DIV/0!
18			0.0	0.0	0	#DIV/0!
19			0.0	0.0	0	#DIV/0!
20			0.0	0.0	0.0	#DIV/0!
21 (= sum of rest)			0.0	0.0	0.0	#DIV/0!
allocated expenditure	8,516,276,343.00	8,040,347,525.00	8,516,276,343.0	-475,928,818.0	839,051,136.0	
contingency						
total expenditure	8,516,276,343.00	8,040,347,525.00				
overall (PI-1) variance						5.6%
composition (PI-2) variance						9.9%
contingency share of budget						0.0%

List of Kamonyi District & MINECOFIN Officials that Participated in the Assessment

S/No	Name	District/Office	Designation
1	KAMPIRE ASTERIE	Kamonyi	Local Revenue Inspector
2	NYAMDWI Martin	Kamonyi	Internal Auditor
3	NDAGIJIMANA Pierrie	Kamonyi	Budget Officer
4	NDAHIMANA Longin	Kamonyi	Director of Finance
5	SINDIKUBWABO Edourd	Kamonyi	Director of Planning
6	MUHOZA Alphonse	Kamonyi	Ag. Director of Administration
7	BAHIZI Emmanuel	Kamonyi	Executive Secretary
8	RANGIRA Jimmy	MINECOFIN	Ministry of Finance & Economic Planning, Kigali
9	MUREKUMBANZE Jean Damascene	MINECOFIN	Ministry of Finance & Economic Planning, Kigali

Annex: Profile of Kamonyi District: Overall sub-national government structure

1. What higher-level government legislation and regulations define and guide the sub-national government structure?

Three documents are vital here: *Decentralization Implementation Plan 2011-2015*, *Revised Decentralization Policy of June 2012*, and *Law Nº 87/2013 of 11/09/2013 determining the organization and functioning of decentralized administrative entities*.

2. What is the number of government levels or administrative tiers that exists, and what is their average jurisdiction size?

See Table A below

Table A.15: Overview of Subnational Governance Structure in Country

	Government Level / Administrative Tier	Corporate Body?	Own Political Leadership?	Approves Own Budget?	No. of Jurisdictions	Average Population[ŧ]	% Consolidated Public Expenditures FY 2014	% Consolidated Public Revenues (FY 2014)	%. Funded by Intergovernmental Transfers
Central Government	Government of Rwanda	Yes	Yes	Yes	Four (4) provinces plus the City of Kigali; 30 districts	10,515,973	73.21%	72%	0.0%
Provinces	Southern Province	No[1]	No	No	Eight Districts: Ruhango, Gisagara, Nyaruguru, Nyamagabe, Huye, Nyanza, Kamonyi, and Muhanga	2,589,975	Counted as part of CG expenditures and revenues		
Districts	Kamonyi District	Yes	Yes	By law, the District Council (DC) must approve the district's budget, but a large proportion of it relates to CG line ministries programs delegated to the district for implementation, which the DC cannot alter.	Twelve administrative sectors: Gacurabwenge, Karama, Kayenzi, Kayumbu, Mugina, Musambira, Ngamba, Nyamiyaga, Nyarubaka, Rugalika, Rukoma, Runda	340,501	0.5%	0.6%	92.2%

[ŧ]2012 Census Figures, Rwanda National Institute of Statistics of Rwanda, 2012 Population & Housing Census, Report on the Provisional Results, November 2012

Table A.15: Overview of Subnational Governance Structure in Country
101[1] See Art. 2 of Nº 87/2013 of 11/09/2013: Law determining the organisation and functioning of decentralized administrative entities, “The decentralised administrative entities shall comprise the City of Kigali, Districts, Sectors, Cells and Villages. These entities shall be governed by their respective Councils and be under the supervision of the Ministry in charge of local government. The same Ministry shall also monitor the functioning of the management organs of these entities”. Thus, provinces are not really decentralized administrative entities. Art. 3 provides as follows, “Decentralised administrative entities with legal personality shall be the City of Kigali and the District. They shall constitute the basis for community development and shall have administrative and financial autonomy.”

3. What is the year of the local government law, decentralization law, or last major reform of intergovernmental (fiscal) structure? What is the name of the law or reform?

The National Constitution of the Republic of Rwanda 2003, as amended, explicitly recognizes local democracy in Rwanda. *Article No. 167* requires that Rwanda decentralize public administration in accordance with the provisions of law governing decentralized entities. However, the GoR has pursued a policy of political, administrative, and fiscal decentralization since 2000, when it adopted the National Decentralization Policy to secure “equitable political, economic, and social development”. Rwanda’s decentralization policy has five specific objectives, i.e., to

- Enable and reactivate local peoples’ participation in initiating, making, implementing, and monitoring decisions and plans that concern them;
- To strengthen accountability and transparency in Rwanda by making local leaders directly accountable to the communities;
- To enhance the sensitivity and responsiveness of public administration to the local environment by placing the planning, financing, management, and control of service provision at the point where services are provided;
- To develop sustainable capacity for economic planning and management at local levels; and
- To enhance effectiveness and efficiency in the planning, monitoring, and delivery of services.

The current local government law *is Law Nº 87 of 11/09/2013 determining the organization and functioning of decentralized administrative entities*.

4. How does the entity that is the subject of the assessment compare to other jurisdictions at the same government level in terms or population size, population density, economic activity, and (total and per capita) expenditures and own source revenues.

This section of the report relies heavily on the report of the 2012 population census.[102] The 2012 census established the Eastern Province as the most populated with a population of 2,595,703 inhabitants. The Southern ranks with 2,589,975 inhabitants; the Northern Province is third with 1,726,370, and the Western Province fourth with 2,471,239. The City of Kigali has the smallest population with 1,132,686 inhabitants. Gasabo district is the most populated with more than 500,000 inhabitants and the least populated is Nyarugenge district, which has less than 300,000 inhabitants.

The executive summary of the report states as follows,[103] "The population density in 2012 was 415 inhabitants per square kilometer. Compared to neighbouring countries: Burundi (333), Uganda (173) or Kenya (73), Rwanda is the highest densely populated county in the region. It was only 183 persons per sq. km in 1978, and 321 in 2002. In general, urban districts have the highest densities of population, in particular the districts of Nyarugenge 2,124 inhabitants/ km^2, Kicukiro (1,911 inhabitants/ km^2), Gasabo (1,234 inhabitants/km^2), and Rubavu (1,039 inhabitants/km^2), and those with the lowest density are Bugesera (280 inhabitants/ km^2), Gatsibo (274 inhabitants/km^2), Nyagatare (242 inhabitants/km^2), Kayonza (178 inhabitants/ km^2) …."

"The population of Rwanda is young, with one in two persons being under 19 years old. People aged 65 and above account for only 3% of the resident population …. The mean age of the population of Rwanda is 22.7 years. The mean age of females is higher than that of males (23.5 vs. 21.9). At the provincial level, the Southern Province and Northern Province have the highest mean ages."[104]

Kamonyi is a rural district with an annual population growth rate of 2.8% compared to the Southern Province's 2.3% average and the country's 2.6%[105]. Southern Province is the second most populated in the country with a population share of 24.6%, second only to the Eastern Province with 24.7%.

Main functional responsibilities of the sub-national government
Which sub-national government/administrative level is the most important in terms of public service delivery and public expenditures?

Districts are very important in service delivery, exercising both devolved and delegated authority. Devolved authority involves powers and functions, constitutionally and legally transferred by the central government to districts and exercised through institutionalized structures and processes. Examples include powers transferred to districts "empowering them by law to determine local taxes, raise own revenue and decide on how to use it". Districts deliver local services through devolved authority, for which they account directly to their local populations through a system of elections and indirectly to the Central Government through periodic

[102] See the **Fourth Population & Housing Census, Rwanda 2012, Thematic Report, Population Size, Structure, & Distribution**, published in January 2014 by the National Institute of Statistics of Rwanda (NISR), Ministry of Finance & Economic Planning. All the direct quotes are from the report.
[103] See *p. xv*
[104] See *pp. xv - vxi*
[105] See *p. xv*

reporting. Devolved authority accounts for a relatively small proportion of the expenditure of rural-based districts, including seven of the eight districts in this assessment sample; Kicukiro is the only urban based district in the sample.

Districts also design and implement their own activities, independent of the CG, but these programs are relatively of smaller values.

Delegated authority of districts involves powers and functions exercised on behalf of a central government agency without a formal transfer of authority, e.g., when a CG office assigns a districts to perform some of its duties or execute some of its tasks. However, the CG agency does not relinquish control and require districts to consult with it on matters that require decision-making. A large proportion of expenditures incurred by districts derive from such delegated authority, especially by the ministries of Education, Health, Agriculture, Infrastructure, and Local Government.

Table A.16: Population Specifics of Southern Province
Source of Data: 2012 Census

	Population	Density	Growth Rate Average Annual Growth Rate (2002-2012)
Nyamagabe	341,491	313	2.0
Kamonyi	340,501	519	2.8
Huye	328,398	565	2.2
Nyanza	323,719	482	3.7
Gisagara	322,506	475	2.1
Ruhango	319,885	510	2.7
Muhanga	319,141	493	1.1
Nyaruguru	294,334	291	2.4
Southern Province	**2,589,975**	**434**	**2.3**

The CG also implements certain programmes directly. Central government spending accounts for the larger proportion of public expenditures.

Provinces do not execute projects; they only monitor the activities of districts on behalf of the CG; thus, they do not incur much public expenditures. Even then, provinces are technically part of the CG, which accounts for their expenditures.

What are the functions / expenditure responsibilities of the government level under consideration? Where are these functional assignments defined (e.g., constitution or law)? Are these functional assignments generally accepted, clear, and followed in practice?

See Table A.15 below.

Table A.17: Distribution of Functions and Responsibilities in Rwanda's Decentralization System

Level/Units	Functions and Responsibilities
Central (1)	• Policy Formulation; Resource mobilization; Capacity building; M&E
Provincial (4)	• Planning coordination function decentralized to Districts in collaboration with central government • Co-ordinate District planning; Promote citizens centred governance; alignment with national policies, laws and regulations and research
City of Kigali (1)	• City master plan; Capacity building to city Districts and Sectors; City development programmes; Vital statistics on socio-economic development; Mobilise investments in the City

Table A.17: Distribution of Functions and Responsibilities in Rwanda's Decentralization System	
Level/Units	**Functions and Responsibilities**
District (30)	• Coordination of medium term development planning; building and maintenance of service facilities; in-kind transfers for the poor; acquisition and maintenance of heavy machinery • Capacity building for sectors to enable them to provide services to the population • Develop and implement District Development Plans; • Co-ordinate and analyse vital statistics on socio-economic development; Management of public resources • Mobilization of funds; Research in districts; Promote ICT and social welfare
Sector (416)	• Provision of basic services; facilitate participation of citizens in participatory planning; Conflict and problem solving among the populace; Collection of basic statistics; Sensitization of the population • Coordinate and promotion of specific Government programmes such as TIG, ICTs
Cell (2,148)	• Coordination of the village activities and linking with Sectors; collection of basic data and information for the Sectors • Assessing challenges facing the population and resolving conflicts; Promotion of positive social development
Umudugudu /Village (14,837)	• Collect basic statistics and deliver them to institutions which analyse, utilise and keep them; Promote ICT; Promote peace and security • Villages will mainly play a community mobilization role

5. Sub-national budgetary systems

To what degree do central (or higher-level) laws and regulations guide the sub-national budget cycle?

The Government of Rwanda operates a central planning and budgeting process. Districts align their process with the CG’s, by legal requirements. Thus, districts do not prepare independent budget calendars; they follow budget guidelines and calendar issued by the Minister of Finance & Economic Planning. Current provisions require that districts’ “preparation and approval of the budget … follow the budget cycle on the basis of the calendar included in the instructions issued by the Minister” *(Article 26 of OBL)*

What are the main features of the sub-national financial management process (e.g., do entities hold their accounts in the national Treasury or in bank accounts in their own name; and so on)?

The GoR operates a nationwide *Integrated Financial Management Information System (IFMIS)*, hosted by the Ministry of Finance and Economic Planning (MINECOFIN) in the capital in Kigali. However, decentralized entities access it from their locations to do their planning, recording, accounting, and reporting.

The GoR also operates a Treasury Single Account (TSA) system at the Banque Nationale du Rwanda (BNR). Districts maintain their expenditure accounts on the TSA platform, but they their own revenue accounts are in commercial banks. However, they transfer balances on the revenue accounts to the expenditure accounts on the platform of the TSA before they expend them.

Districts'' subsidiary entities of NBAs do not operate on the IFMIS platform and they operate a different accounting system, mainly, manual.

For the latest year for which actual expenditure data are available, what is the general expenditure composition of sub-national governments in terms of economic classifications?

See Table A.16

Do sub-national governments have their own budgets which are adopted by their councils (without subsequent modification by higher level governments, other than administrative approval processes)? If not, explain.

Articles 5 of OBL and 125(3) of the Decentralization Law require the District Council to adopt the budget of the District. However, the DC's review has a limited scope. *Article 11* of the OBL ensures this when it emphasizes that only the District Council may adopt the budget of the district, but before doing so, "members of the Decentralized Entity Council shall consider and provide comments on the Budget Framework Paper" (BFP). The DC only provides comments to the cabinet, as other decentralized entities and the Chamber of Deputies do as well. It does not adopt or approve the Budget Framework Paper (BFP). The Minister of Finance prepares the BFP for the cabinet to approve *(Art. 32, OBL)*. The BFP sets the tone of the MTEF and the budget. The law requires that expenditure estimates of the district be "in conformity with medium term strategies established by the State" in the BFP. In reality therefore, the district does not make fiscal policies and forecasts; the GoR does so in the BFP for the entire country.

Do sub-national governments hold and manage their own accounts within a financial institution of their choice (with the context of applicable)

Districts mandatorily run their expenditure accounts on the platform of the TSA maintained in the BNR, as explained above. Districts maintain accounts in commercial banks for the purpose of collecting their own revenues, but with the approval of the Ministry of Finance and Economic Planning.

Do sub-national governments have the authority to procure their own supplies and capital infrastructure (with the context of applicable procurement legislation/regulations)? Is higher-level / external approval needed for procurement by sub-national governments and/or is there a limit (ceiling) to the procurement authority of sub-national governments?

Districts procure their own supplies and infrastructure within the regulatory framework provided by the CG. The CG makes procurement laws and regulations, which all public procuring entities (including districts) apply and cannot change. The extant legal and regulatory framework include *the Public Procurement Act (PPA) 2007*[106] and *the Ministerial Order on Public Procurement of February 2014*.[107]

6. Sub-national fiscal systems

For the latest year for which actual revenue data are available, what is the general composition of financial resources collected and received by sub-national governments?

See Table A.16

What are the main own revenue sources assigned to the sub-national government level? What tax and non-tax revenue sources are the most important revenue generators at the local government level?

The CG makes laws on the revenues of decentralized entities; *Law N° 59/2011* establishes *"the sources of revenue and property of decentralized entities in Rwanda and their management arrangements"*.[108] *Article 4* of the Law lists 10 sources of revenue, seven of which are own revenue sources. These are

- taxes and fees
- funds obtained from issuance of certificates by decentralized entities and their extension
- profits from investment by decentralized entities and interests from their own shares and income-generating activities
- fines
- fees from the value of immovable property sold by auction
- funds obtained from rent and sale of land of decentralized entities
- all other fees and penalties that may be collected by decentralized entities according to any other Rwandan law[109]

The other (i.e., non-own) revenue sources are loans, government subsidies, and donations and bequests.

[106] Law N° 12/2007 of 29/03/2007 - Law on Public Procurement
[106] Ministerial Order N° 001/14/10/TC of 19/02/2014 Establishing Regulations on Public Procurement, Standard Bidding Documents and Standard Contracts
[107] Ministerial Order N° 001/14/10/TC of 19/02/2014 Establishing Regulations on Public Procurement, Standard Bidding Documents and Standard Contracts

[108] Law N° 59/2011 of 31/12/2011 - Law establishing the sources of revenue and property of decentralized entities and governing their management (Art. 1).
[109] Article 4 also provides that, "All revenue projections of decentralized entities shall be included in their annual budget"

District own revenues thus, consists of taxes and fees. Taxes comprise fixed asset tax, rental income tax, and trading license tax. Taxes accounted for an average of 3.4 percent to own resources in the three fiscal years, i.e., FY 2012 to FY 2014. Fee constitute the bulk source of own revenues by a large proportion, about 96.5 percent in the period. The district collects many different types of fees; fiscal 2013/2014 approved budget lists 21 different types. Incentives attached to the collection of fees also contribute to their performance. Sector administrations collect these fees on behalf of the district, for which the district gives them 50 percent of their total collections. Taxes do not have similar incentives.

What are the main intergovernmental fiscal transfers (including revenue sharing and/or intergovernmental grants) that are provided to the sub-national government level? How is the size of each of the transfer pools determined? How are these transfer resources distributed among eligible sub-national governments? Are these intergovernmental fiscal transfers conditional or unconditional?

Law N° 59/2011 of 31/12/2011[110] defines CG transfers to decentralized entities. Article 63 of the Law deals with Government "subsidies". The article provides as follows, "Central Government entities shall each fiscal year plan activities to be implemented by decentralized entities and earmark related funds that shall be included in the budgets of the decentralized entities.

"Central Government entities whose activities are implemented by decentralized entities shall prepare annually a document outlining activities of those entities transferred to the local level and methods for estimating funds needed to implement such activities. The same document also includes instructions on the use of these funds and modalities for reporting on the use of such funds.

"The Minister in charge of finance shall issue every year instructions on modalities under which Central Government entities shall issue instructions relating to the activities and use of funds allocated to decentralized entities.

"Every year, the Government shall transfer to decentralized entities at least five percent (5 %) of its domestic revenue of the previous income taxable year in order to support their budgets.

"The decentralized entity must submit a report on the use of subsidies allocated by the Government in accordance with the organic law on State finance and property."

The CG makes the transfers through the following specific instruments:

- Block Grants – local administrative budget support funding mainly to bridge the fiscal gap in the recurrent budget of eligible entities. Its helps to finance administrative expenses, including salaries, running costs, and supervision of activities in ensuring service delivery. Block grants comprise five percent of the domestic revenue of the CG in the preceding year distributed

[110] - Law establishing the sources of revenue and property of decentralized entities and governing their management

among qualifying districts. Generally, urban based districts are not eligible for block grant support, because of the expectation for them to be able to generate sufficient own revenues to fund their recurrent spending.

- Earmarked Grant Transfers – these are project-tied grants for each delegated function. The delegating line ministry regulates the transfer mechanisms, reporting requirements and the formula for allocation. This framework does not allow decentralized entities any discretion on how to use the funds. The Budget Framework Paper prepared by the Minister of Finance and approved by both the cabinet and the Parliament must include "the guidelines on earmarked transfers to decentralized entities" *(Art. 32 of the OBL 2013).* In addition, the Ministry of Finance and Economic Planning issues an annual document titled, "Districts' Earmarked Transfers Guidelines". The document specifies the following eight items, among others
    - objectives of each earmarked program or subprogram
    - expected outputs / activities that the district should achieve or implement
    - allocation formula by subprogram / output
    - performance targets set by the transferring line ministry
    - reporting obligations of the decentralized entity and frequency
    - monitoring and evaluation mechanism
    - and disbursement mechanism for each transfer
    - depending on outputs or activities involved, etc.

- Capital Block Grants - intended to assist districts undertake local development projects. The grant is not from any specific line ministry. Districts have some discretion in determining the development projects to undertake with these resources.

- Common Development Fund: provided under *article 12 of Law 62/2013 of 27/08/2013* to the Local Administrative Entities Development Agency (LODA) for disbursement to districts to assist them with their development programs. The fund comprises, at least ten percent (10%) of the CG's domestic revenues (calculated based on the preceding year's budget) and funds provided by development partners. LODA assists districts in planning the use of these funds and monitors the programs and activities.

Are sub-national governments allowed to borrow? If so, what mechanisms for sub-national government borrowing are available? What legislative or regulatory restrictions (if any) are imposed on sub-national borrowing?

Extant regulations permit districts to borrow under certain conditions, although Bugesera is the only one of the eight districts in this PEFA sample to exercise this authority. Article 50 of the OBL provides as follows, "… For decentralized entities, the Council of each entity may borrow loans only for development projects upon authorization of the Minister. However, the Minister shall, by use of instructions, determine the maximum amount that the Council may borrow without prior authorization from the Minister.

“The members of organs of decentralized entities shall not have powers to give guarantees but may pledge securities for a debt. An Order of the Minister shall determine the procedures for giving and approving guarantees and pledging securities by decentralized entities.”

Table A.18: Overview of Kamonyi Government Finances (2013/2014)

Expenditure/Revenue Item	Amount (Frw)	Per capita (Frw)	As % of total
Wage expenditures	4,118,505,723	12,095.43	46.3%
Non-wage recurrent administration	1,339,938,496	3,935.20	15.1%
Transfers to Reporting Entities	31,500,000	92.51	0.4%
Other recurrent expenditure	1,801,134,542	5,289.66	20.3%
Capital expenditures	1,492,642,780	4,383.67	16.8%
Total expenditures	**8,783,721,541**	**25,796.46**	**98.8%**
Own source revenues	686,580,672	2,016.38	7.7%
Intergovernmental fiscal transfers	8,102,341,870	23,795.35	91.2%
Other revenue sources (as appropriate)	98,221,894	288.46	1.1%
Total revenues	**8,887,144,436**	**26,100.20**	**100.0%**
Surplus	103,422,895	303.74	1.2%

7. Subnational institutional (political and administrative) structures

Does the relevant subnational level have directly elected councils? (If not, explain.) Is the council involved in approving the budget and monitoring finances?

District Councils comprise directly and indirectly elected representatives, as follows *(Art. 126 of the Decentralization Law)*[111]

i. the councilors elected at the Sector level
ii. the members of the Bureau of the National Youth Council at the District level
iii. the Coordinator of the National Women’s Council at the District level
iv. the female members to the Council who make up at least thirty percent (30%) of members of the District Council
v. the Coordinator of the National Council of Persons with Disabilities at the District level
vi. the Chairperson of the private sector federation at the District level.

[111] Nº 87/2013 of 11/09/2013 - Law determining the organization and functioning of decentralized administrative entities

District Councils have responsibilities include oversight over the budget and finances of the districts. *Art. 125 of the Decentralization Law* lists the responsibilities of district councils, as follows

i. to set up departments of the District, draw up instructions that govern them and determine their responsibilities
ii. to set up strategies for the development
iii. to adopt the budget of the District
iv. to monitor the implementation of government programs and policies
v. to monitor the implementation of recommendations contained in the report of the Auditor General of State Finance
vi. to set salaries for employees in accordance with Laws
vii. to consider and approve the development plan and monitor its implementation
viii. to monitor and assess the functioning of the Executive Committee
ix. to approve donations, legacies and debts that the District may take out or grant in accordance with Laws
x. to control the management of the property of the District and its activities
xi. to approve the sale of the immovable property of the District in accordance with relevant laws
xii. to suspend a councillor or one of the members of the Executive Committee in case of misconduct and failure to discharge his/her duties
xiii. to invite every six (6) months members of the Executive Committee for them to table the report on the accomplishment of activities falling within their responsibilities
xiv. to invite every three (3) months the Executive Secretary to table the report on the use of the budget
xv. to decide on the establishment of friendship, cooperation and partnership with other Districts, Cities and other institutions
xvi. to monitor and make decisions on other activities conducted in the District falling under the responsibilities of the District.

The Organic Law on State Finances elaborate on these functions as they relate to the budget, finances, accounting and reporting, as well as audit.

Is the local political leadership (executive or council) able to appoint their own officers independently of external (higher-level) administrative control? Is the chief administration officer, the chief financial officer/ treasurer, internal auditor, and other key local finance officials locally appointed and hired?

District councils hire, discipline, and fire their personnel in line with regulations made by Ministry of Labour. Specifically, the ministry must give a priori approval for new recruitments, suspensions, and dismissals.