

AUDITED PROJECT FINANCIAL STATEMENTS

PROJECT ID N°: 2000002229

Loan N°: 2000002900

Period Covered: 01/07/2020 – 30/06/2021

Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)

Prepared by: Office of the Auditor General

Received on: 27/12/2021

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Office of the Auditor General
of Rwanda



**KAYONZA IRRIGATION AND INTEGRATED
WATERSHED MANAGEMENT PROJECT
(KIIWP 1)**

**AUDIT REPORT ON FINANCIAL
STATEMENTS**

For the year ended 30 June 2021

OAG Core Values

Integrity

In public Interest

Innovation

Objectivity

Professionalism

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT
PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

TABLE OF CONTENTS

1. INTRODUCTION.....2

2. STATEMENT OF MANAGEMENT RESPONSIBILITIES6

3. REPORT OF THE AUDITOR GENERAL7

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021.....9

5. REVIEW OF STATEMENT OF COMPARISON OF BUDGET VERSUS ACTUAL
33

6. REVIEW OF INTERNAL CONTROLS34

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

1. INTRODUCTION

1.1 Project background

Kayonza Irrigation and Integrated Watershed Management Project (KIIWP 1) is an agricultural investment project implemented under the Ministry of Agriculture and Animal Resources (MINAGRI). KIIWP is under supervision of Rwanda Agriculture Board (RAB). The Project was established on 22 June 2019 and is expected to close on 31 December 2022. The Project has the main objective of contribute to poverty reduction in the eight drought prone sectors of Kayonza District in Eastern Province of Rwanda'. Those sectors are Gahini, Kabare, Murundi, Kabarondo, Murama, Mwiri, Ndengo and Rwinkwavu Sectors that are relatively hot, with limited rainfalls at average of 900 mm per year compared to the rest of Rwanda country but have good potential for irrigation.

The project implementation period runs from 10 December 2019 and is scheduled to be completed by 31 December 2022.

1.2 Basic information

Project Name	Kayonza Irrigation and Integrated Watershed Management Project (KIIWP 1)																
Project Number	Loan No 2000002900																
Line Ministry of the project	The Project is under the supervision of the Ministry of Agriculture and Animal Resources																
Funding source	The project's total source of funds is summarised in the table below: <table border="1" data-bbox="774 1205 1369 1541"> <thead> <tr> <th>Source of funds</th> <th>Amount in foreign currency</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: right;">SDR</td> </tr> <tr> <td>IFAD</td> <td style="text-align: right;">12,850,100</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">12,850,100</td> </tr> <tr> <td></td> <td style="text-align: right;">USD</td> </tr> <tr> <td>GOR</td> <td style="text-align: right;">5,416,000</td> </tr> <tr> <td>Beneficiaries contribution</td> <td style="text-align: right;">1,527,100</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">6,943,100</td> </tr> </tbody> </table>	Source of funds	Amount in foreign currency		SDR	IFAD	12,850,100	Total	12,850,100		USD	GOR	5,416,000	Beneficiaries contribution	1,527,100	Total	6,943,100
Source of funds	Amount in foreign currency																
	SDR																
IFAD	12,850,100																
Total	12,850,100																
	USD																
GOR	5,416,000																
Beneficiaries contribution	1,527,100																
Total	6,943,100																
Total project cost	SDR 12,850,000 and USD 6,943,100																
Project duration	<ul style="list-style-type: none"> - The project approval date was on 02 May 2019 - Date of signature of credit agreement: 22 June 2019 - Date effectiveness: 10 December 2019 - Date of last disbursement: 30 June 2022 - Date of project completion is 31 December 2022 																
Project Manager	Mr. Stephen RWAMULANGWA																
Project Sponsor	International Fund for Agricultural Development (IFAD).																
Implementing budget agency	SPIU																

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<p>Strategic goals of the Project</p>	<p>KIIWP's Development Goal is to 'Contribute to poverty reduction in the drought prone Eastern Province of Rwanda'.</p> <p>The objective is to improve access to land, forest, water, water bodies for production purpose.</p> <p>They are two components to the project</p> <p>Component 1: Strengthening resilience to drought</p> <p>This component will cover the catchment rehabilitation and protection in rain fed areas, all preparatory activities for the irrigation development, the urgently required infrastructure livestock, and domestic purpose to be done under KIIWP 2.</p> <p>Component 2: Institutional development and project coordination</p> <p>This component is to strengthen government agencies to deliver project output and to support policy dialogue and institutional development that will sustain project intervention beyond Project completion by both phases.</p>
<p>Outputs of the projects that will be achieved at the end of the project</p>	<p>KIIWP's Development Goal is to 'Contribute to poverty reduction in the drought prone Eastern Province of Rwanda'.</p> <p>The Development Objective is to 'Improve food security and incomes of 50,000 rural households on a sustainable basis' and build their climate resilience. KIIWP will improve the resilience of smallholder farmers to droughts and effects of climate change through increased levels of production and productivity of selected food and cash crops, livestock and improved market access and business development.</p>
<p>Project outcome</p>	<p>The main expected outcomes and outputs of the Project include (i) improved access to land, forests, water and water bodies for production purposes; (ii) increased acreage of farmland under water-related infrastructure; (iii) increased acreage of farmland under climate</p>

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	resilient management and practices; (iv) increased capacity of smallholder farmers and local government to sustainably manage natural resources and climate-related risks; (v) enhanced use by farmers, including youth, of technologies, equipment and infrastructure adapted to smallholder agriculture; and (vi) increased farmers' economic benefits from market participation and increased sales.
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1.3 Roles and responsibilities

The Management team which held office during the year ended 30 June 2021 and up to the time of the audit in November 2021 was as follows:

Name	Role	Position	Contact Information
UMUTONI Clarisse	Chief Budget Manager from 14 August 2020 until now	Chief Finance Officer /RAB	clarisse.umutoni@rab.gov.rw Tel:0788313922
RWAMULANGWA Stephen	Project Coordination	SPIU Coordinator from 16 August 2020 up to now	stephen.rwamulangwa@rab.gov.rw Tel : 0788305780
NDAGIJIMANA A Alexis	Project Coordination	Acting SPIU Coordinator from 1 July 2018 up to 16 August 2021	al.ndagijimana@gmail.com Tel: 0788307563
NDAGIJIMANA MUNYEMANZI Louis	Finance Management	Head of Finance up to 15 November 2021	munyemanzilouis@yahoo.com Tel: 0788582030
BARABWIRIZA Samuel	Finance Management	Chief Accountant	barasa2@gmail.com Tel: 0788837894
NDAGIJIMANA G Andre	Project implementation	Acting Operations Manager	andagijimana2021@gmail.com Tel: 0788304392
Jean Claude MUDAHUNGA	Monitoring, Evaluation & Information System	Head of MIS	claumud2001@yahoo.com Tel: 0788643719

1.4 Funding summary

The Project is for duration of three (3) years from 2019 to 2022 with an approved budget of SDR 12,850,000 and USD 6,943,100 as highlighted in the table below:

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Source of funds	Donor Commitment-	Cumulative Amount received to date (Month to 30 June 2021)	Cumulative Amount received to date (Month to 30 June 2021)	Undrawn balance to date (Month to 30 June 2021)	Exchange rate	Undrawn balance to date (Month to 30 June 2021)
	<i>(in SDR)</i>	<i>(in SDR)</i>	<i>(in Frw)</i>	<i>(in SDR)</i>		<i>(in Frw)</i>
	<i>(A)</i>	<i>(B)</i>		<i>(A)-(B)</i>		
IFAD Loan	12,850,000	4,396,398	6,073,938,845	8,453,602.27	1,408.44	11,906,402,841
Sub total	12,850,000	4,396,398	6,073,938,845	8,453,602.27		11,906,402,841
Others	USD	USD	Frw	USD		Frw
Government of Rwanda	5,416,000	190,176	187,729,976	5,225,824.35	987.14	5,158,619,701
Farmers	1,527,100	0	0	1,527,100		1,507,461,335
Sub total	6,943,100	190,176	187,729,976	6,752,924		6,666,081,036
Total	-		6,261,668,821			18,572,483,877

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

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


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

These financial statements have been extracted from the accounting records of **Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)** and the information provided is accurate and complete in all material respects. The financial statements also form part of the consolidated financial statements of the Government of Rwanda.

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

Nothing has come to the attention of Management to indicate that **Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)** will not continue operating as a going concern for the foreseeable future.

Signature: _____



UMUTONI Clarisse
Chief Budget Manager

Date: _____

17/12/2021

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

3. REPORT OF THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

Name: UMUTONI Clarisse

Chief Budget Manager

3.1 Opinion on financial statements

As required by Article 165 of the Constitution of the Republic of Rwanda of 2003 revised in 2015, and Articles 6 and 14 of Law n° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances (OAG), I have audited the financial statements of **Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)** for the year ended 30 June 2021. These financial statements comprise the statement of financial position as at 30 June 2021, statement of revenue and expenditure, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are set out on pages 9 to 31.

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

3.2 Basis of opinion

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

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

3.3 Responsibilities of management for the Financial Statements

According to Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, management of **Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)** is responsible for keeping accounting records and books of account, and preparation of financial statements in accordance with the financial regulations prescribed by the Minister in Ministerial order n° 001/16/10/TC of 26/01/2016 relating to financial regulations. This responsibility includes the design, implementation and maintenance of internal control relevant

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the **Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)**'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Government either intends to discontinue operations of the **Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)**.

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

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

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

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

KAMUHIRE Alexis
AUDITOR GENERAL
KIGALI

17th November 2021



KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Description	Notes	12 Months to 30 June 2021	12 Months to 30 June 2020
		Frw	Frw
Transfer from other government entities	2.	189,729,976	
External borrowings	3.	5,935,137,660	138,801,185
Revenues (A)		6,124,867,636	138,801,185
Compensation of employees	4.	285,714,067	21,922,796
Goods and services	5.	2,701,836,079	460,053
Capital expenditure	6.	1,100,245,323	-
Grant and other transfer payments	7.	229,550,000	-
Expenses (B)		4,317,345,469	22,382,849
Foreign exchange gain	8.	32,096,273	773,231
Other gain (C)		32,096,273	773,231
Surplus for the period(D=(A-B+C)		1,839,618,440	117,191,567

The notes on pages 14 to 31 form an integral part of the financial statements.

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

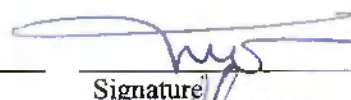
	Notes	Balance as at 30 June 2021	Balance as at 30 June 2020
		Frw	Frw
Current assets			
Cash and cash equivalents	9.	1,956,724,007	117,558,912
Receivable from exchange transactions	10.	86,000	-
ASSETS		1,956,810,007	117,558,912
LIABILITIES			
Current liabilities		0	(367,345)
Payables	11.	0	(367,345)
Equity/Net asset		1,956,810,007	117,191,567
Accumulated surplus	12.	1,956,810,007	117,191,567

The notes on pages 14 to 31 form an integral part of the financial statements.

Authorization Date

The financial statements were approved by the management of the **Kayonza Irrigation and Integrated Watershed Management Project (KIIWP)** on **30 June 2021** signed on its behalf by:

Prepared by: BARABWIRIZA Samuel
Chief Accountant


 Signature

17/12/2021
 Date

Reviewed by: Stephen Rwamulangwa
SPIU Coordinato


 Signature

17/12/2021
 Date

Approved by: UMUTONI Clarisse
Chief Budget Manager


 Signature

17/12/2021
 Date



KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Description	12 Months to 30 June 2021	12 months to June 2020
	Frw	Frw
Cash flow from operating activities		
Receipts		
Transfer from other government entities	189,729,976	-
Payment		
Compensation of employees	(285,714,067)	(21,922,796)
Goods and services	(2,701,836,079)	(460,053)
Foreign exchange gain	32,096,273	773,231
Grant and other transfer payment	(229,550,000)	0
	(3,185,003,873)	(21,609,618)
Adjusted for:		
Changes in receivables	(86,000)	-
Changes in payables	(367,345)	367,345
Net Cash flow from operating activities (A)	(2,995,727,242)	(21,242,273)
Cash flow from investing activities		
Capital expenditure	(1,100,245,323)	
Net cash flow from investing activities(B)	(1,100,245,323)	
Cash flow from financing activities		
Proceeds from borrowings	5,935,137,660	138,801,185
Net cash flow from financing activities(C)	5,935,137,660	138,801,185
Net increase in cash and cash equivalents during the year(D)=(A+B+C)	1,839,165,095	117,558,912
Cash and cash equivalents at beginning of period	117,558,912	-
Cash and cash equivalents at end of period	1,956,724,007	117,558,912

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT
PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

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

	Accumulated surplus	Adjustments during the year	Total
	Frw	Frw	Frw
	2018-2019	2019-2020	2019-2020
Change in net asset items		117,191,567	117,191,567
Accumulated surplus from previous years	-	117,191,567	117,191,567
Accumulated surplus	-	117,191,567	117,191,567
	2019-2020	2020-2021	2020-2021
Change in net asset items	117,191,567	1,839,618,440	1,956,810,007
Accumulated surplus from previous years	117,191,567	1,839,618,440	1,956,810,007
Accumulated surplus	117,191,567	1,839,618,440	1,956,810,007

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Revised budget	Actual	Variances	Performance
	2020-2021	2020-2021	2020-2021	2020-2021
	Frw	Frw	Frw	%
	A	B	A-B	(B/A)*100
Resources				
Transfer from other government entities	189,729,976	189,729,976	0	100%
Resources	189,729,976	189,729,976	0	
Payments				
Wages, salaries and employee benefits	456,847,641	285,714,067	171,133,574	62.5%
Goods and Services	4,186,332,359	2,701,836,079	1,484,496,280	64.5%
Foreign exchange loss/gain	14,683,000	32,096,273	(17,413,273)	218.6%
Grant and other transfer payments	239,500,000	229,550,000	9,950,000	95.8%
Total payments	4,897,363,000	3,185,003,873	1,712,359,127	
Acquisition of non-current assets				
Capital expenditure	16,000,000	1,100,245,323	(1,084,245,323)	6876.5%
Acquisition of non-current assets	16,000,000	1,100,245,323	(1,084,245,323)	
Transactions in financial assets and liabilities				
Net acquisition of financial assets	-	-	-	
Net incurrence of liabilities	4,693,633,024	5,935,137,660	(1,241,504,636)	126.5%
Borrowings	4,693,633,024	5,935,137,660	(5,935,137,660)	126.5%

Explanation on variances

Explain the major variances observed above:

- *Compensation of employees: this was due to that some Staff were not recruited and resignation of internal auditor.*
- *Use of goods and services: Construction of valley dams and boreholes were budgeted under goods and services while the execution was done under capital expenditure.*
- *Capital expenditure: Construction of valley dams and boreholes were budgeted under goods and services while the execution was done under capital expenditure.*

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT
PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

4.6 Notes to the financial statements

1. Significant accounting policies

Public entities maintain their books of account on a modified accrual basis of accounting as prescribed in basis for preparation.

(i) Statement of compliance

The financial statements have been prepared in accordance with the Organic Law n° 12/2013 of 12/09/2013 on State Finances and Property and related legal framework. These financial statements have been authorized for issue by the Chief Budget Manager on 30 June 2021

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

(ii) Basis of preparation

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

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

In this context modified accrual basis of accounting means that financial transactions and events shall generally be recognized in the books of account when they occur and not only when cash or its equivalent is received or paid, except in the following circumstances when transactions will be treated on a cash basis;

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

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- b. in the form of materials to be consumed in the rendering of services,
- c. held for sale or distribution in the ordinary course of operations,
- d. in the process of production for sale or distribution.

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

- Non-exchange transactions: - These arise where an entity receives value from another entity without giving approximately equal value in exchange. These include taxes, fines and penalties, transfers, gifts and donations and shall be recognised when cash is received.
- Non-current assets (tangible and intangible assets): - such as vehicles, furniture, equipment, finance leases, Plant and tools and investment property will be treated on cash basis and recorded as capital expenditure during the year of acquisition and revenue in the year of disposal.
- Investments excluding those directly made by public entities: - shareholding in public corporations, investments in associates, equity interest in joint ventures, lending and on-lending by government entities will be treated on cash basis and recorded as capital expenditure during the year of acquisition and revenue in the year of disposal.
- Student loans: - Student loans shall be treated on a cash basis at the time of disbursements and recognized as expenses. Similarly, they will be recognised as revenue when loan repayments are received from the students.

The financial statements are presented in Rwanda Francs (Frw), being the currency of legal tender in Rwanda which is the functional and reporting currency of the Government of Rwanda.

(iii) Reporting project

The Financial Statements have been prepared by Kayonza Irrigation and Integrated Watershed Management Project (KIIWP) pursuant to Articles 19 and 66 of the Organic Law on State Finances and Property No 12/2013 of 12/09/2013 that empowers the Chief Budget Manager to prepare the financial statements.

(iv) Reporting periods

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

(v) Key assumptions and judgements

These financial statements, as a component of the Government consolidated financial statements, reflect the Government's financial position as at 30 June 2021, and the financial results of

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT
PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

operations and cash flows for the year ended on that date. Included in these financial statements are a number of judgements, estimations and assumptions.

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

(vi) Presentation Currency

The functional currency of the Government of Rwanda is the Rwandan Franc. For reporting purposes, the financial statements are translated into Rwandan Francs.

The rates used to translate foreign currency balances is the average rate applicable by National Bank of Rwanda as at 30 June 2021.

(vii) Areas of significant estimation

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

(viii) Adoption of new and revised standards

The government is in the process of transitioning to IPSAS through a phased approach that involves a six-year implementation plan. The current year is year 2 of the transition process. By the end of the six-year implementation period, the government plans to have fully transitioned to IPSAS and adopted all relevant standards.

(ix) Recognition

Revenue recognition

a) Revenue from non-exchange transactions

• Grants

Grants are transfers received by government units, from other resident or non-resident government units or international organizations that do not meet the definition of a tax, subsidy, or social contribution. This include current and capital transfers received from foreign Governments, international organizations and from other general government units. Transfers from other general Government units includes Transfers from National Treasury, Inter-entity and intra-entity transfers. Inter-entity transfers refer to transfers between cost or revenue centres belong to different public entities while intra-entity refers to transfers between cost or revue centres within the same public entity.

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT
PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

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

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

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

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

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

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

The following applies to grants and transfers:

- Grants are recognized in the books of accounts when cash is received and in case of grant in kind, such grants are recorded upon receipt of the grant item and upon determination of the value.
- Transfer from Treasury are recognized in the books of accounts when cash is received
- Transfers received from Government entity for onward payment to a third party are not treated as an inter-entity (revenue) rather; such transfers shall be recorded as transit fund (liability) in the books of the receiving entity.
- Transfers from Treasury that are not related to current fiscal year budget are not treated as cash transfers. Instead such transfers shall be treated as inter-entity transfers.
- Transfers from entities to Treasury, which does not relate to the current fiscal year budget are treated by Treasury as inter-entity transfers.
- Funds returned to Treasury at the end of the fiscal year because of zero balance accounts sweeping are not recognized as inter-entity transfers. Instead, those funds will reduce the cash transfer account balance for the same year. Where such transfers are received by Treasury in the subsequent fiscal year (such as embassies and foreign missions) such transfers is recognized as inter-entity transfers.

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT
PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

b) Revenue from exchange transactions

• **Other revenue**

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

Revenue from exchange transactions shall be recognized on accrual basis.

c) Borrowings

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

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

Expenditure

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

a) Compensation of employees

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

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

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

b) Goods and services

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

The value of goods or services is recorded when the goods or services are actually used rather than when they were acquired or paid for. In practice, these events often coincide for inputs of services

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT
PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2021**

but not for goods, which may be acquired some time in advance of their use. The value of goods purchased and held for resale is recorded as goods and services when they are sold.

c) Finance cost

Finance cost includes bank interest paid on borrowings which is accounted for on cash basis and recognized in the books of accounts when cash and cash equivalent is paid out. Cash is considered as paid when consideration for payment such as EFT, Cheque, Payment Order are signed rather than when cash and cash equivalent are debited from the bank statement.

Assets and Liabilities

a) Cash and cash equivalents

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

Other relevant information

a) Changes in accounting policies and estimates

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

b) Foreign currency transactions

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

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

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

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

c) Comparative figures

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

d) Subsequent events

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

e) Related parties

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

f) Contingencies

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

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

- The original budget for 2020/2021 was approved by the donor on 17 December 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Government upon receiving the respective approvals in order to conclude the final budget.
- Government's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the Statement of revenues and expenditures, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

- Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for Government.

2. Transfer from other government entities

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw
0503	Transfer from MINECOFIN	189,729,976	-
	Total	189,729,976	-

3. External borrowings

During the 12 months to 30 June 2021, we received loan from IFAD as detailed in the table below:

ID Account	Ref	Date of reception	Disbursed amount	Exchange rate	Amount in local	Amount in local
					12 months to 30 June 2021	12 months to 30 June 2020
			USD		Frw	Frw
080203						
	WA2	19/10/2020	1,045,000	951.921484	994,757,951	
	WA 2SIS	18/12/2020	582,000	961.537005	559,614,537	
	WA 4	04/03/2021	924,734	967.608251	894,780,248	
	WA02C	08/04/2021	1,872,999	970.211841	1,817,205,808	
	WA5	06/08/2021	1,710,907	975.376871	1,668,779,116	
	Total		6,135,640		5,935,137,660	138,801,185

4. Wages, salaries, and employee benefits

During the 12 months to 30 June 2021, the remuneration paid to employees in return for the work done and the social contributions made by general Government unit on behalf of its employees as detailed in the table below:

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

090106	Employees: basic salary in cash	244,406,379	21,202,392
090301	Social contribution	41,307,688	720,404
	Total	285,714,067	21,922,796

5. Use of goods and services

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw
100101	Office supplies and consumables	18,652,883	-
100104	Communication costs	9,555,000	440,000
100106	Bank charges and commissions and other financial costs	139,843	20,053
100107	Public relations and awareness	23,611,959	-
100201	Professional and contractual services	2,560,435,413	-
100301	Transport and travel	83,844,294	-
100401	Maintenance and repairs	3,340,287	-
100402	Spare parts	80,000	-
100601	Training costs	1,996,400	-
100704	Veterinary and agricultural supplies	180,000	-
	Total	2,701,836,079	460,053

6. Capital expenditure

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw
120101	Construction and rehabilitation of boreholes	1,100,245,323	-
	Total	1,100,245,323	-

7. Grant and other transfer payment

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw
1704			
	RAB	120,300,000	-
	MINAGRI	60,000,000	-
	Kayonza District	49,250,000	-
	Total	229,550,000	-

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

8. Foreign exchange

During the 12 months to 30 June 2021, we received funds from various other sources as detailed in the table below:

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw
1452	Exchange gain	32,096,273	773,231
	Total	32,096,273	773,231

9. Cash at bank

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

ID Account	Account No.	Account currency	Bank name	Balance as at 30 June 2021	Exchange rate	Balance as at 30 June 2021	Balance as at 30 June 2020
						Frw	Frw
				A	B	C=A*B	
3113	1000054678	USD	BNR	1,809,010	987.1390014	1,785,744,325	46,836,803
3114	1000054697	FRW	BNR		-	121,773,758	70,722,109
3115	1000054719	FRW	BNR			49,205,924	-
Total						1,956,724,007	117,558,912

10. Account receivable

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw
260202	Accounts receivable		
	Mission allowances not returned by staff	86,000	86,000
	Total	86,000	86,000

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

11. Accounts payable

The following were the accounts payable as at 30 June 2021.

ID Account	Description	12 months to 30 June 2021	12 months to 30 June 2020
		Frw	Frw
4121	Accounts payables -third parties		
	NDABARAMIYE Fidele	-	207,037
	RRA / TPR	-	96,136
	RSSB /RAMA	-	38,769
	RSSB /CSR	-	23,631
	RSSB / ML	-	1,772
	Total	-	367,345

12. Changes in Accounts Receivables and Accounts Payables

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

Description	Balance as at 30 June 2021	Movement during the current year	Balance as at 30 June 2020	Movement during the previous year
	Frw	Frw	Frw	Frw
Movement in accounts payable	(367,345)	367,345	-	-

13. IMPORTANT DISCLOSURES

13.1 Aging Summary report for receivable

Payable Name	Date Intervals					Total
	1-45 days	46-90 days	91-365 days	1 Year to 2 Years	Above 2 Years	
	Frw	Frw	Frw	Frw	Frw	
IMANIYO Eric	43,000					43,000
NSINGIZUMUREMYI PROTEGE	43,000					43,000

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Total	86,000					0
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13.2 Performance guarantee

Contractor name	Description	Guarantor	Contract amount	Guaranteed amount	Execution status	Return date
			Frw	Frw		
Charis Unmanned Aerial Solutions	Production of Maps using VR and drones in KIWP Piloting area	BRITAN INSURANCE COMPANY LTD	20,000,000	1,000,000	FRAMEWORK CONTRACT	14/04/2022

13.3 Breakdown of the inventory of supplies and consumable

Code	Description	Opening balance 1 July 2020	Additions	Consumable	Closing balance as at 30 June 2021
		Frw	Frw	Frw	Frw
331	Consumable store	21,309,933	0	0	21,309,933
	Total	21,309,933	0	0	21,309,933

13.4 Summary of fixed and intangible assets

Categories	Opening balance 1 July 2020	Acquisition of assets	Depreciation for the period	Net carrying amount as at 30 June 2021
	Frw	Frw	Frw	Frw
Structure and buildings	1,100,245,323	0	0	1,100,245,323
Machinery equipment	41,593,012	0	0	41,593,012
Transport equipment	147,658,480	0	0	147,658,480
Total	1,289,496,815	0	0	1,289,496,815

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

13.5 Funds held by service providers

No	Name	Opening balance 1	Amount received	Amount used	Closing balance
		July 2020	Frw	Frw	Frw
1	RAB	0	120,300,000	76,883,098	43,416,902
	Kayonza district	0	49,250,000	43,923,039	5,326,961
	Total	0	169,550,000	120,806,137	48,743,863

13.6 Additional schedules which form part of the notes to the Financial Statements

13.6.1 Summary of expenses by categories for 12 months' period ended 30 June 2021

Categories	IFAD loan	GOR	Private	Beneficiaries	Total
	Frw	Frw	Frw	Frw	Frw
Goods	22,503,350	1,921,239	-	-	24,424,589
Works	2,150,467,060	-	-	-	2,150,467,060
Consultancies & Non consulting services	1,741,893,603	141,646,109	-	-	1,883,539,712
Training & Workshop	5,093,813	1,172,310	-	-	6,266,123
Salaries and Allowances	241,167,730	-	-	-	241,167,730
Operation Costs	11,557,255	9,000	-	-	11,566,255
Total end June 2021	4,172,682,811	144,748,658	-	-	4,317,431,469
FY 2019-2020	22,382,849	-	-	-	22,382,849

13.6.2 Cumulative of expenses by categories for 12 months period ended 30 June 2021

Categories	IFAD loan	GOR	Private	Beneficiaries	Total
	Frw	Frw	Frw	Frw	Frw
Goods	22,943,350	1,921,239	-	-	24,864,589
Works	2,150,467,060	-	-	-	2,150,467,060
Consultancies & Non consulting services	1,741,893,603	141,646,109	-	-	1,883,539,712
Training & Workshop	5,093,813	1,172,310	-	-	6,266,123

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Salaries and allowances	263,090,526	-	-	-	263,090,526
Operation costs	11,491,308	9,000	-	-	11,500,308
Total end June 2021	4,194,979,660	144,748,658	-	-	4,339,728,318
FY 2019-2020	22,382,849	-	-	-	22,382,849

13.6.3 Summary of expenses by component for 12 months period ended 30 June 2021

Components		IFAD Loan	GOV	Private	Beneficiaries	Total
		Frw	Frw	Frw	Frw	Frw
1	Strengthening resilience to droughts	3,886,968,744	144,748,658	-	-	4,031,717,402
2	Institutional development and project coordination	285,628,067	-	-	-	285,628,067
	Total end June 2021	4,172,596,811	144,748,658	-	-	4,317,345,469
	FY 2019-2020	22,382,849	-	-	-	22,382,849

13.6.4 Cumulative of expenses by component for 12 months period ended 30 June 2021

Components		IFAD Loan	GOV	Private	Beneficiaries	Total
		Frw	Frw	Frw	Frw	Frw
1	Strengthening resilience to droughts	3,886,968,744	144,748,658			4,031,717,402
2	Institutional Development and Project Coordination	308,010,916				308,010,916
	Total end June 2021	4,194,979,660	144,748,658	0	0	4,339,728,318
	FY 2019-2020	22,382,849	-	-	-	22,382,849

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

13.7 Schedule of withdrawal applications
IFAD LOAN 200000290000-RW

Total paid in 12 months' period to 30 June 2021

WA No:	Date	Type of payment	Total (Frw)	Exchange Rate	Total (USD Equivalent)
1	6/8/2021	WA No 05	1,668,779,116	975.37	1,710,907.44
2	4/8/2021	WA No 02C	1,817,205,808	970.21	1,872,999.00
3	3/4/2021	WA No 04	894,780,248	967.6	924,733.64
4	12/18/2021	WA No 02 BIS	559,614,537	961.53	582,000.00
5	10/16/2020	WA No 02	994,757,951	951.92	1,045,000.00
Total			5,935,137,660		6,135,640.08
Add			138,801,185		150,000
:Cumulative WAs to 30 June 2020					
Total to 30 June 2021			6,073,938,845		6,285,640.08

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIWIP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

13.8 Allocation and use of the financing funds

Categories	IFAD LOAN 20000290000-RW		Disbursed		Undisbursed	
	Allocated	Equivalent USD	Amount SDR	Equivalent USD	Amount SDR	Equivalent USD
	Amount SDR	USD	Amount SDR	USD	Amount SDR	USD
Works	2,970,000	4,085,829	1,540,891.06	2,133,396.65	1,429,108.94	1,952,432.35
Consultancy	5,120,000	7,043,584	186,558.02	258,293.57	4,933,441.98	6,785,290.43
Goods, Services and Inputs	1,750,000	2,407,475	22,690.99	31,416.16	1,727,309.01	2,376,058.84
Operating costs	140,000	192,598	8,376.41	11,975.96	131,623.59	181,000.68
Salaries and Allowances	1,030,000	1,514,095.62	176,410.02	442,976.78	853,589.98	1,071,117.84
Training	560,000	770,332	3,645.74	5,047.61	556,354.26	770,284.38
Authorised Allocation	0	0	2,457,825.49	3,402,911.99	-2,457,825.49	-3,402,911.99
Unallocated	1,280,000	1,772,187.39	0	0	1,280,000	1,772,187.39
Total	12,850,000	17,791,100	4,396,398	6,285,640	8,453,602	11,505,460

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

11.9 Statement of special account activities

FOR THE 12 MONTHS PERIOD ENDED 30 JUNE 2021				
Account No: 1000054678				
Bank: National Bank of Rwanda				
Address: KIGALI				
			USD	Local Currency (if required)
		Notes		
Opening Balance			49,981.80	46,836,803
Add:				
IFAD LOAN & GRANT Replenishments:				
08/06/2021	WA No 05		1,710,907.44	1,668,779,116
08/04/2021	WA No 02C		1,872,999	1,817,205,808
04/03/2021	WA No 04		924,733.64	894,780,248
18/12/2021	WA No 02 BIS		582,000	559,614,537
16/10/2020	WA No 02		1,045,000	994,757,951
S/Total			6,135,640	5,935,137,660
Transfers to operating Accounts:				
28/10/2020			1,000,000	953,395,471
29/01/2021			600,000	579,325,162
12/02/2021			75,000	73,951,770
18/03/2021			900,000	871,530,896
28/04/2021			1,000,000	972,133,903
04/05/2021			800,000	777,894,366
Bank Charges			1,612.15	93,491
S/Total			4,376,612	4,228,325,059
Exchange rate difference(gain)				32,096,273
Closing Balance as at 30/06/2021			1,809,009.8	1,785,745,677

KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

DESIGNATED ACCOUNT RECONCILIATION STATEMENT
Part A: IFAD Loan

Project Title: KIIWP (Kayonza Irrigation and Integrated Watershed management Project)
IFAD LOAN: N°2000002900

ACCOUNT NUMBER: 1000023457 with NATIONAL BANK OF RWANDA

1. TOTAL ADVANCED BY IFAD				USD	3,649,999.00
2. LESS: TOTAL AMOUNT RECOVERED BY IFAD				-USD	149,999.00
3. EQUALS PRESENT OUSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2)				=USD	3,500,000.00
4. BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE: (30/06/2021)				USD	1,809,009.88
5. PLUS: BALANCE OF THE PROJECT ACCOUNT(S)	FRW	FRW/USD		+USD	158,181.34
	153,773,448	972.13		+USD	0.00
				Sous total de 5:	158,181.34
TOTAL OF SPECIAL ACCOUNT BALANCE, PROJECT ACCOUNT, SUB-ACCOUNTS,..(4+5)				=USD	1,967,191.22
6. PLUS: TOTAL AMOUNT CLAIMED IN THIS APPLICATION N°				+USD	
7. PLUS: TOTAL AMOUNT WITHDRAWN FROM THE SPECIAL ACCOUNT/PA AND NOT YET CLAIMED (=3-4-5-8-11)					
REASON: Eligible amount for which disb. Appl. Has not yet been prepared (From 01.05.2021)				+USD	1,532,808.78
8. PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENT AND CLAIMED AFTER DATE OF BANK STATEMENT					
	WA N°	Date	USD	AMOUNT	
SUBTOTALS OF PREVIOUS APPLICATIONS NOT YET CREDITED				+USD	0.00
9. MINUS: INTEREST EARNED				-USD	
10. TOTAL ADVANCE ACCOUNTED FOR (N°.4 THROUGH N°.9)				=USD	3,500,000.00
11. DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10 ABOVE				=USD	0.00
		FRW	FRW/USD		
EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10:					
				USD	
				USD	
				USD	
12. DATE:	22/07/2021			USD	0.00
		Name:	NDAGIJIMANA Louis Munyemanzi		
		Title:	SPIU HFFA		
		Name:	BARABWIRIZA Samuel	Name:	RWAMULANGWA Stephen
		Title:	Chief Accountant	Title:	SPIU Coordinator