

# **AUDITED PROJECT FINANCIAL STATEMENTS**

PROJECT ID N°: 2000002350

IFAD Loan N°: 2000003997

Period Covered: 01/07/2022 – 30/06/2023

## **Kayonza Irrigation and Integrated Watershed Management Project Phase II**

Prepared by: Office of the Auditor General

Received on: 29/12/2023

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Office of the Auditor General  
of Rwanda



**KAYONZA IRRIGATION AND  
INTEGRATED WATERSHED  
MANAGEMENT PROJECT  
(KIIWP2)**

*Audit Report and Audited Financial Statements*

*For the year ended 30 June 2023*

**OAG Core Values**

**Integrity**

**In public Interest**

**Innovation**

**Objectivity**

**Professionalism**

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# KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)

## BACKGROUND, MANDATE & GOVERNANCE

### 1. INTRODUCTION

Kayonza Irrigation and Integrated Watershed Management Project (KIIWP 2) is an agricultural investment project implemented under the Ministry of Agriculture and Animal Resources (MINAGRI) under supervision of Rwanda Agriculture Board (RAB). The Project was established on 17 December 2021 and is expected to close on 31 December 2028 as per the Financing agreement signed on 02 May 2022 between the Republic of Rwanda and International Fund for Agricultural Development (IFAD). The Project is domicile in Kacyiru-Gasabo- Kigali City.

#### 1.1 Project objectives

The project objectives are to improve food security and incomes of at list 40,000 rural household at a sustainable basis and build their climate resilience.

#### 1.2 Basic information of the project

<b>Project Name</b>	Kayonza Irrigation and Integrated Watershed Management Project (KIIWP2)																
<b>Project Number</b>	Loan No 2000003997																
<b>Line Ministry of the project</b>	The Project is under the supervision of the Ministry of Agriculture and Animal Resources																
<b>Funding source</b>	The project's total source of funds is summarised in the table below: <table border="1"><thead><tr><th rowspan="2">Source of funds</th><th>Amount in foreign currency</th></tr><tr><th>SDR</th></tr></thead><tbody><tr><td>IFAD</td><td>15,300,000</td></tr><tr><td><b>Total</b></td><td><b>15,300,000</b></td></tr><tr><td></td><td><b>USD</b></td></tr><tr><td>GOR</td><td>8,084,000</td></tr><tr><td>Beneficiaries contribution</td><td>2,143,000</td></tr><tr><td><b>Total</b></td><td><b>6,943,100</b></td></tr></tbody></table>		Source of funds	Amount in foreign currency	SDR	IFAD	15,300,000	<b>Total</b>	<b>15,300,000</b>		<b>USD</b>	GOR	8,084,000	Beneficiaries contribution	2,143,000	<b>Total</b>	<b>6,943,100</b>
Source of funds	Amount in foreign currency																
	SDR																
IFAD	15,300,000																
<b>Total</b>	<b>15,300,000</b>																
	<b>USD</b>																
GOR	8,084,000																
Beneficiaries contribution	2,143,000																
<b>Total</b>	<b>6,943,100</b>																
<b>Total project cost</b>	SDR 15,300,000 and USD 10,227,000																
<b>Project duration</b>	- The project approval date was on September 2021 - Date of signature of credit agreement: 17 December 2021 - Date effectiveness: 5 April 2022 - Date of project completion is 30 December 2028																
<b>Project Manager</b>	[REDACTED]																
<b>Project Sponsor</b>	International Fund for Agricultural Development (IFAD).																
<b>Implementing budget agency</b>	SPIU/MINAGRI-RAB																
<b>Project area</b>	The project will be implemented in nine drought-prone sectors namely, Gahini, Kabare, Kabarondo, Murama, Murundi, Mwiri, Ndego, Ruramira, Rwinkwavu																
<b>Strategic goals of the Project</b>	The goal of the project is to contribute to poverty reduction in the drought prone eastern Province of Rwanda																

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)  
BACKGROUND, MANDATE & GOVERNANCE**

<b>Components of the project</b>	<p>They are three components to the projects:</p> <p><b>Component 1: Strengthening resilience to drought</b></p> <p>This component will cover the catchment rehabilitation and protection in rain fed areas, irrigation development and management, Enhancement climate smart agriculture practice and technologies.</p> <p><b>Component 2: Support to farm Business development</b></p> <p>This component is to develop farming as a business, and supporting backward and forward market linkage.</p> <p><b>Component 3: Institutional development and Project coordination</b></p> <p>This component is to implement policy and institutional development, project coordination and emergency recovery and resilience.</p>
<b>Outputs of the projects that will be achieved at the end of the project</b>	<p>The project outputs will be food security and incomes of at list 40,000 rural household at a sustainable basis and build their climate resilience.</p>

**1.3 The project steering committee**

The project steering committee during the year ended 30 June 2023 and to the date of this report was as follows:

N <sup>o</sup> .	Names	Designation/Function
1.		Chair person
2.		Vice Chair person
3.		Member
4.		Member
5.		Member
6.		Member
7.		Member
8.		Member
9.		Member
10.		Member
11.		Member
12.		Member
13.		Member
14.		Member
15.		Member
16.		Member
17.		Member
18.		Member
19.		Member

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)  
BACKGROUND, MANDATE & GOVERNANCE**

N <sup>o</sup> .	Names	Designation/Function
20.		Member
21.		Member
22.		Member
23.		Member
24.		Member

**1.4 Management**

The management who held the office during the year ended 30 June 2023 and to the date of this report were as follows:

S/N	Name	Designation/Function	Period
1.		Chief Budget Manager from 14 August 2020 until now	From 14 August 2020 up to now
2.		SPIU Coordinator	From 20 April 2023 up to now
3.		Ag. Head of Finance	From 15 November 2021 up to now
4.		Ag. Chief Accountant	From 25 March 2022 up to now
5.		Operations Manager	From 1 November 2023 up to now
6.		Head of Monitoring, Evaluation & Information System	From 1 February 2012 up to now



**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)**  
**STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2023**

**2. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

Article 78 of the Organic Law N° 002/2022 OL of 12/12/2022 on Public Finance Management require each public sector entity to submit its annual financial statements to the Minister with a copy thereof to the Auditor General of State Finances within forty-five (45) days following the end of the fiscal year.

Article 20 of the Organic Law N° 002/2022 further stipulates that the Chief Budget Manager is responsible for maintaining accounts and records of the budget agency, preparing reports on budget execution, managing the financial resources for the budget agency effectively, efficiently and transparently, ensuring sound internal control systems in the budget agency and safeguarding the public property held by the budget agency.

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

These financial statements have been extracted from the accounting records of *KIIWP2* 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 have been prepared in compliance with the Organic Law N° 002/2022 OL of 12/12/2022 on Public Finance Management and related regulations. I confirm that *KIIWP2* maintained proper accounting records, which can be relied upon in the preparation of financial statements. I also confirm that adequate systems of internal financial 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 *KIIWP2* will not continue operating as a going concern for the foreseeable future.

Signature: \_\_\_\_\_

\_\_\_\_\_  
Chief Budget Manager



Date: \_\_\_\_\_

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT  
PROJECT (KIIWP2)  
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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**3. REPORT OF THE AUDITOR GENERAL**

**REPORT ON THE FINANCIAL STATEMENTS**

**Ms. UMUTONI Clarisse**  
**Chief Budget Manager**

**3.1 Opinion**

As required by Article 166 of the Constitution of the Republic of Rwanda , 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 **KIIWP2** for the year ended 30 June 2023 These financial statements comprise the statement of financial position as at 30 June 2023, and the statement of financial performance, the statement of cash flows, the statement of changes in net assets and the statement of budget execution for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are set out on pages **07 to 22**.

In my opinion, **KIIWP2** financial statements which comprises of its financial performance and its cash flows for the year then ended were prepared in compliance with the Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations and Organic Law N° 002/2022 OL of 12/12/2022 on Public Finance Management.

**3.2 Basis for opinion**

I conducted the 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 **KIIWP2** and have fulfilled my ethical responsibilities in accordance with the ethical requirements that are relevant to my audit of financial statements of public entities as determined by the *Code of ethics* for International Organization of Supreme Audit Institutions (INTOSAI). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**3.3 Responsibilities of Management and those charged with governance for the Financial Statements**

According to Organic Law N° 002/2022 OL of 12/12/2022 on Public Finance Management, management of **KIIWP2** is responsible for keeping accounting records and books of account, and preparation of financial statements in accordance with the financial regulations prescribed by the Minister in Ministerial order N° 001/16/10/TC of 26/01/2016 relating to financial regulations. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the **KIIWP2**'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 **KIIWP2**.



## KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)

### BACKGROUND, MANDATE & GOVERNANCE

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Those charged with Governance of this *Project* are the steering committee. They are responsible for overseeing *KIIWP*'s financial reporting process.

#### 3.4 Auditor General's Responsibility for 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 *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, 26<sup>th</sup> February 2023



**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT  
PROJECT (KIIWP2)  
AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2023**

**4. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**4.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE  
2023**

<b>Descriptions</b>	<b>Notes</b>	<b>12 Months to 30 June 2023</b>
		<b>Frw</b>
<b>Revenues</b>		
Transfers received related to public debts	2	5,003,054,505
<b>Total (A)</b>		<b>5,003,054,505</b>
<b>Expenses</b>		
Goods and services	3	1,344,711,740
Transfer to reporting entities	4	993,931,000
<b>Total (B)</b>		<b>2,338,642,740</b>
<b>Other gains and losses</b>		
Foreign exchange gain	5	156,346,176
<b>Total (C)</b>		<b>156,346,176</b>
<b>Surplus for the period (D=A-B+C)</b>		<b>2,820,757,941</b>

Notes on pages 12 to 22 form an integral part of the financial statements.

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT  
PROJECT (KIIWP2)  
AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2023**

**4.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

Descriptions	Notes	Balance as at 30 June 2023 Frw
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	6	2,833,059,826
<b>Current liabilities</b>		
Current accounts Payable	7	10,816,468
Tax liabilities	8	1,485,417
<b>Net assets</b>		<b>2,820,757,941</b>
Accumulated opening balance		-
Surplus for the period		2,820,757,941
<b>Total closing balance</b>		<b>2,820,757,941</b>

Notes on pages 12 to 22 form an integral part of the financial statements

**Authorization Date**

The Financial Statements were approved by **KIIWP2** management and was signed on its behalf by:

Prepared by:

Checked by:

Approved by:



**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT  
PROJECT (KIIWP2)  
AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2023**

**4.3 STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2023**

<b>Description</b>	<b>12 Months to 30 June 2023</b>
<b>Receipts</b>	<b>Frw</b>
Transfers received related to public debts	5,003,054,505
<b>Total receipts</b>	<b>5,003,054,505</b>
<b>Payments</b>	
Goods and services	(1,130,655,740)
Transfer to reporting entities	(993,931,000)
Transfers to subsidiary units	(214,056,000)
<b>Total payments</b>	<b>(2,338,642,740)</b>
<b>Adjusted for</b>	
Changes in inventory	-
Changes in receivables	-
Changes in payables	12,301,885
Prior year adjustments	-
Foreign Currency Exchange differences	156,346,176
<b>Net Cash flow from operating activities (A)</b>	<b>2,833,059,826</b>
<b>Cash flow from investing activities</b>	
Capital expenditure	-
<b>Net cash flow from investing activities(B)</b>	<b>0</b>
<b>Cash flow from financing activities</b>	<b>0</b>
Borrowings	0
<b>Net cash flow from financing activities(C)</b>	<b>0</b>
<b>Net increase in cash and cash equivalents during the year(D)=(A+B+C)</b>	<b>2,833,059,826</b>
Cash and cash equivalent at beginning of the period (E)	0
<b>Cash and cash equivalent at the end of the period (F=D+E)</b>	<b>2,833,059,826</b>

Notes on pages 12 to 22 form an integral part of the financial statements

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT  
PROJECT (KIIWP2)  
AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2023**

**4.4 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

<b>Descriptions</b>	<b>Accumulated Surplus / Deficit</b>	<b>Movement during the year</b>	<b>Total</b>
	<b>Frw</b>	<b>Frw</b>	<b>Frw</b>
	<b>2020-2021</b>	<b>2021-2022</b>	<b>2021-2022</b>
Accumulated surplus from previous years	-	-	-
Accumulated surplus/(deficit)	-	-	-
<b>Changes in net assets items</b>	-	-	-
	<b>2021-2022</b>	<b>2022-2023</b>	<b>2022-2023</b>
Accumulated surplus/deficit from previous years	-	-	-
Accumulated surplus/(deficit)	-	2,820,757,941	2,820,757,941
<b>Changes in net assets items</b>	-	<b>2,820,757,941</b>	<b>2,820,757,941</b>

Notes on pages 12 to 22 form an integral part of the financial statements

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)**  
**MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2023**

**4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30 JUNE 2023**

Account and Description	Approved Budget	Revised Budget	Actual	Budget variance	Budget performance
	Frw	Frw	Frw	Frw	%
	A	B	C	D=B-C	E=C/B*100
<b>Revenue</b>					
Transfers from reporting entities	-	71,250,000	-	71,250,000	0%
Foreign exchange gain	-	120,000,000	156,346,176	(36,346,176)	130%
<b>Total revenue</b>		<b>191,250,000</b>	<b>156,346,176</b>	<b>34,903,824</b>	<b>82%</b>
<b>Expenditure</b>					
Goods and services	5,975,232,997	1,583,859,000	1,130,655,740	453,203,260	71%
Transfer to reporting entities	2	1,031,881,002	993,931,000	37,950,002	96%
Transfers to subsidiary units	405,000,001	321,122,001	214,056,000	107,066,001	67%
Foreign exchange loss	7,000,000	7,000,000	-	7,000,000	0%
<b>Total expenditure</b>	<b>6,387,233,000</b>	<b>2,943,862,003</b>	<b>2,338,642,740</b>	<b>605,219,263</b>	<b>79%</b>
<b>Acquisition of non-current assets</b>					
Capital expenditure	-	10,000,000	-	10,000,000	0%
<b>Total</b>	<b>-</b>	<b>10,000,000</b>	<b>-</b>	<b>10,000,000</b>	<b>0%</b>
<b>Transactions in financial assets and liabilities</b>					
Net acquisition of financial assets	0	0	0	-	0
Net incurrence of liabilities	5,819,795,000	2,762,612,003	5,003,054,505	(2,240,442,502)	181%
Transfers received related to public debts	0	-	5,003,054,505	(5,003,054,505)	0%
Long-term borrowings	5,819,795,000	2,762,612,003	-	2,762,612,003	0%
<b>Total</b>	<b>5,819,795,000</b>	<b>2,762,612,003</b>	<b>5,003,054,505</b>	<b>(2,240,442,502)</b>	<b>181%</b>

**Explanation on variances**

- 1. Use of goods and services: The difference observed is attributed to funds budgeted under Good and Services not disbursed*
- 2. Transfers to subsidiary units: Some Service providers didn't fully utilized the budget allocated to them*

## **4.6 NOTES TO THE FINANCIAL STATEMENTS**

### **1. Accounting policies**

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

#### **1.1. Statement of compliance**

The financial statements have been prepared in accordance with the Organic Law N° 12/2013 of 12/09/2013 on State Finances and Property and related legal framework. The Chief Budget Manager has authorized these financial statements for issue on 15 August 2022.

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.

#### **1.2. Basis of preparation**

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

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.

The financial statements are presented in Rwanda Francs (Frw).

#### **1.3. Reporting entity**

Kayonza Irrigation and Integrated Watershed Management Project (KIIWP2) have prepared the financial Statements.

#### **1.4. Reporting periods**

The Government of Rwanda fiscal year runs from 1<sup>st</sup> July to 30<sup>th</sup> June. These financial statements cover the period from 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2023. There were no comparative figures as the project started in 2022 and this was its first year of operation.

#### **1.5. 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 2023, and the financial results of operations and cash flows for the period/year ended on that date. Included in these financial statements are a number of judgements, estimations and assumptions.

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

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT  
PROJECT (KIIWP2)  
MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2023**

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**1.6. 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 2023.

**1.7. 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 3 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.

**1.8. Recognition**

**I. Revenue recognition**

• **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.

**II. Expenditure**

All expenditure are recognised on accrual basis. However, the point of recognition may be different according to their categories such as wages and salaries, goods and services, grants and other transfer payments, social assistance, capital expenditures and other expenses.

**a) Goods and services**

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

The value of goods or services is recorded when the goods or services are actually used rather than when they were acquired or paid for. In practice, these events often coincide for inputs of services but not for goods, which may be acquired some time in advance of their use. The value of goods purchased and held for resale is recorded as goods and services when they are sold.

**b) Transfers to public Entities**

Transfers to public entities are made in the form of direct/indirect cash transfers and direct payments to public reporting entities. Payments from the Central Treasury account are originated and approved by the respective Public entities before they are forwarded to the Treasury for payment. Direct/indirect cash transfers are transferred together with associated activities to be performed. The expenditure/receipt is recognised when actual cash is



**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)**  
**MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2023**

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transferred. Cash is considered as transferred when consideration for payment such as EFT, Cheque, Payment Orders are approved level 2 rather than when cash and cash equivalent are debited from the bank statement. For direct payments expenditure is recognized when goods/services are received and when commitment is approved for all other expenditures. During the consolidation process while the actual spending reported by budget agencies is regarded as expenditures.

**c) *Transfers to subsidiary units***

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

**III. Assets and Liabilities**

**a) Cash and bank balances**

They comprise cash on hand and balances with banks.

**b) Payables**

These mainly relate to invoices for goods and services which were outstanding on the date of the closure of the fiscal year. These are recognized as liabilities for that specific fiscal year. All goods received notes are recognised as liabilities if not yet paid as at the end of the period. It also includes short-term borrowings received by budget agencies from Local Commercial Banks as these are not regarded as public debt.

**c) Tax liabilities**

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

**d) Surplus for the period**

This note shows the difference between revenue and expenditure as shown in the statement of financial performance

**IV. 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.

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)**  
**MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2023**

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.

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**

There were no comparative figures to the current financial statements as this was the first year of project operation.

**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 30 June 2023.

**2. Transfer received from public debts**

During the 12 months to 30 June 2023, KIIWP2 received loan from IFAD as detailed in the table below:

ID Account	Donor or partner	Type of payment	Date of reception	Currency	Amount in foreign currency (USD)	Exchange rate	Amount in LCY (Frw) 12 months to 30 June 2023
	IFAD	WA No 01	2022-08-31	USD	900,000	1,024	922,033,429
	IFAD	WA No 04	2022-12-16	USD	2,796,679	1,055	2,949,635,921
	IFAD	WA No 7	2023-06-21	USD	989,878	1,143	1,131,385,155
			<b>Total</b>		<b>4,686,557</b>		<b>5,003,054,505</b>

**3. Use of goods and services**

During the year ended 30 June 2023, KIIWP2 consumed goods and services as detailed in the table below:

ID Account	Descriptions	12 months to 30 June 2023 Frw
	Stationery and Printing Consumables	20,716,254

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<b>ID Account</b>	<b>Descriptions</b>	<b>12 months to 30 June 2023</b>
		<b>Frw</b>
	Fax and Telephone	7,370,000
	Internet Costs	2,444,934
	Bank charges	80,152
	Purchase of Cheque and Op books	21,033
	Money transfer fees	66,593
	Other commissions	9,005
	Adverts and Announcements	21,712,000
	Meetings and Special Assembly Costs	4,944,520
	Government Projects staffs remuneration	306,660,028
	Technical Assistance remuneration	906,912,778
	Transportation cost for domestic business travel (airplane, bus, train, taxi )	19,001,559
	International Airfares	2,582,959
	Domestic Per Diems	8,928,961
	International Per Diems	15,009,129
	Fuel and Lubricants	13,000,000
	Maintenance and Repairs of Vehicles and Motorbikes	3,563,612
	Training Related Travel Costs	3,150,000
	Training Related Per Diems	4,210,123
	Training hotel facilities	4,328,100
	<b>Total</b>	<b>1,344,711,740</b>

**4. Transfer to reporting entities**

During the year ended 30 June 2023, KIIWP2 transferred funds to transfers to other government agencies as shown below:

<b>ID Account</b>	<b>Description</b>	<b>12 months to 30 June 2023</b>
		<b>Frw</b>
	0900-MINAGRI	60,000,000
	0901-RWANDA AGRICULTURAL BOARD (RAB)	452,300,000
	1002-RWANDA COOPERATIVES AGENCY (RCA)	24,750,000
	4300-KAYONZA DISTRICT	456,881,000
	<b>Total</b>	<b>993,931,000</b>

**5. Foreign exchange gain**

During the 12 months to 30 June 2023, KIIWP2 realised gain of currency exchange and translations as detailed in the table below:

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<b>ID Account</b>	<b>Description</b>	<b>12 months to 30 June 2023</b>
		<b>Frw</b>
	Gain of currency exchange and translations	156,346,176
	<b>Total</b>	<b>156,346,176</b>

**6. Cash and cash equivalents**

The bank amounts shown in the table below have been reconciled to the bank statements as at 30 June 2023.

<b>ID Account</b>	<b>Bank name</b>	<b>Balance as at 30 June 2023</b>
		<b>Frw</b>
311301	RAB KIIWP2 OPERATIONS ACCOUNT [REDACTED]	740,956,878
311302	(RAB KIIWP2 COUNTERPART ACCOUNT [REDACTED])	9,865
311401	RAB KIIWP2 SPECIAL ACCOUNT [REDACTED]	2,092,093,083
	<b>Total</b>	<b>2,833,059,826</b>

**7. Accounts payable**

The following were the accounts payable as at 30 June 2023.

<b>ID Account</b>	<b>Description</b>	<b>Balance as at 30 June 2023</b>
		<b>Frw</b>
412101	Suppliers control	10,548,128
412108	Other accounts payable	128,340
412109	Mission payable	140,000
	<b>Total</b>	<b>10,816,468</b>

**8. Tax liabilities**

The following were the tax payable as at 30 June 2023:

<b>ID Account</b>	<b>Description</b>	<b>Balance as at 30 June 2023</b>
		<b>Frw</b>
412401	VAT payable (Input VAT)	293,508
412402	Withholding payable	1,191,909
	<b>Total</b>	<b>1,485,417</b>

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**9. IMPORTANT DISCLOSURES**

**9.1 Breakdown of the inventory of supplies and consumables**

<b>Cod e</b>	<b>Description</b>	<b>Current value as at 2022-06-30</b>	<b>Value (adjustments)</b>	<b>Value (additions)</b>	<b>Value (consumed)</b>	<b>Balance value as at 2023-06-30</b>
		<b>Frw</b>	<b>Frw</b>	<b>Frw</b>	<b>Frw</b>	<b>Frw</b>
331	Consumable stores	0	0	33,716,254	29,432,372	4,283,882
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>33,716,254</b>	<b>29,432,372</b>	<b>4,283,882</b>

**9.2 Allocation and use of the financing funds IFAD LOAN 200000290000-RW**

<b>Co de</b>	<b>Donor commitment</b>	<b>Cumulative amount received to date (FCY)</b>	<b>Cumulative amount received to date (LCY)</b>	<b>Undrawn balance to date (FCY)</b>	<b>Undrawn balance to date</b>
		<b>in USD</b>	<b>in Frw</b>	<b>in USD</b>	<b>in Frw</b>
IFA D	SDR 15,300,000	4,686,557	5,003,054,505	17,089,443	18,243,544,129

**9.3 Other disclosures/KIIWP2**

**1. Summary of expenses by categories for 12 months period ended 30 June 2023**

<b>N°</b>	<b>Categories</b>	<b>IFAD loan</b>	<b>GoR</b>	<b>GoS</b>	<b>Private</b>	<b>ICCO</b>	<b>Beneficiaries</b>	<b>Total</b>
		<b>Frw</b>	<b>Frw</b>	<b>Frw</b>	<b>Frw</b>	<b>Frw</b>	<b>Frw</b>	<b>Frw</b>
1	Technical assistance & consultancies	1,212,660,092	-	-	-	-	-	1,212,660,092
2	Grants and subsidies	-	-	-	-	-	-	0
3	Goods services & inputs	785,031,795	15,105,391	-	-	-	-	800,137,186

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4	Training workshops and meetings	26,792,054	-	-	-	-	-	26,792,054
5	Civil work	-	-	-	-	-	-	0
6	Salaries and allowances	308,082,232	-	-	-	-	-	308,082,232
7	Operating costs	4,657,228	1,419,339	-	-	-	-	6,076,567
8	Unallocated	-	-	-	-	-	-	0
	<b>Total end June 2023</b>	<b>2,337,223,401</b>	<b>16,524,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,353,748,131</b>

**2. Cumulative expenses by categories for 12 months period ended 30 June 2023**

N <sup>o</sup>	Categories	IFAD loan Frw	GoR Frw	Gos Frw	Private Frw	ICCO Frw	Beneficiaries Frw	Total Frw
1	Technical assistance & Consultancies	1,212,660,092	-	-	-	-	-	1,212,660,092
2	Grants and Subsidies		-	-	-	-	-	-
3	Goods Services & Inputs	785,031,795	15,105,391					800,137,186
4	Training workshops and meetings	26,792,054	-	-	-	-	-	26,792,054
5	Civil work		-	-	-	-	-	-
6	salaries and allowances	308,082,232	-	-	-	-	-	308,082,232
7	Operating costs	4,657,228	1,419,339	-	-	-	-	6,076,567
8	Unallocated	-	-	-	-	-	-	0
	<b>Total end june 2023</b>	<b>2,337,223,401</b>	<b>16,524,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,353,748,131</b>

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)  
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**3. Summary of expenses by component for 12 months period ended 30 June 2023**

N <sup>o</sup>	Components	IFAD loan Frw	GoR Frw	GoS Frw	Private Frw	ICCO Frw	Beneficiaries Frw	Total Frw
1	A. Component A: Strengthening	1,969,072,759	-	-	-	-	-	1,969,072,759
2	B. Component B: Support to farm	-	-	-	-	-	-	-
3	C. Component C: Institutional	368,150,642	16,524,730	-	-	-	-	384,675,372
	<b>Total end June 2023</b>	<b>2,337,223,401</b>	<b>16,524,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,353,748,131</b>

**4. Cumulative of expenses by Component for 12 month period ended 30 June 2023**

N <sup>o</sup>	Components	IFAD loan Frw	GoR Frw	GoS Frw	Private Frw	ICCO Frw	Beneficiaries Frw	Total Frw
1	A. Component A: Strengthening	1,969,072,759	-	-	-	-	-	1,969,072,759
2	B. Component B: Support to farm	-	-	-	-	-	-	-
3	C. Component C: Institutional	368,150,642	16,524,730	-	-	-	-	384,675,372
	<b>Total end June 2023</b>	<b>2,337,223,401</b>	<b>16,524,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,353,748,131</b>

**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)  
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**5. Statement of special account activities for the 12 months period ended 30 June 2023**

Account No: [REDACTED]		USD	Frw
	Description		
<b>Opening Balance</b>		<b>0</b>	<b>0</b>
<b>Add:</b>			
<b>IFAD loan &amp; grant replenishments:</b>			
31/08/2022	WA No 01	900,000.00	922,033,429
16/12/2022	WA No 04	2,796,679.36	2,949,635,921
21/06/2023	WA No 07	989,877.87	1,131,385,155
<b>S/Total</b>		<b>4,686,557.23</b>	<b>5,003,054,505</b>
<b>Transfers to operating accounts:</b>			
6/9/2022		890,000.00	913,022,931
30/12/2022		1,000,000.00	1,060,112,344
3/4/2023		1,000,000.00	1,094,083,946
<b>Bank charges</b>		<b>82.19</b>	<b>88,377</b>
<b>S/Total</b>		<b>2,890,082</b>	<b>3,067,307,598</b>
Exchange rate difference(30 June 2023)			156,346,176
<b>Closing Balance as at 30/06/2023</b>		<b>1,796,475.04</b>	<b>2,092,093,083</b>



**KAYONZA IRRIGATION AND INTEGRATED WATERSHED MANAGEMENT PROJECT (KIIWP2)  
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**6. Allocation and use of the financing funds (IFAD LOAN 200000399700-RW)**

Categories	Allocated		Disbursed		Available	
	Amount SDR	Equivalent USD	SDR	Equivalent USD	Amount SDR	Equivalent USD
Works	10,010,000.00	13,270,930.71	171,287.80	227,087.76	9,838,712.20	13,043,842.95
Consultancies goods, inputs and upgrading						
Smallholder farmer's skills on	2,070,000.00	2,744,338.32	661,531.31	877,036.58	1,408,468.69	1,867,301.74
Grants and subsidies	520,000.00	689,399.00	-	-	520,000.00	689,399.00
Operating costs salaries and operating costs	1,700,000.00	2,253,804.42	151,728.91	201,157.23	1,548,271.09	2,052,647.19
Authorized allocation	-	-	2,550,429.21	3,381,275.66	(2,550,429.21)	(3,381,275.66)
Unallocated	1,000,000.00	1,325,767.30	-	-	1,000,000.00	1,325,767.30
<b>Total</b>	<b>15,300,000.00</b>	<b>20,284,239.75</b>	<b>3,534,977.23</b>	<b>4,686,557.23</b>	<b>11,765,022.77</b>	<b>15,597,682.52</b>

**7. Schedule of withdrawal applications (IFAD LOAN 200000399700-RW) paid in 12 months period to 30 June 2023**

WA No:	Date	Type of payment	Total (Frw)	Exchange Rate	Total ( Equivalent USD)
1	31/08/2022	WA No 01	922,033,429	1,024.48	900,000.00
2	16/12/2022	WA No 04	2,949,635,921	1,054.69	2,796,679.36
3	21/06/2023	WA No 07	1,131,385,155	1,142.95	989,877.87
<b>Total</b>			<b>5,003,054,505</b>		<b>4,686,557.23</b>
<b>Add :Cumulative WAs to 30 June 2022</b>			-		-
<b>Total to 30 June 2023</b>			<b>5,003,054,505</b>		<b>4,686,557.23</b>