The Task Team Leader  
Land Husbandry, Water Harvesting and  
Hillside Irrigation (LWH) Project  
World Bank, Kigali

RE: Audit Report for Land Husbandry, Water Harvesting and Hillside Irrigation (LWH) Project for the year ended 30/06/2016

We are pleased to submit to you hereafter attached the audit report of Land Husbandry, Water Harvesting and Hillside Irrigation (LWH) Project for the year ended 30/06/2016.

The audit process was carefully carried out by the Office of the Auditor General of the State Finances from 21st September to 14th October 2016 and gave a satisfactory opinion.

We thank you for your continued support.

Best regards.

TUMUSHIME Francine  
SPIU Coordinator

CC:  
- The World Bank Country Manager, Kigali  
- Hon. Minister of Agriculture and Animal Resources  
- Hon. Minister of Finance and Economic Planning, Kigali
LAND HUSBANDRY WATER HARVESTING AND HILLSIDE IRRIGATION PROJECT (LWH)

AUDIT REPORT

For the year ended 30 June 2016
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1. INTRODUCTION

1.1 Background of the project

Land Husbandry, Water Harvesting, Hillsides irrigation (LWH) Project was established under the Ministry of Agriculture and Animal Resources in 2009. The summary of the project implementation phase under this reporting period is as shown in the table of the project summary section below:

1.2 Basic information

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Land Husbandry, Water Harvesting, Hillsides irrigation (LWH) Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreement /Project Number</td>
<td>IDA CREDIT NUMBER 4674-RW</td>
</tr>
<tr>
<td>Parent Ministry</td>
<td>MINAGRI</td>
</tr>
<tr>
<td>Project duration/p period</td>
<td>i) Date of signature of credit/grant agreement: 20th March 2009 ii) Project Implementation period: 20/06/2010 to 31/12/2017 iii) Date of effectiveness: 20/06/2010 iv) Expected closing date: 30/06/2014 v) Extended closing date: 30/06/2017</td>
</tr>
<tr>
<td>Reporting organization and physical address</td>
<td>Land Husbandry, Water Harvesting, Hillsides irrigation (LWH) Project Kacyiru- Gasabo- Kigali city - P. O. Box 621 Kigali</td>
</tr>
<tr>
<td>Main activities carried out during the project implementation phase</td>
<td>The project key activities concern the project implementation phase where IDA and Government funds were used to carry out the activities outlined below: Component A: Capacity Development and Institutional Strengthening for Hillside Intensification. This component aims at developing the capacity of individuals and institutions for improved hillside land husbandry, stronger agricultural value chains and expanded access to finance. Component B: Infrastructure for Hillside Intensification. This component will provide the essential ‘hardware’ for hillside intensification to accompany the capacity development and institutional strengthening activities of Component A. Component C: Implementation through the Ministerial SWAP Structure.</td>
</tr>
</tbody>
</table>
This component aims at ensuring that Project activities are effectively managed within the new SWAp (Sector Wide Approach) structure for Ministerial implementation of programs and projects at MINAGRI.
LAND HUSBANDRY WATER HARVESTING AND HILLSIDE IRRIGATION
AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2016

1.3 Funding summary

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>Donor Commitment in USD</th>
<th>Donor Commitment in RWF</th>
<th>Amount received to date (30/06/2016) in USD</th>
<th>Amount received to date (30/06/2016) in Frw</th>
<th>Undrawn balance to date (30/06/2016) in USD</th>
<th>Undrawn balance to date (30/06/2016) in Frw</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(A)</td>
<td>(B)</td>
<td>(C)</td>
<td>(D)</td>
<td>(E= A-C)</td>
<td>(F= B-D)</td>
</tr>
<tr>
<td>Grant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GAFSP</td>
<td>50,000,000</td>
<td>32,281,858,062</td>
<td>50,000,000</td>
<td>32,281,858,062</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>USAID</td>
<td>13,265,000</td>
<td>8,622,250,000</td>
<td>13,265,000</td>
<td>8,622,250,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CIDA</td>
<td>7,800,000</td>
<td>4,714,788,000</td>
<td>7,800,000</td>
<td>4,714,788,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA</td>
<td>34,000,000</td>
<td>19,363,000,000</td>
<td>27,135,249.27</td>
<td>14,264,302,421</td>
<td>6,864,750.73</td>
<td>5,098,697,579</td>
</tr>
<tr>
<td>IDA Additional</td>
<td>35,000,000</td>
<td>22,225,000,000</td>
<td>13,790,048.33</td>
<td>6,468,729,257</td>
<td>21,209,951.67</td>
<td>15,756,270,743</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterpart funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GOR</td>
<td>7,330,000</td>
<td>4,174,435,000</td>
<td>3,753,494.42</td>
<td>2,065,862,065</td>
<td>3,576,505.58</td>
<td>2,108,572,935</td>
</tr>
<tr>
<td>Total</td>
<td>147,395,000</td>
<td>91,381,131,062</td>
<td>115,743,792.02</td>
<td>68,417,789.805</td>
<td>31,651,207.98</td>
<td>22,963,541,257</td>
</tr>
</tbody>
</table>
LAND HUSBANDRY WATER HARVESTING AND HILLSIDE IRRIGATION
AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2016

1.4 Project achievements

<table>
<thead>
<tr>
<th>Activity</th>
<th>Expected outputs by the end of the project</th>
<th>Cumulative achievement of the project by 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers who benefited from the project</td>
<td>120,000</td>
<td>280,666 (Women: 139,258)</td>
</tr>
<tr>
<td>Superficies treated with land husbandry technologies in the rain-fed</td>
<td>19,940 ha</td>
<td>16,343 ha</td>
</tr>
<tr>
<td>Superficies treated for hillside irrigation</td>
<td>2,368 ha</td>
<td>1,356 ha</td>
</tr>
<tr>
<td>Increasing productivity revenues in the project intervention areas in the rain fed areas</td>
<td>From USD 469 to USD 2500/ha</td>
<td>USD 2,867</td>
</tr>
<tr>
<td>Increasing productivity revenues in the project intervention areas in the hillside irrigated areas</td>
<td>From USD 492 to USD 2800/ha</td>
<td>USD 2,575</td>
</tr>
<tr>
<td>Total production market</td>
<td>70%</td>
<td>75.62%</td>
</tr>
<tr>
<td>Beneficiaries of men to access formal financial services</td>
<td>90%</td>
<td>Males 81.8%</td>
</tr>
<tr>
<td>Beneficiaries women to access formal financial services</td>
<td>85%</td>
<td>Females 79.8%</td>
</tr>
<tr>
<td>Reduction of sediment</td>
<td>50%</td>
<td>88.8%</td>
</tr>
</tbody>
</table>

1.5 The project structure

The Project has a Steering Committee which has a general oversight role over LWH implementation. It is comprised of the following members:

1. Permanent Secretary/MINAGRI (Chairman)
2. SPIU Coordinator as Secretary

One representative from each of the following:

3. The Ministry of Local Government
4. The Ministry of Natural Resources
5. The Ministry of Infrastructure
7. The Ministry of Finance and Economic Planning
8. Rwanda Cooperative Agency
9. Rwanda Agriculture Board
10. National Agriculture Export Development Board
11. The Private Agribusiness Sector
The day to day management is headed by the Project Coordinator nominated by the Ministry of Agriculture and approved by the World Bank.

The project also has the following Departments:

- Finance
- Monitoring and evaluation
- Procurement
- Commodity chain
- Engineering and Land Husbandry
2. STATEMENT OF RESPONSIBILITIES

Projects are established by parent Ministries/Agencies primarily to implement the development budget of these Ministries/Agencies. From the legal and administrative point of view, the Projects are therefore run under the parent Ministries/Agencies. However, for financial accountability purposes, the projects have their own set of financial statements that accommodate the specific nature of their activities. As recipient of funds from budget agencies, the projects are bound by the provisions of the Organic law No 12/2013 of 12/09/2013 on State Finances and Property.

Article 66 of the Organic Law No 12/2013 of 12/09/2013 on State Finances and Property requires budget agencies to submit annual reports which include all revenues collected or received and all expenditures incurred during the fiscal year, as well as a statement of all outstanding receipts and payments before the end of the fiscal year.

Article 19 of the Organic Law No 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 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.

The Chief Budget Manager accepts responsibility for the annual financial statements, which have been prepared using the "modified cash basis" of accounting as defined by Article 99 of the Ministerial No 001/16/10/TC of 26/01/2016 relating to Financial Regulations.

These financial statements have been extracted from the accounting records of Land Husbandry Water Harvesting and Hillside Irrigation (LWH Project) 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 the opinion of the Chief Budget Manager, the financial statements give a true and fair view of the state of the financial affairs of Land Husbandry Water Harvesting and Hillside Irrigation (LWH Project). The Chief Budget Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, ensuring adequate systems of internal financial control and safeguarding the assets of the budget agency.

Signature

Mr. KAYISINGA Jean Claude
PS MINAGRI and Chairperson, Project Steering Committee

Date 16/12/16

Office of the Auditor General of State Finances
3. REPORT OF THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

Mr. KAYISINGA Jean Claude
Permanent Secretary of MINAGRI

3.1 Introduction

In accordance with Article 165 of the Constitution of the Republic of Rwanda of 2003 revised in 2015, and Articles 6 and 14 of Law n° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances (OAG), I carried out an audit of the accompanying financial statements of LWH for the year ended 30 June 2016. These financial statements comprise the statement of financial position as at 30 June 2016, and the statement of revenue and expenditure, statement of cash flows and budget execution report for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are set out on pages 12 to 27.

3.2 Management's Responsibility for the Financial Statements

According to Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, management of LWH 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.

3.3 Auditor General’s Responsibility

My responsibility as Auditor General is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of financial statements is considered 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.

Office of the Auditor General of State Finances
An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3.4 Audit opinion

In my opinion, proper books of account have been maintained and the financial statements give a true and fair view of the financial position of Land Husbandry, Water Harvesting, Hillsides irrigation Project (LWH) as at 30 June 2016, 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.

Office of the Auditor General of State Finances