

REPUBLIC OF RWANDA



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Manual of Public Financial Management (PFM) Policies and Procedures

Published by Ministry of Finance & Economic Planning



This Manual is a property of the Ministry of Finance and Economic Planning and it is issued by the Minister pursuant to the provisions of Article 14 of the Organic Law N0.12/2013 on State Finances and Property.

1st edition: July 2019

Republic of Rwanda



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Foreword

The Government of Rwanda has made significant progress in reforming its public financial management system that include the updating of the legal and regulatory framework, various training and capacity building interventions, and the computerization of the government financial management systems.

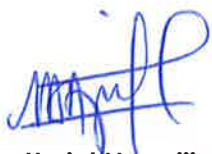
Specifically, the reforms progress took a significant step forward with the promulgation of the revised Organic Law No. 12/2013 on State Finances and property in September 2013 which was followed up by promulgation of the accompanying Ministerial order No. 001/16/10/TC relating to financial regulations issued in 2016.

To further unfold the content of the Organic Law on State finances and Property and the associated Ministerial Order on financial regulations, I am glad to issue the detailed manual, which sets out the financial policies and procedures in public financial management.

This manual replaces the four existing volumes of the government policies and procedures published in 2007 and has taken into account the various changes brought about by the PFM reforms and provides guidelines to be applied in public financial management in order to build the required capabilities and strengthen financial systems within public entities so as to achieve a highly effective financial management system. The manual shall be used in conjunction, with new circulars issued from time to time in respect of new developments and changes in financial policies and procedures.

The manual shall apply to all General Government entities that include central government and their subsidiary entities, the Local Governments and their subsidiary entities. Although some of the sections in the manual relate to the Public Enterprises, it is expected that these shall continue to use their own manuals issued in line with the requirements of the standard operation procedure framework for Government controlled companies.

I call upon all the Chief Budget Managers as well as all other public officers entrusted with the management of state finances and property to treat the rules and procedures in this manual with the importance they deserve. It is my sincere hope that the manual will further enhance the PFM practices across all the public entities.



Dr. Uzziel Ndagijimana
Minister of Finance and Economic Planning

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List of Abbreviations

Ref.	Abbreviations	In full
1	ACCA	Association of Certified Chartered Accountant
2	AG	Accountant General
3	BCC	Budget Call Circular
4	BFP	Budget Framework Paper
5	BNR	National Bank of Rwanda
6	CBM	Chief Budget Manager
7	CGU	Cash Generating Unit
8	CIP	Cash Investment Plan
9	CPA	Certified Public Accountant
10	CSR	Caisse Sociale du Rwanda
11	DDP	District Development Plan
12	DMFAS	Debt Management Finance Accounting System
13	EDPRS	Economic Development and Poverty Reduction Strategy
14	EFT	Electronic Funds Transfer
15	EFU	External Finance Unit
16	Frw	Rwandan Francs
17	GAAP	Generally Accepted Accounting Principles
18	GFSM	Government Financial Statistics Manual
19	GoR	Government of Rwanda
20	HoF	Head of Finance
21	IAS	International Accounting Standards
22	ICPAR	Institute of Certified Public Accountant of Rwanda
23	ICT	Information Communication Technology
24	IFAC	International Federation of Accountants
25	IFMIS	Integrated Finance Management and Information System
26	IFRS	International Financial Reporting Standards
27	IGFR	Inter-Governmental Fiscal Relations
28	IPSAS	International Public Sector Accounting Standards
29	JAF	Joint Action Forum
30	LPO	Local Purchase Order

31	LSO	Local Service Order
32	MINECOFIN	Ministry of Finance and Economic Planning
33	MTEF	Medium Term Expenditure Framework
34	MTS	Monitoring & Tracking System
35	NBD	National Budget Department
36	OAG	Office of Auditor General
37	OBL	Organic Budget Law
38	OLSFP	Organic Law on State Finances and Property
39	OP/OP	Payment Order
40	OTR	Ordonateur Tresorier du Rwanda
41	PAYE	Pay As You Earn
42	PE	Public Enterprises
43	PFM	Public Finance Management
44	PITT	Public Investment Technical Team
45	POPS	Presidential Order on Public Servants
46	PPE	Property, Plant & Equipment
47	PS/ST	Permanent Secretary and Secretary to Treasury
48	RAMA	Rwandaise Assurance Maladie
49	RHA	Rwanda Housing Authority
50	RLL	Rwanda Labour Law
51	RPPA	Rwanda Public Procurement Authority
52	RRA	Rwanda Revenue Authority
53	SCoA	Standard Chart of Account
54	SEAS	Subsidiary Entities Accounting System
55	SIDA	Swedish Development Agency
56	SIP	Strategic Issues Paper
57	SLM	Straight Line Method
58	TSA	Treasury Single Account
59	UN	United Nations
60	USD	United States Dollars
61	VAT	Value Added Tax

1 INTRODUCTION

1.1 Background

1.1.1 This manual has been issued pursuant to the Article 14 (9) of Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property that mandates the Minister to issue instructions of preparation, use, accounting, control, reporting and monitoring use of public funds.

1.1.2 This manual replaces the earlier manuals issued in 2007 on the government policies and procedures through the Financial Regulations n°002/07 of 09/02/2007 and takes into account a number of financial management reforms that the Government has carried out since 2007 with the ultimate goal of ensuring efficient, effective and accountable use of public resources. The PFM reforms include:

- a. A legal, regulatory and institutional framework for Public Financial Management updated with the Organic Law on State Property and Finance revised in 2013. Following which, the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations became operational in 2016.
- b. The computerisation of the government financial management system through the implementation of the integrated financial management information system (IFMIS) and appropriate interfaces with systems and sub-systems that have a bearing on public financial management. These include: the Integrated Payroll and Personnel Systems under the Ministry of Public Service and Labour (MIFOTRA); The Rwanda Revenue Authority Tax Collecting Systems; Real Time Gross Settlement (RTGS) and internet Banking with the BNR; and the Rwanda e- Government Procurement System called “Umucyo”.
- c. New tax laws and policies enacted and being implemented by Rwanda Revenue Authority leading to an increase in the resource mobilization; The computerised tax collecting systems have also been upgraded
- d. A modern Rwanda Public Procurement Authority created to build a culture of transparency, economy and accountability in the public procurement system. An electronic Government Procurement (e-GP) system called “Umucyo” has also been implemented.
- e. Fiscal and financial decentralisation strategy.
- f. The office of the Auditor General for state finances based on the parliamentary system replacing the judicial model that had Courts of Accounts.
- g. The Chamber of Deputies participates in the budget formulation strategy and process, passes annual finance laws on time and holds the executive accountable on matters relating to budget execution and reporting. A Public Accounts Committee of the Chamber of Deputies was instituted to further strengthen the legislative oversight of public financial management (PFM).
- h. The Institute of Certified Public Accountants of Rwanda has been created to accelerate improvements in the quality and quantity of accounting and auditing ser-

vices in the country.

- i. The integration of the planning and budgeting processes, the recurrent and development budget, and the central and local government budget cycles,
- j. The Government's will and commitment to improve transparency and accountability of public financial management processes, and other objectives in improving public financial management,
- k. The introduction of a standard and unified chart of accounts (CoA) consistent with the GFS IMF manual, 2014 and responding to the reporting requirement of IPSAS
- l. Government's commitment to implement performance-based initiatives including the introduction of an MTEF- based approach to budgeting that is linked to sector strategies.
- m. Professionalization and capacity building of the PFM staff.
- n. A stable macroeconomic framework is in place and macro-fiscal targets are largely being met.
- o. Other public financial management related reforms and systems e.g. in the areas of payroll, pensions and other human resource reforms and public debt,

1.1.3 The manual replaces the following four volumes of the earlier version of the financial and procedures manual issued in 2007 through a ministerial order n°002/07 of 09/02/2007:

Ref:	Previous manual issued in 2007	Comments
1	Volume I: Financial policies and procedures	Has been replaced by this manual
2	Volume II: Uniform Chart of Accounts	Has been replaced by SCoA Manual
3	Volume III: Books of accounts, book keeping and accounting	Has been replaced by this manual
4	Volume IV: Financial reporting	Has been replaced by this manual

1.2 The purpose and objective

1.2.1 This manual sets the policies and procedures to be applied to strengthen public financial management systems in General Government entities. It is designed in a style and level of detail that allows (current and future) public officers to understand and carry out their work in a standard way that complies with the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations. It also addresses the general requirements and

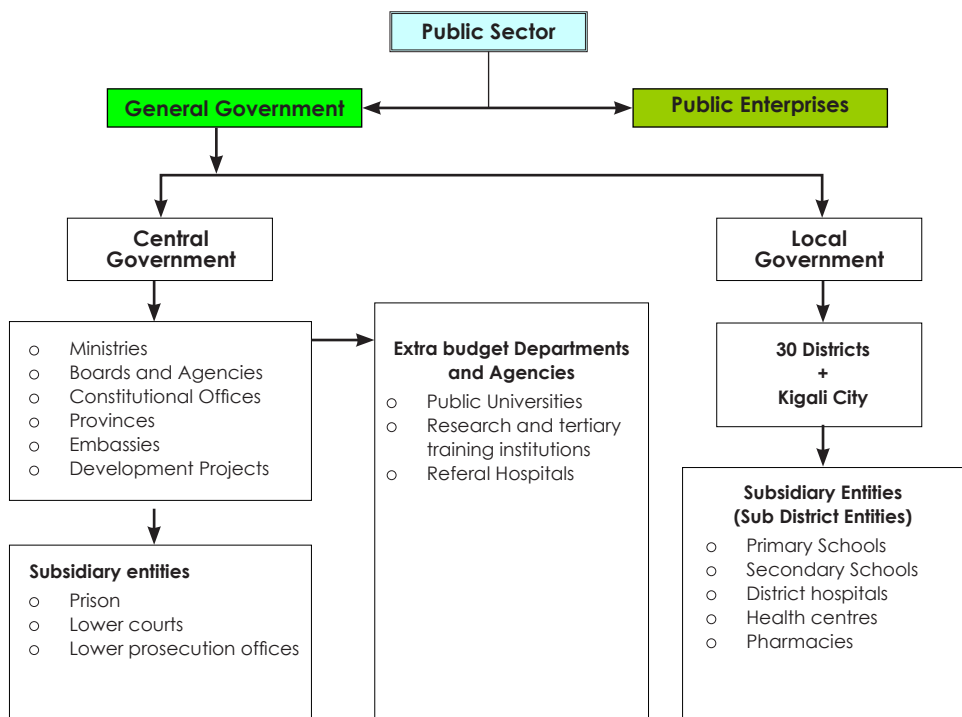
general policies as well as detailed procedures and activities in PFM.

1.2.2 While the manual is intended to be a comprehensive guide, it may not answer every possible financial management question but will provide a starting point of reference and a base for future amendments. Accordingly, the Ministry may issue circulars and detailed guidelines from time to time as may be deemed necessary.

1.3 Scope and applicability of this Manual

1.3.1 The Public Sector of the Government of Rwanda is comprised of the General Government and Public Enterprises as depicted by Figure 1 below.

Figure 1: Structure of GoR Public sector



1.3.2 The manual is applicable to General Government entities and to the Public Institutions/ Enterprises where this has been expressly stated in the manual. This notwithstanding, Public Institutions/Enterprises will apply their own manuals issued in line with the requirements of their respective statutes.

1.3.3 For the avoidance of doubt, General Government includes all institutional units that fulfil the functions of Government as their primary responsibility as defined in this manual.

1.4 Access to this manual

1.4.1 All staff within an entity should be made aware that this manual provides an authoritative statement of financial and accounting policies and procedures. The Manual should be a key reference for new and existing staff, financial management staff and internal and external auditors.

1.4.2 The Accountant General will be responsible for the printing and distribution of this manual and shall also ensure that the man-

ual is available on the Ministry website.

1.4.3 The Chief Budget Manager shall be responsible in ensuring that copies of the manual and all subsequent updates and amendments are distributed to all concerned staff within their entity.

1.5 Departures and revisions to the manual of PFM policies and procedures

1.5.1 The Manual will be updated and maintained on a regular basis as a result of the following:

- Changes in policies and standards;
- Changes in organization structure or tasks and responsibilities;
- Changes in the legal framework that affect financial operations; and
- Decisions from the Minister.

1.5.2 A public entity may suggest revisions to the manual and such suggestions shall be delivered in writing to the Minister for a review and approval.

1.5.3 Any Chief Budget Manager that may wish to depart from any part or section of this manual shall seek the authority of the Minister in writing providing adequate justification for such a departure.

1.5.4 The Minister shall provide a written reply accepting or rejecting the request within 30 days of receipt of the request; where a request is rejected, the Minister shall provide reasons for the rejection with appropriate guidance given to the Chief Budget Manager to ensure that any issues raised by him or her in the request are adequately addressed.

1.6 Effective date of the manual and transitional provisions.

1.6.1 This manual comes into operation with effect from the date it is approved by the Minister.

1.6.2 To allow for the smooth implementation of the manual for the PFM policies and procedures, the Minister may, through the issue of circulars, defer or stagger the implementation of any part(s) of this manual.

1.7 Key terms defined

1.7.1 The following are definitions of terms commonly used in this manual:

Ref:	Accounting term	Definition
i.	Accounting period	The time period over which financial information is reported, which is normally either a month, quarter or a year.
ii.	Accounting policy	The specific principles, bases, conventions, rules, and practices applied by an entity in preparing and presenting financial statements.
iii.	Accounting record	Any document upon which accounting transactions are recorded or any other document issued or used in the preparation and processing of accounting transactions. Such includes a cash book, Journal, Ledger e.t.c

Ref:	Accounting term	Definition
iv.	Accrual basis of accounting	A method of accounting under which transactions or claims are recognized as the underlying economic events occur, regardless of the timing of the related cash receipts and payments.
v.	Advance	An amount paid by the Government to an employee for purpose of carrying out a specified activity and which is the employee has to account for once the activity is accomplished. It also means payment to a supplier or an employee before the associated goods or services have been supplied.
vi.	Annual Financial Statement	A set of financial reports, produced after the close of the financial year by the public entity.
vii.	Asset	Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
viii	Arrears	Relates to unpaid bills not settled by the close of the financial year during which they are incurred.
ix.	Broad categories of expenditure	Means expenditure at the highest level of consolidation related to the following broad categories of expenditure: (i) Compensation of employees; (ii) Use of Goods & Services; (iii) Acquisition of fixed assets; (iv) Interest; (v) Subsidies ; (vi) Grants ; (vii) Social Benefits; (viii) Other Expenditures ; and (ix) Repayment of Borrowing.
x.	Budget	A statement of the estimated receipts and expenditure of the Government for a financial year, referred to as the Annual Budget Statement.
xi.	Budget Item	Means the first four (4) digits of the economic segment of the Chart of Accounts
xii.	Budget line	Means the full combination of the five (5) segments of the chart of account and a unique identifier for each budget allocation
xiii.	Budget Sub Item	Means the six (6) digits of the economic segment of the Chart of Accounts, the lowest level where data entry is done during budget preparation and commitment during budget execution
xiv.	Capital Expenditure	Expenditure incurred for the purpose of acquiring, constructing or enhancing physical and non physical assets, Acquisition of strategic Inventory, Investment in financial and non financial assets
xv.	Cash basis of accounting	A method of accounting under which revenues and expenditures are recognized when cash is received and paid respectively.

Ref:	Accounting term	Definition
xvi.	Cash equivalents	Cash equivalents is defined as short term, highly liquid investments (with maturities of less than three months from the date of purchase) that are readily convertible to known amounts of cash and which are not subject to a significant risk of change in value.
xvii.	Cash flow	The net movement in the cash balances over a particular reporting period, given by the sum of payments and receipts.
xix.	Chart of accounts	A listing of codes on the basis of which the budgeting and accounting transactions are classified to provide meaningful financial information.
xx.	Central Government Entity	A public entity to which the State allocates every year funds in the annual State Finance Law and which is wholly funded by the national budget. This includes ministries, boards, constitutional offices, provinces, embassies, development projects and agencies, subsidiary entities and extra-budget entities.
xxi.	Commitment	An obligation which arises when an agreement, contract or a purchase order has been duly concluded for the supply of goods or services to a public entity or where such an agreement binds the public entity to make future disbursements to a party it has entered into a contract with for supply of goods and services.
xxii.	Consolidated Financial Statements	A set of financial reports produced by the Accountant General which presents a consolidated summary of the Annual Accounts of Government.
xxiii.	Decentralized Entity	Means a local administrative entity with legal personality, administrative and financial autonomy and whose budget is partially financed by the Central Government. It relates to districts and is part of the General Government.
xxiv.	Development Expenditure	Relates to a group of expenditure that combined contributes to advancement of social wellbeing of community, also termed as social capital formation. Such includes all expenditure in construction of public utility like roads, drainage, and electrification e.t.c.
xxv.	Extra Budgetary Entity	Means a public entity whose budget is partially financed through the annual State Finance Law. It includes higher learning institutions, research and tertiary training institutions, teaching and referral hospitals and other similar entities.
xxvi.	Expense	Is defined as the outflow of cash arising as a result of payments issued in a given reporting period or liabilities incurred.

Ref:	Accounting term	Definition
xxvii.	Equity	Is the residual interest in the assets of an entity after deducting all its liabilities i.e the net assets of an entity.
xxviii.	Fiscal year	A period of twelve (12) months from 01 July to 30 June of the following year.
xxix.	Funding Types	Means the second level of the funding segment of the chart of account related to the: (i) Agency Budget Allocation, (ii) Block grant, (iii) Earmarked transfers, (iv) own revenues, (v) transfers from other government agencies and, (vi) External grants and Loans
xxx.	General ledger	The primary ledger in which accounting transactions are recorded, in double entry format, and from which financial reports are produced.
xxxi.	General Government	Consists of resident institutional units that fulfill the functions of Government as their primary activity. This sector includes all Government units. The function of Government units, broadly described, is to implement public policy through the provision of primarily nonmarket goods and services and the redistribution of income and wealth, with both activities supported mainly by compulsory levies on other sectors. This shall include central government and local government entities and subsidiary entities.
xxxii.	Institutional Budget	Means the budget appropriated to a state organ within the annual State finance law.
xxxiii.	Journal Entry	A uniquely numbered input voucher to the General Ledger, containing accounting transactions, used in the double-entry recording system.
xxxiv.	Liability	Present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits including service potential.
xxxv.	Modified cash Basis	A method of accounting in which transactions are generally recorded when cash is received or paid out while outstanding invoices, outstanding receipts on sales of goods and services and bank balances are recorded at the end of reporting period.
xxxvi.	Modified accrual Basis	In the context of this manual, modified accrual basis of accounting means that financial transactions and events are largely recognized in the books of account when they happen regardless of the timing of the associated cash flows
xxxvii.	Minister	The Minister in charge of finance and Economic Planning

Ref:	Accounting term	Definition
xxxviii.	Ministry	The Ministry in charge of finance and Economic Planning.
xxxix	Organic Law	Means the Organic Law on State Finances and Property (2013).
xl	Public Debt	Any State monetary liability or treasury bill and bond issued by Central Government or any other debt the State may take on. It relates to the total liability arising from Government borrowings including both domestic loans and foreign (or external) loans.
xli.	Public Sector	The public sector consists of all institutional units controlled directly, or indirectly, by Government units—that is, all units of the general Government sector and public enterprises.
xl.	Public Entity	An entity with legal personality managed in accordance with laws governing public entities and which is entitled to a budget for fulfilling its mission. It relates to all General Government entities.
xl.	Receipt	An amount of cash collected or the process of collecting money. Can also be an official document provided to a payer, as proof that money was received
xliv.	Revenue	Means funds collected by Government authorities according to laws and regulations regulating their collection. Government revenues consist of sales of goods and services, taxes & fees, revenue from estates and properties, investments and other miscellaneous revenues.
xl.	Statement of financial position	A financial report consisting of balances of assets and liabilities for an entity, as at a particular period end date.
xlvi.	Statement of revenue and expenditure	A financial report consisting of balances of revenues and expenditures for an entity, over a given reporting period.
xl.	Subsidiary entity	Public entity without legal personality and administrative and financial autonomy supervised and funded through the Central Government or a Decentralized Entity to which it is affiliated. For central Government, these includes prisons, lower courts, lower prosecution offices and other similar entities. For Decentralized Entities, these includes primary and secondary schools, Sectors, district hospitals, health centers and other similar entities.
xl.	Treasury Single Account	Means the central Government main bank account and its sub accounts maintained at the National Bank of Rwanda.

1.8 Summary of major changes introduced by this edition of the manual

1.8.1 The following table shows the major changes introduced by this edition of the manual:

Ref:	Key area of change	Change and Rationale	Section in this manual
1	Legal basis	This manual is based on the revised Organic Law n° 12/2013/OL of 12/09/2013 on State Finances and Property that replaced that of 2006. It is also based on the Ministerial Order N°001/16/10/TC of 26/01/2016 relating to Financial Regulations replacing the Financial regulations that were issued in 2007.	Section 2.2
2	Accounting base	The previous manual had financial regulations that prescribed a modified cash basis for all entities. The extent of modification was limited to certain aspects. As part of the Government efforts to migrate to accrual basis of accounting, a roadmap has been designed and is contained in a separate document. Pursuant to this roadmap, public entities will migrate to full accrual basis of accounting in a phased manner. This manual therefore tackles both the cash and accrual basis of accounting.	Chapter 3
3	Duties of staff with financial management responsibilities	Key staff in financial management have been identified and their responsibilities made explicit to increase accountability and facilitate communication between the financial management staff both horizontally and vertically.	Section 5.4
4	Accounting Records and Registers	To be maintained in manual and/or electronic form in line with the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations. List of registers expanded to increase amount of management information available in respect of tax receivables, leases, intangible assets, written off debtors/creditors, bad debts recovered, etc	Section 5.7

Ref:	Key area of change	Change and Rationale	Section in this manual
5	Custody of supporting documents Section	These provisions have been added to enhance safe custody and provide guidance on disposal of supporting documents.	Section 5.10
6	Financial Risk Management	The nature of financial risks that the activities of a public entity are defined with a requirement for the Chief Budget Manager to undertake such risk management arrangements to ensure that all financial risks are properly identified, evaluated and hedged. As part of the annual financial statements, the Chief Budget Manager is to provide a certificate to indicate that the assessment of financial risks was carried out and that the risk management plan was fully operational.	Section 5.11
7	Internal control environment	Operational aspects of the internal control environment, a Chief Budget Manager is responsible for have been prescribed to enable him/her put in place and maintain an efficient and effective internal control system for his /her entity.	Section 5.12
8	E-catalogue to be adopted as item master for the IFMIS	The manual ensures standardization of the item master by adopting the E-catalogue issued by Rwanda Public Procurement Authority (RPPA) that will now be used by the IFMIS for all purchasing activities. E-catalogue refers to the central database of procurement commodities and items under standardised classification of products and services as per United Nations Standards for Products and Services Codes (UNSPSC).	Paragraph 6.2.6
9	Multi-year expenditure commitments	Procedures to handle multi-year commitments have been provided. A Chief Budget Manager who implements an ongoing assignment or project for more than one financial year must demonstrate that the financial commitments for implementing the assignment or project are within the Medium Term Expenditure Framework. After awarding a multi-year contract to the selected supplier, an annual budgeted amount under the contract shall be committed and purchase	Section 8.5

Ref:	Key area of change	Change and Rationale	Section in this manual
		orders progressively issued through the IFMIS subject to availability of the quarterly cash plan allocations.	
10	Blacklisted suppliers not transact business with public entities and are to be deactivated in the IFMIS	The Accountant General is required to ensure that all blacklisted suppliers by the Rwanda Public Procurement Authority (RPPA) are deactivated in the IFMIS system and the Director General, RPPA is accordingly required to provide the Accountant General with up to date information on blacklisted suppliers.	Paragraph 8.7.6
11	Fruitless and wasteful expenditure	Pursuant to article 73 and 119(2) (b) of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, fruitless and wasteful expenditure constitutes expenditure that is made in vain and may be avoided when reasonable care is exercised. Accordingly the manual provides detailed procedures to enable the Chief Budget Manager exercise all reasonable care to prevent and detect fruitless and wasteful expenditure. A fruitless and wasteful expenditure register to be maintained by public entities and shall contain detailed information on such expenditure for each financial year.	Section 8.8
12	Responsibility for the prevention of wasteful expenditure and maintenance of the wasteful expenditure register	The Director of Finance/Head of the Finance Unit is obligated to assist the Chief Budget Manager in the prevention of wasteful expenditure and where this is discovered he or she is required to immediately report such expenditure to the Chief Budget Manager. The Director of Finance/Head of the Finance Unit is also required to maintain a fruitless and wasteful expenditure register	Paragraph 8.8.4
13	Maternity Leave Benefits Scheme	Article 7 of the Law No. 003/2016 of 30/03/2016 establishing and Governing Maternity Leave benefits scheme provides for monthly maternity leave contributions at the rate of 0.3 % of the gross salary by each	Sub – paragraph 8.12.2

Ref:	Key area of change	Change and Rationale	Section in this manual
		employee and an additional 0.3 % of the gross salary by the employer. The PFM manual provides for the accounting treatment for the maternity leave contributions to ensure they are properly accounted for including the receivables and payments from the Rwanda Social Security Board (RSSB).	
14	Accrual of annual performance based bonus	With the introduction of the modified accrual accounting framework, a best estimate of the amount payable of the annual performance based bonus shall be made by each public entity when the staff performance evaluation has been completed and payable bonus has been calculated can be estimated reliably.	Section 8.13
15	Disclosure of post-employment benefits payable to government employees	In light of the IPSAS implementation roadmap and as part of the financial statements submitted to the Ministry, the RSSB to provide appropriate financial information for purposes of including a note disclosure in the consolidated accounts of government in respect of the post-employment benefits payable to government employees based on a full valuation.	Section 8.14
16	Accounting for prepayments	Requirement that all prepayments are accounted for as accounts receivable to ensure that the goods and services for which expenditure is prepaid are delivered.	Section 8.16
17	Penalties for late deliveries or poor quality	The PFM manual makes clear the accounting treatment for penalties for late deliveries or poor quality with a requirement for central government entities to pay the penalties deducted to the Rwanda Revenue Authority (RRA). Decentralised entities may retain the penalty deductions and account for it as revenue in their books of account.	Section 8.18
18	Payments supporting documentation and verification	To ensure that proper and valid payments are made, the new manual identifies the different expenditure categories and provides a detailed checklist for the documentation that is required in support of the payments. A checklist for the verification of the different payment categories is also provided.	Section 8.2

Ref:	Key area of change	Change and Rationale	Section in this manual
19	Foreign currency commitments to be captured at the prevailing spot rates	Manual makes clear that all types of commitments in respect of foreign currency payments to be made at the prevailing spot exchange rate instead of exchange rates used for budgeting or contracting purposes, as has been the case in a number of instances.	Paragraph 8.4.4
20	Trade and cash discounts	Some public entities may enjoy trade and/or cash discounts from their suppliers and the manual provides guidance how these are to be treated.	Section 8.19
21	Mission advance	Procedure of applying and accounting for mission imprest introduced to enhance discipline in accounting for advance provided to employees for mission purposes.	Section 8.22
22	Returned payments and unclaimed salaries	The provisions have been added to provide guidance on treatment of returned payments and unclaimed salaries paid but returned to Treasury due to various reasons such as mismatch of specified bank accounts.	Section 8.11 ;Paragraphs 8.12.6 - 8.12.12
23	Service concession agreements (Public Private Partnerships)	Procedures for the recording and reporting of information on PPPs have been provided in the manual with a requirement for the Rwanda Development Board (RDB) to have a note disclosure on PPPs as part of its financial statements.	Paragraph 9.13
24	Foreign currency transactions	Accounting for foreign exchange rate differences has generally been brought in line with the requirements of the applicable International Public Sector Accounting Standard (<i>IPSAS 4 - The effects of changes in foreign exchange rates</i>)	Chapter 10
25	Inventory management	Following procedures included in manual towards the effective management of inventories: • Capturing and maintaining complete records of inventory items; • Stock count arrangements and reconciling with stores records; • Valuation of inventory items; and • Identifying obsolete stocks;	Chapter 11

Ref:	Key area of change	Change and Rationale	Section in this manual
		Inventories to be valued using the weighted average cost valuation method with public entities required to report on any material amount of inventory on hand at the end of the fiscal year by way of a disclosure note to their accounts.	
26	Petty cash management	Minimum balance raised from Frw 100,000 to Frw 500,000 to enable the public entities transact with cash more easily without the need to constantly replenish their petty cash.	Paragraph 12.16.6
27	Exchange of foreign currency at Forex Bureaux	A strict criteria has been included in the manual that may be followed by a foreign operation e.g an Embassy or foreign mission that may wish to exchange foreign currency at a forex bureau.	Section 12.17
28	Overseas payments	This section has been added to provide further guidance on the processes and procedure for making overseas payments.	Section 12.9
29	Government investments and dividend policy	Note disclosures for information on government investments to be included in the consolidated accounts of the government enhanced. Dividend policy revised to require an enterprise's board to recommend to the Minister that the enterprise and its subsidiaries pay a specified dividend, or not pay a dividend, for the financial year. Current policy (in the old PFM manuals) provides a period of three months (90 days) after the end of the enterprise's financial year and upon submission of the audited financial report, within which the enterprise should advise the minister about the dividend payable for that year.	Paragraph 13.5.2 Section 13.4
30	Management of non current - assets	This chapter is now enhanced to provide adequate details for the administration, accounting and recording of non-current assets to ensure proper management of public property and also as GoR prepares to move to the full accrual accounting framework.	Chapter 14

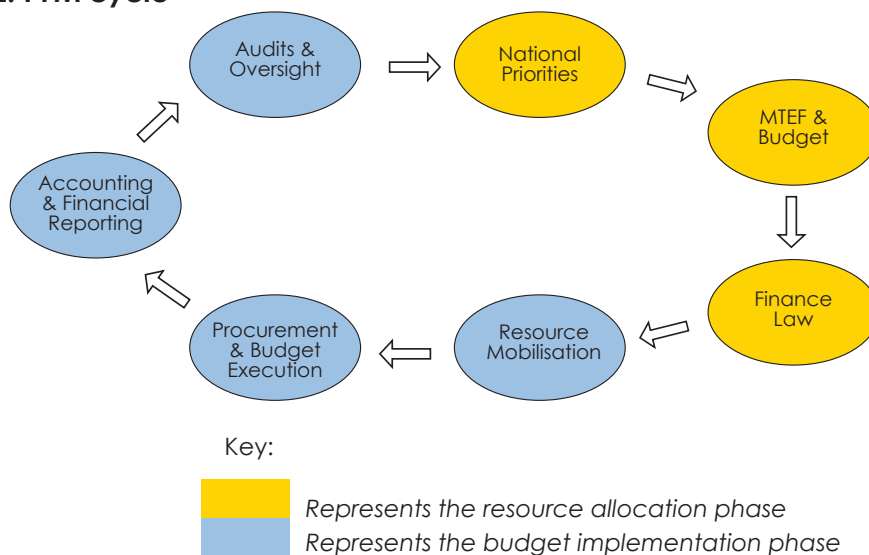
Ref:	Key area of change	Change and Rationale	Section in this manual
31	Setting up of new entities, merger, de-merger and closure of public entities	Procedures have been included in the manual to strengthen the accountability arrangements for assets and liabilities when there are new entities, mergers, de-mergers and closure of public entities.	Section 15.8
32	Financial management by subsidiary entities affiliated to decentralized entities	Because of the peculiar challenges faced by subsidiary entities in financial management, a dedicated chapter has been included in the manual to provide specific guidance to the subsidiary entities on financial management arrangements as they relate to this category of entities.	Chapter 16

2 PFM Legal Framework and Institutional Arrangement

2.1 The Public Finance Management cycle

2.1.1 As illustrated in figure 2 below, the Government of Rwanda Public Finance Management (PFM) cycle entails determination of national priorities, developing MTEF and the Budget, preparation and approval of the finance law, resource mobilization, procurement and budget execution, accounting and financial reporting, audit and legislative oversight.

Figure 2: PFM cycle



2.1.2 The PFM cycle described above generally covers a three year period. Therefore at any one point in time, three budgets are at different points in the cycle: for example, in October of any year, the budget of the previous year is being audited, the budget of the current year is being executed, and next year's budget preparation has already started. Details of the cycle are provided in other sections of this manual.

2.2 PFM Legal framework

2.2.1 **Laws and regulations:** - The Government has put in place laws and regulations to enforce an effective and functional PFM system. This manual has been prepared in conformity with the following laws and regulations:

- a. **The 2003 Rwanda Constitution (As revised in 2015)** - especially Articles, ,162,163,,164,165,166,167, dealing with the PFM function of GoR.

- b. **Organic Law N° 12/2013/OL on State Finances and Property of 2013** - which is the principal law on financial management within the Government of Rwanda and is subsidiary to the constitution.

Under Article 13 of the Organic Law on State Finances and Property, the Minister has the responsibility to enforce this Organic law and any prescribed norms and standards including any prescribed standards of accounting practice and uniform classification systems, in central and local Government administrative entities.

- c. **Ministerial order no. 001/16/10/TC of 26/01/2016 relating to the Financial Regulation, 2016 on the Organic Law on State Finances and Property** - which elaborates more on the implementation of the Organic Law on State Finances and Property of 2013.

- d. **Laws and regulations on public procurement** - which prescribe the procurement procedures within the General Government and are implemented through the following legislations:

- Law on public procurement;
- Law establishing Rwanda Public Procurement Authority (RPPA) and determining its mission, organization and functioning;
- Ministerial Order establishing regulations on public procurement, standard bidding documents and standard contracts;
- Ministerial Order determining the organization and functioning of the asset disposal evaluation committee to set value for state private assets to be sold, exchanged, donated or completely destroyed;
- Ministerial Instruction establishing the professional code of ethics governing

public agents involvement in public procurement;

- MINECOFIN circular requiring checking existing market prices in the process of awarding tenders;
- Development Partners' procurement guidelines and funding agreement conditions;
- Public Procurement user guide;
- Blacklisted company (www.rppa.gov.rw); and
- Any other law or modifications to the above laws and regulations.
- Care must be taken to ensure that the provisions of the above laws, regulations and instructions are taken into account on all financial procedures concerning procurement.

- e. **Law establishing Sources of Revenue and property of Decentralised Entities** - which provides for the list of taxes; fees and other charges levied by decentralised entities and determining their thresholds. Law describes and regulates the sources of revenue for Decentralised entities in Rwanda.

- f. **Laws on Taxes** - which prescribe provisions on which tax payers including government agencies must also adhere to in fulfilling tax obligations. They include:

- Law on direct taxes on income as modified and complemented to date;
- Law establishing the value added tax;
- Law on tax procedures as modified and complemented to date;
- Ministerial order and Commissioner General's governing direct taxes on income; and
- Any other law or modifications to the above laws.

g. Human resource management and payroll

- the following legislations govern human resource management and payroll:

- Law regulating labour in Rwanda;
- Law on general statutes for Rwanda Public Service;
- Presidential Order governing modalities for the recruitment of Public Servants;
- Presidential Order determining the amount of salaries and other fringe benefits to state high political leaders and modalities of their allocation;
- National employment policy;
- Guidelines for fixing salaries in the Rwandan Public Sector;
- Integrated Personnel and Payroll System manuals; and
- Any other law or modifications to the above laws.

h. Asset management – underpinned by the following laws, regulations, policies and procedures:

- Ministerial order determining the organisation and functioning of the asset disposal evaluation committee to set value for state private assets to be sold, exchanged, donated or completely destroyed;
- The fleet policy of Government of Rwanda;
- Law on disposal of State private assets
- which determines the procedure governing the disposal of State private assets; and
- The Law governing privatisation of public institutions and National investment. Any other law or modifications to the above laws;

2.2.2 Other major policy and procedural manuals: - this manual is interdependent with other PFM related manuals covering areas such as budgeting; procurement of goods/services; internal audit; external audit; accounting systems environment and human resource competences.

These other manuals are listed below and have an in-depth coverage of the specific PFM subject that they relate to and should therefore be referred to in conjunction with this manual as may be appropriate.

Ref	Name of the Manual	Issuing Institution
1	Chart of Accounts Manual	MINECOFIN
2	Public Procurement Manual	RPPA
3	Internal Audit Procedure Manual	MINECOFIN
4	IFMIS User Guides and manuals	MINECOFIN
5	Medium Term Expenditure Framework manual	MINECOFIN
6	Public Debt Management Procedures Manual	MINECOFIN
7	Rwanda Aid Policy Manual	MINECOFIN
8	Integrated Personnel and Payroll System manuals – payroll component.	MIFOTRA

2.2.3 The manuals prescribed under paragraph 2.2.2 are issued as part of this manual which shall take precedence in case of any inconsistencies.

2.2.4 Any clarification required for the application of this manual in light of the legal and regulatory framework as prescribed in paragraph 2.2.1 and 2.2.2 above shall be referred to the Minister.

2.3 PFM Institutional arrangements

2.3.1 In accordance with Article 61, and 165 of the 2003 Constitution of Rwanda as revised to date, the PFM institutional framework of the GoR comprises of:

a. **Legislature/Parliament** - The Constitution establishes a bi-cameral parliament comprising the Chamber of the Deputies (Deputies) and the Senate (Senators) to carry out legislative and oversight function by debating and passing laws. It also legislates and exercises control over the Executive.

Specifically and in the context of PFM, the Chamber of Deputies is responsible for:

- i) Considering the relevance of the State finance bill and adopts the State finance law; Receiving;
- ii) Approving external borrowings by the central Government as well as setting limits or ceilings of such borrowings; and
- iii) Through the Public Accounts Committee, examining financial misconduct within public institutions and report cases of misuse of public funds for appropriate action.

In the context of PFM, the Senate is vested with the authority to:

- i) Vote the Organic Law on State Finances and Property and other Organic Laws

elect/Elect the President;

- ii) Approve appointments of Vice-President and judges of the Supreme Court, the Prosecutor General and Deputy ; Chairpersons, members of National Commissions, the Ombudsman, the Auditor General of State Finances, Ambassadors and representatives to international organizations etc; and
- iii) Express the opinion on the State Finance Bill before the adoption of State budget by the Chamber of Deputies; Approve.

b. **The Executive** - Article 97 of the Constitution vests all executive power on the President and the Cabinet. The Cabinet is accountable to both the President and Parliament in accordance with the Constitution. The Cabinet, through the Minister retains the overall financial accountability.

Article 162 of the Constitution gives broad guidelines for determination of State finances. Article 35 of Organic Law on State Finances and Property stipulates that, every financial year and before the commencement of the session devoted to the examination of the Budget, the Cabinet, through the Minister, prepares and presents to Parliament the budget estimates and finance bill. The Minister also submits the financial report for the previous financial year, which is accompanied with the Auditor General's audit report. The Cabinet also submits the budget execution report for the first semester of the current year.

c. **The Judiciary** - The Constitution establishes the Judiciary and provides that the Judicial authority is vested in the Judiciary composed of ordinary Courts and specialised Courts. Courts consist of ordinary and specialised Courts.

Ordinary Courts are comprised of the Supreme Court, the High Court, Intermedi-

ate Courts and Primary Courts. Specialised Courts are comprised of Commercial Courts and Military Courts.

- d. **The Office of the Ombudsman** - the Ombudsman as an independent public institution to carry out the following responsibilities: a) to act as a link between the citizen and public and private institutions; to prevent and fight against injustice, corruption and other related offences in public and private administration; b) to receive and examine complaints from individuals and independent associations against the acts of public officials or organs, and private institutions and to mobilize these officials and institutions in order to find solutions to such complaints if they are well founded; c) to receive declaration of assets of the President of the Republic, the President of the Senate, the Speaker of the Chamber of Deputies, the President of the Supreme Court, the Prime Minister; other members of the Cabinet and other public officers entrusted with the management of state finances and property.

- e. **Office of the Auditor General** - Under Article 165 of the Constitution provides for the Office of Auditor General and to complete the accountability cycle, the article 166 of the constitution requires the Auditor General to submit an annual audited financial report to Parliament. The audit report indicates the manner in which the budget was utilized, unnecessary expenses which were incurred or expenses which were contrary to the law and whether there was misappropriation or general misuse of public funds. Parliament reviews, debates and provides oversight function on the executive.

The Auditor General submits a copy of the report to the President of the Republic, Cabinet, the President of the Supreme Court and the Prosecutor General of the Republic. The Parliament, after receiving the report of the Auditor General referred to in this article, examines the report and takes appropriate decisions within six months.

3 Accounting Policies

3.1 Introduction

3.1.1 In general, there are two alternative bases of accounting;

- (i) Cash basis of accounting; and
- (ii) Accrual basis of accounting.

3.1.2 The cash basis of accounting is an accounting methodology under which transactions and events are recognized in the books of accounts only when cash and cash equivalents is received or paid by the entity. Therefore, the transactions and events are recorded in the books of accounts in the period in which the associated cash flows occur.

3.1.3 Cash is defined as the cash on hand, cash at bank and demand deposits. Whereas cash equivalents is defined as short term, highly liquid investments (with maturities of less than three months from the date of purchase) that are readily convertible to known amounts of cash and which are not subject to a significant risk of change in value.

3.1.4 The accrual basis of accounting is an accounting methodology under which transactions and other events are recognized in the books of accounts when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transaction and events are recorded in the books of accounts and recognized in the financial statements of the period to which they relate.

3.1.5 The following table shows a summary of differences between the two accounting bases:

Ref	Criteria	Cash Basis of Accounting	Accrual Basis of Accounting
1	Recognition - revenue	Recognized when received	Recognized when earned
2	Recognition - expenses	Recognized when paid	Recognized when incurred
3	Time of recording	Transaction recorded at time associated cash inflows or outflow happens	Transactions and events matched with period of occurrence
4	Treatment of Non – Current Assets	Acquisition and disposal of assets is treated as a payment and receipt respectively	Only consumption of assets is expensed with the value of the asset recognized in the statement of financial position
5	Treatment of inventories	Expensed at the time of purchase	Recognized as current assets and expensed upon issuance for consumption

Ref	Criteria	Cash Basis of Accounting	Accrual Basis of Accounting
6	Treatment of public debt	Recognised as revenue at time of receipt and expensed at the time of payment	Recognized as liability at the time of receipt which is extinguished at the time of payment
7	Treatment of public debt interest	Expensed at the time of payment	Recognized when incurred
8	Treatment of prepayments	Expensed at the time of prepayment	Accrued as receivables at the time of prepayment and expensed when the actual goods or services are consumed
9	Treatment of liabilities	Not recognized	Recognized in the statement of financial position or notes in case of contingent liabilities
10	Treatment of employee benefits	Expensed at the time of payment	Accrued for at the period service is consumed.
11	International Accounting standards	Applies IPSAS cash basis	Applies IPSAS accrual and IFRS

3.1.6 In between the bases of accounting described in paragraphs 3.1.2 - 3.1.5 above, are the following modified bases of accounting:

- (a) Modified Cash basis of accounting; and
- (b) Modified Accrual basis of accounting

3.1.7 **Under the “modified cash basis”**, the main basis of accounting is cash i.e. for all intents and purposes economic transactions of a reporting entity are measured, recorded, and reported on the basis of cash, with a few exceptions to the general rule, where certain economic events are identified, measured, recorded and reported on, not strictly on receipt or payment of cash, but are “accrued”.

3.1.8 Conversely where the main basis of recognizing, measuring, recording and report-

ing on economic events and transactions is the “accrual basis” but the reporting entity has allowed a few exceptions to the general rule, for example certain of its expenses and or income are only recognized on cash payment (cash outflow) or receipt of cash (cash inflow), then the basis of accounting is referred to as “modified accrual basis”.

3.2 Basis of accounting and specific accounting policies

3.2.1 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.

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

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

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

3.2.3 Paragraph 3.2.2 notwithstanding and for the avoidance of doubt, the following table provides a summary of the recognition point and accounting basis for the treatment of various transactions of government;

Ref	Transaction scenario	Basis of Accounting	Recognition point.
1.	Exchange revenue transactions; a) Property Income; b) Sales of goods and services; c) Sale of property.	Accrual Basis of Accounting	Recognized when bills/invoices are issued.
2.	Loan receipts – Public entities.	Accrual basis	Accrued at the time of receipt.
3.	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 of the State.	Cash basis	Recognized as revenue at the time of receipt.
4.	Payments received in advance in respect of exchange revenue transactions	Accrual basis	Accrue as an accounts payable if condition is attached and recognise as revenue when condition is fulfilled. In this case, amount is refunded if condition is not met. It should however be noted that, where no condition exists to refund any amount paid e.g. a contractual amount of rent to be paid in advance, the amount paid should be recognised as revenue upon receipt.
5.	Non-exchange revenue transactions – Tax revenue	Cash Basis of Accounting	Recognised when revenue is collected by the Rwanda Revenue Authority and at the point where a tax remittance notification is obtained (see also paragraph 7.4.4).

Ref	Transaction scenario	Basis of Accounting	Recognition point.
6.	Non exchange revenue transactions; a) Grants, Transfers, Gifts and Donations; b) Fines, penalties, and forfeits.	Cash Basis of Accounting	Recognised when documentary evidence is obtained for the remittance e.g receipts and a remittance advice or notification. Date of advice to constitute value date of the transaction.
7.	Payroll costs	Accrual basis	Recognized upon approval of the payroll.
8.	Expenditure on goods, services and works	Accrual basis	Recognized upon acknowledgement of receipt of goods, services and work done.
9.	Treatment of advance payments/pre-paid expenditure/prepayments to suppliers	Accrual basis	Accrued as receivables at the time of advance payment if payment is to be recovered from future invoices. Payment to be expensed if it is contractual or part of a payment milestone. Public entities paying expenses covering more than one fiscal year shall continue to expense the total amount paid until such time the relevant IPSAS will be complied to when expenses not yet consumed will be apportioned and treated as an asset (prepaid).
10.	"Off-payroll" employee expenses e.g. mission allowances	Accrual basis	Recognise upon approval of commitment.
11.	Annual performance based bonus	Accrual basis	The amount is determined after staff performance evaluation following the end of the financial year and is usually paid

Ref	Transaction scenario	Basis of Accounting	Recognition point.
			during the period August – December. Transaction will be recognised when the staff performance has been completed and payable bonus has been calculated.
12.	Compensation payments	Accrual basis	Approval of commitments.
13.	Payment of membership fees	cash basis	Recognise upon affecting the payment. i.e. on approval of payment instruction.
14.	Imprest advances	Accrual basis	Accrued as receivables at the time of advance and expensed when advance is accounted for upon consumption of goods, services and work done.
15.	Grants, Subsidies and Social Assistance payments	Accrual basis	Recognise upon approval of payment vouchers/ payment orders.
16.	Payments in respect of transfers	Cash Basis	Recognise upon effecting payment i.e. on approval of payment instruction.
17.	Loan repayments and interest costs – public entities	Accrual basis	Recognise when due. i.e at the time requisition to pay/commitment is approved.
18.	Repayments of 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	Cash basis	Recognise as expense at the time of payment.
19.	Student loans	Cash basis	Recognise as expense at the time of payment and revenue when the students make repayments.

Ref	Transaction scenario	Basis of Accounting	Recognition point.
20.	On-lending where Government entities borrow and then lend the proceeds from borrowing to other entities affiliated to Government with the intention of repaying at a specified interest rate.	Accrual basis Cash basis	Recognise as a receivable at the time of payment in case entities other than the ministry. On-lending involving the ministry will be accounted for on a cash basis and directly recorded as an expense. The ministry shall maintain appropriate memorandum accounts to track the status of the loans.
21.	Acquisition of investments by public entities	Accrual basis	Recognise as a non current asset at the point of payment/consideration

3.2.4 No public entities shall make provisions for diminishing or extinction of value of accounts receivables or payables. Rather, an adjustment is made to recognize the diminishing of value and writing off is made for extinction of accounts receivables and payables.

3.2.5 Depreciation/impairment of assets and revaluations will not be recognized in the financial statements. This will be recorded in the fixed asset register in accordance with the procedures under chapter 14 of this manual.

3.2.6 For purposes of paragraphs 3.2.1 and 3.2.2, public entities shall maintain memorandum records and shall disclose in their financial statements information relating to student loans, fixed assets, investments, inventories, public debt, and asset and liabilities written off/back and guarantees and contingent liabilities in a format prescribed by the Accountant General.

3.2.7 In line with the provisions of paragraph 10.2.1 of this manual, public entities shall recognize foreign currency receipts/revenues using the buying rate of BNR \ whereas the foreign currency payments/expenses shall be translated using the BNR selling rate of the transaction day. The associated exchange gains should be recognized as recurrent revenue while exchange losses are recognized as expense.

3.2.8 Entities shall translate at the reporting date book balances relating to current assets (such as bank and cash and accounts receivable) and liabilities (such as accounts payable), denominated in foreign currencies into the Rwanda Franc at the BNR average rate of exchange at the reporting date. The associated translation gain should be recognized as recurrent revenue while exchange losses are recognized as expense.

3.3 Accounting principles

3.3.1 Pursuant to Article 99 of the Financial Regulations 2016, public entities are required to apply generally accepted accounting principles. This is to ensure that the process of preparing accounts follows principles of recognition, measurement, presentation and disclosure that are coherent.

3.3.2 Transactions or events to be recognized in the public entity's financial statements must be either asset, liability, revenue, expense or reserves and must be measured reliably.

3.3.3 The measurement base to be applied in the preparation of financial statements shall be historical cost unless otherwise stated. The historical cost is the amount of cash or cash equivalent paid or received or fair value of any other consideration given or received in relation to an asset, liability, revenue, expenditure or reserves.

3.3.4 Financial statements will be prepared on a going concern basis, stated in Rwandan Francs (Frw) and presented in a manner that will ensure:

- *Consistency of presentation* - The presentation and classification of items in the financial statements must be consistent from one period to another unless otherwise required by a significant change in the nature of the entity's operations or a change in one or more of the accounting standards.
- *Materiality and aggregation* - Each material category of items in the financial statements must be presented separately in accordance with instructions issued by Accountant General. Aggregating items of a different nature or function is permitted only if immaterial and with the concurrence of the Accountant General.
- *Offsetting* - Assets and liabilities, and

revenue and expenses, shall not be offset.

- *Comparative information* - Comparative prior period information must be presented for all amounts shown in the financial statements and notes to the extent relevant for understanding of the current period's financial statements.

3.3.5 Notwithstanding paragraph 3.2.3, entities shall disclose additional information to the financial statements which are not presented on the face and notes of the financial statement but is necessary for a fair presentation of the entity assets, liabilities, revenues and expenditure. Such information will include the basis of the preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events as well as explanatory notes to the financial statements.

3.4 Accounting standards

3.4.1 Article 99 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations requires Central Government and decentralized entities to follow the International Public Sector Accounting Standards (IPSAS) and Public institutions to follow the International Financial Reporting Standards (IFRS), unless prescribed otherwise by the Minister upon advice by the Accountant General.

3.4.2 Further, Article 99 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations provides for the Accountant General to issue regular guidance to enable progressive compliance to these standards through revisions to the reporting templates or through regular circulars.

3.4.3 Pursuant to paragraphs 3.4.1 and 3.4.2 above, the accounting policies and principles prescribed in sections 3.2 and 3.3 of this manual shall be followed in the preparation of the

financial statements of public entities and shall be modified progressively through circulars issued by the Accountant General in the implementation of the roadmap adopted by the Government to move to the full accrual basis of IPSAS.

3.4.4 For purposes of paragraphs 3.4.1 and 3.4.3, and in accordance with Article 62 of the Organic Law on State Finances and Property, the Accountant General shall prepare for the approval of the Minister, a roadmap for the implementation of the full accrual basis IPSAS.

4 Planning and Budgeting

4.1 Introduction

4.1.1 In general, the PFM cycle starts with the planning process. Planning entails identification and prioritization of programmes, projects and activities to achieve optimum balance of needs with the available resources. The planning function is coordinated by the National Development Planning & Research (NDPR) Department of MINECOFIN. The department is also responsible for ensuring that the planning function in both central and local Government is aligned to national priorities, and informs the budgeting process. The department is also in charge of monitoring and evaluation to assess achievement of National long and medium term targets. In turn, Ministries, Districts and Agencies have planning departments or planning officers that closely collaborate with NDPR to execute the planning related mandate.

4.1.2 Budgeting goes hand in hand with the planning process and deals with turning qualitative and quantitative plans in monetary terms. Budgeting quantifies the prioritized programmes within a definite time period and shows the government plan to mobilize revenues and how it intends to spend in accordance with objectives, needs and priorities. The budget process shall be coordinated by the National Budget Department at MINECOFIN and all the budget related documents are posted at the ministry website <http://www.minecofin.gov.rw/ministry>.

4.1.3 Detailed national planning, budgeting and MTEF guidelines shall be issued and/or updated accordingly by MINECOFIN as part of this manual to supplement the financial policies and procedures prescribed under this chapter.

4.2 Key planning tools

4.2.1 The hierarchy of planning instruments ranges from the longer term VISION 2020 (or subsequent Vision 2050) to the medium term (National Strategy for Transformation, NST-1). These planning instruments can be summarized as below:

- a. **VISION 2020¹** - sets the longer term perspective and objectives for Rwanda and therefore represents the overarching framework for all Government activities.
- b. **National Strategy for transformation, (NST-1)/ Government 7-year programme** - This translates the vision into medium term strategic interventions. The document is based on in-depth participatory poverty assessments and growth trajectories crafted from broad consultation of a wide range of stakeholders including citizens, civil society, and private sector and development partners among others. The NST-1 coincides with the Government 7-year programme and provides key highlights and priorities to be implemented by a new Government for a 7-year period upon its election.
- c. **Sector Strategic Plans (SSPs)** - A key planning document, the Sector Strategic Plan, spells out the broad orientations for the sector based on national documents such as Vision 2020/2050 and NST-1. Both the NST-1 and the Sector Strategic Plans define the medium term objectives and priorities of the Government at national and sector level respectively. They also define performance

¹ The subsequent Vision 2050 is under elaboration with a blue print already endorsed in the Umushyikirano of 2016.

indicators to measure the results achieved. They cover both recurrent and development expenditures, and cover all sources of revenue: donor projects, agencies' own revenues and resources at the Treasury.

d. **District Development Strategies (DDS)**

District Development Strategies are the districts' medium term plans/strategies. They make the link between local priorities and national priorities as outlined in the NST-1 and sector strategies. District Development Strategies and Sector Strategic Plans have the same timeline with the country's medium term strategy.

That is, they provide the context in which the MTEF is updated every year and the Annual Budget prepared. Based on these, Annual Action Plans, performance contracts (Imihigo), unit level work plans and individual actions plans should be produced.

e. **The Medium Term Expenditure Framework (MTEF)**

- The Medium Term Expenditure Framework (MTEF) is the key instrument linking planning and budgeting. Its objective is to ensure the National Budget is an efficient and relevant tool to implement the plans and reach the objectives as defined in the NST-1, sector strategies, and district development strategies. The MTEF process has the effect of enhancing quality of macroeconomic planning and budget ceiling formulation, the improved budget preparation process and negotiations between Ministry of Finance and Economic Planning and public entities based on enhanced budget submissions, and efforts to enhance the quality of medium term revenue forecasting (both domestic and external).

f. **Strategic Issues Papers (SIPs)**

- Strategic Issues Papers (SIPs) are prepared by public entities and give background and justification to ministries' priorities. They summa-

rize the main current policy issues, focusing especially on what the priority areas should be. This is important in helping planning and budgeting to be more of a strategic than historical process.

g. **Annual Action Plans/Single Action Plans**

- The Annual Action Plans or Single Action Plans (SAPs) are prepared annually by all public entities. They identify activities to be carried out each year by the public entities. The action plans inform the budgeting process and are finalized and adopted in order to ensure that they are in line with the MTEF and the National Budget - as adopted by Parliament. Performance in implementation of the N-1 annual action plans is assessed during the Leadership Retreat that takes place each year at the beginning of the budget cycle

h. **Performance contracts (Imihigo)**

- Since 2006, each year districts, and from 2009 onwards Ministries, define a Performance Contract (imihigo) signed with the President of the Republic, which outlines the key targets and objectives of the district/Ministry for the year to come. These are structured in two broad categories i.e. Joint Imihigo for select transformational priority areas bringing on board Ministries, Districts and Private Sector as well as individual imihigo (Ministry and Districts Imihigo).

i. **Budget outlook paper**

-The elaboration of medium fiscal framework and provides the background and parameters forming the basis for the allocative process and the detailed budget. It links annual fiscal and budget policy to long-term national strategic objectives as well as sector priorities agreed upon during the planning consultations by reviewing recent performance against the objectives and proposing a forward fiscal strategy. It discusses recent macro-economic development and provides the government's assessment for the forward

economic outlook. It provides a projection of expected fiscal outturns for the current fiscal year including revenue outturns realization of grants expenditures performance and financing as well as progress in major public sector structural reforms. It provides a framework for sectoral budget allocation decision making by discussing the medium term fiscal strategy including policy objectives and targets. Through the budget outlook paper, the Cabinet approves domestic revenue, grants and expenditures forecasts as well as indicative sectoral budget allocation that will form the basis for initial budget ceilings to be issued in the second budget call circular.

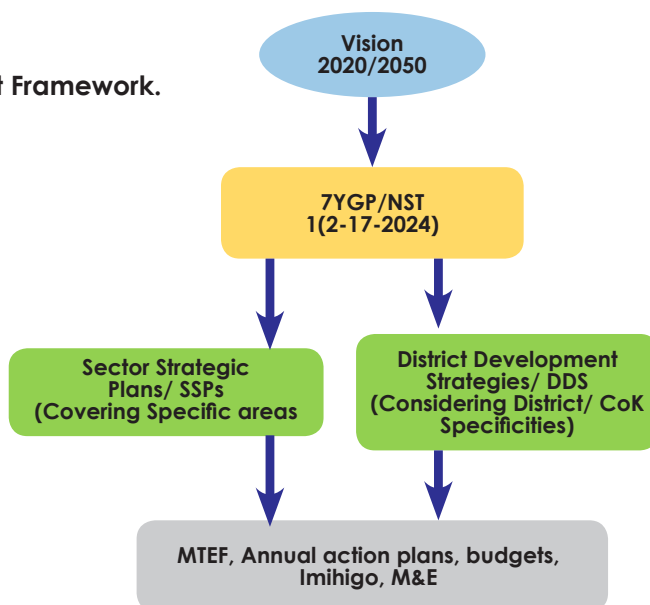
- j. **The Budget Framework Paper (BFP)** - The Budget Framework Paper (BFP) plays a crucial role in linking planning and budgeting as it sets out the Government's me-

dium-term strategic thinking. While the budget outlook paper is prepared to update the Cabinet on economic environment to set the basis for resource and expenditure projections as well as proposed sectoral allocations, the budget framework paper is prepared to give advance information to parliament on the budget preparation process and proposed revenue and expenditure estimated for their scrutiny and comments. Comments and recommendations from the parliament form the basis for preparation of the draft finance law.

- k. **Annual budget** - A budget is a financial plan of how the government intends to mobilize and allocate the resources to achieve objectives set in a given year.

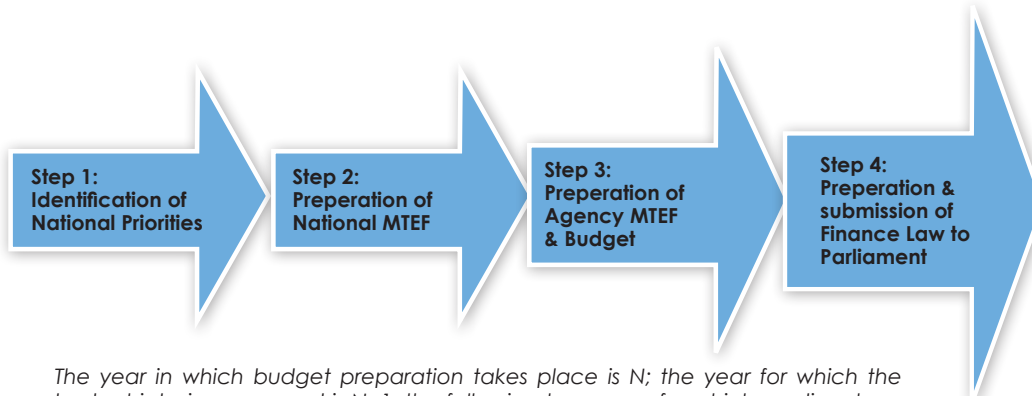
4.2.2 The linkage and hierarchy between these different planning instruments is demonstrated in the diagram below relating to the National Development Planning Framework:

Figure 3: National Development Framework.



4.3 Key steps in planning and budget preparation

4.3.1 Planning and budgeting involves 4 key steps as summarized in the diagram below:



The year in which budget preparation takes place is N; the year for which the budget is being prepared is N+1; the following two years, for which medium term expenditures are projected, are N+2 and N+3.

Step 1: Identification of National priorities

4.3.2 At the national level, the first step in budget planning and preparation is the forecasting of Government revenues and expenditures in the country's macroeconomic framework, together with the determination of the national priorities of Government as expressed in its NST1/ 7YGP and other national planning tools (National Umushyikirano Council & Leadership retreat recommendations, Presidential pledges, global development goals e.g. SDGs among others). This phase constitutes the review period where the previous year's performance is assessed and national priorities

are set for the coming year. It also includes joint sector reviews with development partners. It is at this point that Development Partners make firm commitments for the coming year.

4.3.3 After the issue of the first planning and budget call circular (PBCC) which launches the planning period, ministries, agencies and districts prepare their plans based on the identified priorities from different forums. The plans are submitted to the Ministry of Finance and Economic Planning for analysis and quality assurance to inform the planning consultations.

4.3.4 The activities involved are as follows:

Ref	Level	Activity
1	National (MINECOFIN)	Macroeconomic Review & medium term projections; NST1/7YGP annual progress report
2	Sectors	Joint sector reviews; Report on annual action plan & budget execution; Reports on ministries' Imihigo.
3	Districts	Report on Imihigo; Joint District review.

Ref	Level	Activity
4	Development Partners	Joint budget support & PFM review; Proceeding this, DPs make tentative commitments for the following year.
5.	Cabinet/Parliament	Government retreat where national priorities of the coming year are decided.

Step 2: Preparation of the National MTEF

4.3.5 The second step is the allocation of forecasted expenditures in the broad expenditure categories based on national priorities and consistent with the macroeconomic framework. The expenditures estimates by broad category of expenditure will further be developed to form sector allocation and agency indicative budget ceiling to be issued with the second budget call circular as guiding spending limits for agency budget submission. The forecasts of these allocations for the budget year under preparation (N+1) and the following two years (N+2 and N+3) constitute the national Medium Term Expenditure Framework (MTEF).

4.3.6 Preparing the national MTEF is the responsibility of the National Budget Department of MINECOFIN while the Macroeconomic Framework for the medium term is determined by the Office of the Chief Economist in MINECOFIN. The Macroeconomic Framework incorporates the tentative donor commitments for both budget support and project support.

Step 3: Preparation of Agency budget and MTEF

4.3.7 At this step, public entities in line with the priorities agreed upon during the planning consultations and within the indicative budget ceilings received in the second budget call circular, plan their expenditure allocations to programmes and sub-programmes in the MTEF for submission to MINECOFIN.

4.3.8 Public entities exercise budget discipline by preparing budget proposal and forecasts within the communicated budget envelopes and in line with guidance and standards set by MINECOFIN to ensure proper budget execution and reporting. The expenditure estimates are submitted and analyzed by National Budget Department in collaboration with the National Planning and Research Department to ensure alignment with the agreed priorities and compliance with the standards and inform budget consultations.

The PBCCs are issued as follows:

4.3.8.1 *The First Planning and Budget Call Circular*

The planning and budget preparation process is triggered by the issuance of the First Planning and Budget Call Circular (PBCC). The PBCC is issued in accordance with Article 26 of the Organic Law on state finances and property and Article 17 of Ministerial Order No. 001/16/10/TC of 26th/01/2016 relating to financial regulations; Ministerial Order No 001/16/10/TC of 2016, and provides information to guide the Chief Budget Managers in the preparation of the budget.

The 1st PBCC is issued for both Central Government and Local Government between September and October and is not intended to seek budget submissions from public entities but is rather aimed at giving advance information to facilitate timely coordination and effective planning within the sectors to allow formulation of policy based budgets within individual public entities at a later stage.

The 1st PBCC is aimed at inducing discussions at the sector level on priority activities to be funded through the Government budget for the following financial year. These priorities should be reflected in joint sector review reports and initial plans submitted before planning consultations. The first PBCC also calls for submission of project proposals from sector ministries and districts for analysis before the Public Investment Committee and in case of the districts, the Local Government Project Advisory Committee, can take a decision on whether the projects can get funding from the budget or not. These should thereafter be the basis for submission of the budget requests in response to the 2nd BCC, normally issued between January and early February.

4.3.8.2 The Second Budget Call Circular

The second Budget Call Circular (BCC) is normally issued between January and early February requiring public entities to prepare detailed budget submissions for the following financial year.

The second BCC includes:

- a. The total indicative resource envelope derived from the macro-fiscal framework consistent with the broad policy objectives. The indicative ceilings are issued at high level at line ministries, provinces and other high level Government institutions. This is to allow coordination and prioritization of activities at the high level of Government programmes. The parent institutions (Ministries and other high level institutions) that have been allocated ceilings are required to immediately undertake consultative process with all affiliated agencies to agree on individual agency ceilings that shall be the basis for the detailed budget estimates to be entered in the budget system (IFMIS).
- b. Budget submission formats (Annexes) are to be submitted by each public entity to assist in preparation of the Finance Law.

Step 4 (A): Preparation and submission of Finance Law to Parliament

4.3.9 In order to meet the constitutional obligation as outlined in Article 162 of the Constitution of Republic of Rwanda, that require the Minister to submit the draft budget estimates and MTEF to parliament before commencement of the budget session, the draft estimates of Public entities should reach MINECOFIN within the deadline set in the 2nd BCC This gives NBD time to analyze the budgets and conduct budget consultations with all Sector Ministries.

4.3.10 The detailed draft budgets estimates from individual agencies is consolidated by MINECOFIN for submission along with the Budget Framework Paper (BFP) and its annexes. The BFP sets out the macroeconomic context of the draft budget as well as the key policy choices underlying the proposed resource allocation. The BFP is first discussed by the Cabinet and recommendations are incorporated before submission to Parliament.

4.3.11 In accordance with article 162 of the Constitution of the Republic of Rwanda of June 4, 2003 amended in 2015, the Cabinet shall submit the draft budget to the Chamber of Deputies before the beginning of the budget session. This is further elaborated in Article 40 of the Organic law on State Finances and Property. To this effect, the Minister presents the BFP and draft budget estimates to Parliament not later than the 30th day of April.

4.3.12 The Parliamentary Committee on Budget and State Property in collaboration with other sectoral committees scrutinizes the BFP and the draft budget estimates and submits a report to plenary containing recommendations to the Executive for improvement of the BFP and draft budget estimates. This report is normally submitted before the end of May and becomes the basis for revising the BFP and preparing the draft Finance Law.

4.3.13 After the approval of the draft finance law by Cabinet around the first week of June, the draft finance law is submitted to Parliament and is officially laid before the Parliament by the Minister during the second week of June in line with the EAC budget reading calendar. The budget is ordinarily voted and approved by Parliament before commencement of the next fiscal year.

Step 4 (B): Preparation and approval of Local Government Budgets

4.3.14 The process of budget preparation for the decentralized entities is the same as that of the central government and follows the same calendar with the only difference that the budgets of the decentralized entities are approved by the district councils.

4.3.15 The Fiscal Decentralization Division under National Budget Department in MINECOFIN acts as the bridging unit between the districts and national budget cycle.

4.3.16 Between July and September, the preparation of the budget execution report and performance reviews of last year budget is prepared by the district and discussed in the joint action development forums (JADFs) with the district partners. Once priorities are agreed, the annual action plan and SIPs are prepared and submitted to the District Council for consideration and approval.

4.3.17 Once the draft budget of local administrative entities has been approved by Councils, they shall make it public and publish it on the district website.

Step 4 (C): Budget revision

4.3.18 Article 41 of the Organic Law and Article 20 of the Ministerial Order No. 001/16/10/TC of 26th/01/2016 relating to financial regulations provides for revision of budget after six months of implementation. The proposed changes shall be consistent with the approved

medium-term strategies and budget framework; and if they are different from the approved budget framework, the reasons thereof shall be notified to the Parliament or to the local Council of such an entity.

4.3.19 Accordingly, the Chief Budget Managers are required to monitor closely the implementation of their budget by keeping a close eye on issues that might require revision after six months of implementing the budget. These should be the issues that cannot be handled through budget re-allocation like information on project funds that has just been communicated by the donor, under-spending of a project that might require some adjustment in the procurement plan and thus budget revision etc.

4.4 Planning and budgeting calendar

4.4.1 The annual planning and budgeting process can roughly be divided into three consecutive phases: national priority setting (months 1-4), strategic planning (MTEF) (months 4-8), and development of the National Finance Law (months 9-12). Simultaneously, during the whole year, a budget is being executed with regular in year reporting.

The following is an indicative planning and budget calendar. The dates and timing of the main activities are updated and communicated within the budget call circular every fiscal year:

Indicative planning and budget calendar

TIMEFRAME	WEEK	MINECOFIN	LINE MINISTRIES	DISTRICTS
SEPTEMBER	4 th	Training on entering IMIHIGO in Monitoring & Tracking System-Dashboard (MTS)	IMIHIGO Data entry in MTS-Dashboard Preparation of Quarter one Imihigo implementation Report for the current fiscal year	IMIHIGO Data entry in MTS-Dashboard Preparation of Quarter one Imihigo implementation Report for the current fiscal year
		Drafting of the ToRs for the Backward JSRs for the prior year		
OCTOBER	1 st & 2 nd	Issue the Backward looking JSRs TORs for the prior year	Organize JSR preparatory meetings	Dissemination of the budget year First Planning & Budget Call Circular to below Districts entities
		Issue the budget year First Planning & Budget Call Circular	Dissemination of the budget year First Planning & Budget Call Circular to Agencies Developing internal planning roadmaps, review, identification of needs and Emerging Priorities	Developing internal planning roadmaps, review, identification of needs and Emerging Priorities
	3 rd & 4 th	Training of MDAs on planning and budget requirements for the budget year including Training on IFMIS Planning module and Data entry in IFMIS	Participate in the Training of MDAs on planning and budget requirements for the budget year including Training on Data entry in IFMIS	Participate in the trainings of planners and budget officers requirements for the budget year including Training on Data entry in IFMIS

TIMEFRAME	WEEK	MINECOFIN	LINE MINISTRIES	DISTRICTS
		Provide technical support in preparation of backward looking JSRs to sectors for the prior year Provide technical support to Ministries in drafting of plans and inter sectoral consultations Provide technical support & quality assurance of JSR Reports	Ministries' and Agency consultations on plans and investments Elaboration of the budget year plans and investments Submission of Quarter one Imihigo implementation Report for FY current fiscal year Central and Local government Consultative meetings coordinated by MINALOC/ LODA Conduct Backward Joint sector reviews for prior year and submit reports to MINECOFIN for feedback Incorporate feedback on JSR reports and submit final signed reports to MINECOFIN	Preparation of PPDs, OPAFs forms and Projects Selection Submission of Quarter one Imihigo implementation Report for current fiscal year Central and Local government Consultative meetings coordinated by MINALOC/ LODA
NOVEMBER	1 st	Coordinate inter Sectoral Consultations and including Districts with LODA	Inter Sectoral Consultations including Districts Consultations with the Private Sector on plans and investments	

TIMEFRAME	WEEK	MINECOFIN	LINE MINISTRIES	DISTRICTS
		Quality assurance of submissions from Ministries and Districts (First Draft Ministries' plans, PPDs and OPAFs)	First Draft Ministries' plans submitted to MINECOFIN for Quality assurance	First Draft Districts' plans, PPDs and OPAFs forms submitted to the joint planning team of MINALOC & MINECOFIN for quality assurance through LODA
		Coordinate a Joint Planning session between central and local Government including Infrastructure needs discussions	Joint Planning session between central and local Government including Infrastructure needs discussions	Joint Planning session between central and local Government including Infrastructure needs discussions
		Quality assurance of submissions from Ministries and Districts	Adjust Plans and Investments with reference to outcomes from joint planning session btn CG & LG including Infrastructure needs Submission of the Second Draft Ministries and Districts' plans, PPDs and OPAFs	Adjust Plans and Investments with reference to outcomes from joint planning session btn CG & LG including Infrastructure needs Submit the updated plans to the joint team through LODA
DECEMBER	1 st & 2 nd	Continue Quality assurance of submissions from Ministries and Districts		
		Preparation for National Dialogue	Preparation for National Dialogue	Preparation for National Dialogue
		National Dialogue	National Dialogue	National Dialogue

TIMEFRAME	WEEK	MINECOFIN	LINE MINISTRIES	DISTRICTS
		Joint Planning session between central and local Government Including Infrastructure needs discussions	Joint Planning session between central and local Government Including Infrastructure needs discussions	Joint Planning session between central and local Government Including Infrastructure needs discussions
	3 rd & 4 th	Support Ministries, Agencies, and Districts in Budget Revision	Budget Revision Submission of Revised Plans incorporating MINECOFIN Feedback	Budget Revision
JANUARY	1 st & 2 nd	Analyze sector Reports on performance against big priority outputs in the current fiscal year budgets	Prepare for Planning consultations for the budget year	Submission of Quarter two Imihigo implementation Report for current fiscal year
	2 nd	Planning consultations	Planning consultations	
		Support Ministries to adjust Plans	Incorporate planning consultations recommendations in the plans Submission of Quarter two Imihigo implementation Report for the current fiscal year	
	3 rd	Preparation for Public Investment Committee (PIC)	Preparation for Public Investment Committee (PIC)	Joint consultative forum on LG Projects Update PPDs, OPAF forms for submission to MINECOFIN

TIMEFRAME	WEEK	MINECOFIN	LINE MINISTRIES	DISTRICTS
FEBRUARY		Public Investment Committee (PIC) to agree on projects to be funded in 2017/18 and the LG Project Advisory Committee	Public Investment Committee (PIC) to agree on projects to be funded in 2017/18 with MINECOFIN	LG Project Advisory Committee to approve projects
		Preparation of summary plans for submission to Cabinet	Adjust Plans and Investments with reference to PIC Recommendations	Adjust Plans and Investments with reference to feedback from consultative forum
		Submission of summary plans and Budget outlook paper to Cabinet		
	4th	Issuance of the 2nd Budget Year Planning and Budget Call Circular	Dissemination of the 2nd budget year Planning and Budget Call Circular	Dissemination of 2nd BCC to below Districts entities
	1 st & 2 nd	Support Ministries, Agencies and Districts in Data Entry in Smart IFMIS	Preparation of Budget proposals including earmarked transfers to districts	Preparation of Budget proposals finalising the MTEF, LPP and approval
		Analyzing draft submissions of Budget and MTEF and quality	Budget submissions in Smart IFMIS	Data Entry Into Smart IFMIS
	3 rd & 4 th	Budget Consultation Meetings with Agencies on Budget Priorities and Resource Allocations	Budget consultations	Submission of Budget proposals and MTEF
MARCH	1 st & 2 nd	Support adjustments according to budget consultations recommendations	Adjust budget as per budget consultations recommendations	Adjust budget as per budget consultations recommendations
			Adjustment of submissions based on budget consultation resolutions and Preparation of first draft IMHIGO	Preparation of first draft IMHIGO for the budget year

TIMEFRAME	WEEK	MINECOFIN	LINE MINISTRIES	DISTRICTS
MARCH		National Leadership Retreat	National Leadership Retreat preparations	National Leadership Retreat
	3 rd & 4 th	Preparation and Submission of the Budget Framework Paper and submission to cabinet	National Leadership Retreat	
	3 rd & 4 th	Issue the Forward Looking JSR TORs for the budget year and provide Technical support to sectors	Submission of first draft IMIHIGO for the budget year Sectoral SWGs preparatory meetings organized	Submission of the first draft IMIHIGO for the budget year
		Updating the National Investment Programme (NIP)		
APRIL	1 st & 2 nd	Genocide commemoration	Genocide commemoration	Genocide commemoration
	3 rd	Submission of Draft BFP to Parliament by Cabinet Quality assurance of submitted Quarter three Imihigo implementation report for the budget year Joint Quality assurance of Draft Imihigo from Ministries & Districts (In collaboration with PMO, PRESIREP & MINALOC)	Submission of Quarter three Imihigo implementation Report for the current fiscal year Incorporate feedback and submit revised drafts of Imihigo for the budget year	Submission of Quarter three Imihigo implementation Report for the current year Incorporate feedback and submit revised drafts of Imihigo for the budget year.

TIMEFRAME	WEEK	MINECOFIN	LINE MINISTRIES	DISTRICTS
MAY	1 st & 2 nd	Quality assurance of submitted forward looking draft JSR Reports for the current fiscal year	Conduct Forward Looking Joint Sector Reviews for the budget year Incorporate feedback and submit final signed JSR reports to MINECOFIN	
	4 th	Submission of draft Finance Law to Parliament		
JUNE	1 st & 2 nd	Budget hearings in Parliament	Budget hearings in Parliament Final adjustments of budget as per Parliament recommendations	Budget hearings in Parliament Final adjustments of budget as per Parliament recommendations
		Submission of Final Draft imihigo	Produce final imihigo draft for the budget year	Produce final imihigo draft for the budget year
	3 rd & 4 th	Preparation of the Budget speech and finalization of the Finance Law		
		Preparation of the Budget speech and finalization of the Finance Law Presentation of Finance Law to the Parliament		
		Approval of Finance Law by Parliament	Approval of Finance Law by Parliament	District Council Scrutiny and Approval of Annual Budget and IMIHIGO
		Finalization/updating of Public Investment Programme (PIP)		

4.5 Budget reallocations.

4.5.1 In accordance with article 46 and 49 of the Organic Lawⁿ 12/2013/OL of 12/09/2013 on State Finances and Property, the modalities and procedures for budget allocations shall involve the following;

- i) Reallocation of funds from a sub item to another sub item within the same item and in the same program shall be allowed without any restrictions.
- ii) Reallocation of funds from one budget item to another budget item within the same broad category of expenditure shall be allowed up to the maximum of 20% of the aggregate program approved budget on the source budget item.
- iii) The reallocation of funds from one budget item to another within the same broad category of expenditure may be done as many times as necessary during the course of executing the budget. However, during the fiscal year, the cumulative amount reallocated from the source budget item shall not exceed 20% of the aggregate program approved budget on the source budget item.
- iv) The reallocation of funds between different budget lines of the same project other than lines related to government projects staff remuneration may be done as many times as necessary during the course of executing the budget without restriction. However, reallocation of funds between different projects or between budget lines funded by different donors is strictly prohibited.
- v) Any other reallocations that are contrary to the above may only be granted through a formal permission as described under paragraphs 4.5.2 and 4.5.3 below.

4.5.2 Exceptions to the provisions under paragraph 4.5.1 above for central government entities shall be as follows;

- i) Broad category of expenditure exceeding 20% of the aggregate program approved budget on the source budget item may be granted by the Minister or his/her delegate.
- ii) Reallocation between broad categories of expenditure may be granted by the Minister or his/her delegate.
- iii) Reallocation of funds between budget lines of different projects may be granted by the Minister or his/her delegate
- iv) Reallocation of funds from one public entity to another may be granted by the Minister after approval of the Cabinet and the Parliament.
- v) Reallocation of funds from Compensation of Employees budget lines to any other budget line may only be granted by the Minister after approval of the Cabinet and the Parliament.
- vi) Reallocation from any other broad Categories to compensation of employees budget line is granted by the Minister after approval of the Cabinet and the Parliament.
- vii) Reallocation of funds between budget lines funded by different funding types is strictly prohibited.
- viii) A request to reallocate funds for exceptional cases mentioned above shall be addressed to the Minister duly motivating the need for reallocation. The Director General of the National Budget shall specify the template for requesting reallocation of funds.

4.5.3 Exceptions to the provisions of paragraph 4.5.1 for decentralized entities shall be handled as follows;

Earmarked transfers

- i) Budget reallocation between budget items within same broad expenditure category in the same subprogram, funded by same earmarking institution of not more than 20% shall be allowed with no restriction. However, no reallocation of funds shall be allowed between budget lines in two subprograms funded by different earmarking institutions.
- ii) Budget reallocation between budgets items within same broad expenditure category in the same subprogram, funded by same Earmarking institution in excess of 20% shall be allowed by the Minister or his/her delegate after a written request through the earmarking institution.
- iii) Reallocation of funds between recurrent and development expenditures shall be allowed by the Minister or his/her delegate after a written request through the earmarking institution.

District own revenues

- iv) Reallocation between budget lines within same broad expenditure category funded by district own revenues shall be allowed with no restrictions within a particular subprogram. However, reallocation between two items in different subprograms funded by district own revenues shall be subject to the 20% limit.
- v) Reallocation in excess of 20% shall be granted by the District Council upon the request of the District Chief Budget Manager through the District Executive Committee;
 - a. Reallocation between broad categories of expenditures is granted by the District Council upon the request by the District Chief Budget Manager through the District Executive Committee.

- b. Reallocation of funds from or to compensation of employees budget lines funded by own revenues shall be granted by the District Council upon the request by the District Chief Budget Manager through the District Executive Committee.
- c. Reallocation of funds between development and recurrent budget funded by own revenues shall be granted by the District Council upon the request by the District Chief Budget Manager through the District Executive Committee.

Transfers from other government agencies.

- vi) Reallocation between budget lines funded by transfers from other government agencies shall be allowed with no restriction within budget lines funded by same agency. However, no reallocation of funds will be allowed between two budget lines funded by different agencies.

External Grants

- vii) Reallocation of funds between budget lines within same project funded by external grants can be done with no restrictions. However, reallocation of funds between budget lines funded by different donors is strictly prohibited.
- viii) Reallocation of funds between different projects funded by the same donor shall be allowed by the Minister upon a written request by the district through LODA.

5 Financial administration and accounting records

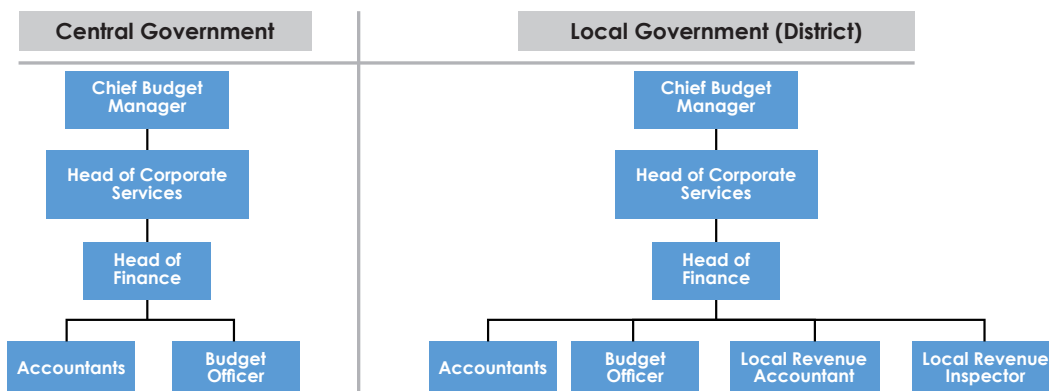
5.1 The finance department

5.1.1 Pursuant to Article 101 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the Chief Budget Manager (CBM) is responsible for maintaining a functional finance department within the entity.

5.2 Overview of the organization structure of a finance department

5.2.1 In general and subject to any alterations that might be approved by the ministry in charge of labour, a finance department within a public entity will be structured as follows:

5.2.2 The structure of the finance department



ment may vary depending on statute establishing the entity, nature, size, location, and level of complexity of operations of the entity.

5.3 Functions of the Finance Department

5.3.1 The Finance Department is a service department to other departments within the Public Entity. It shall be responsible for issues, records, stores, assets and financial system.

5.3.2 In line with Article 101 of the Ministerial Order No. 001/16/10/TC of 26/01/2016

relating to financial regulations, the functions of the Finance Department shall include:

- i. Coordinating the preparation of entity budgets;
- ii. Collecting revenue;
- iii. Revenue mobilization;
- iv. Committing expenditure;
- v. Making payments;
- vi. Cash flow Management;
- vii. Budget implementation and control;
- viii. Bookkeeping;

- ix. Follow up accounts receivables;
- x. Monthly financial reporting;
- xi. Advising the entity on financial matters;
- xii. Assets Management;
- xiii. Safe custody of financial documents, stationery and accounting records;
- xiv. Producing Financial Statements;
- xv. Facilitating Internal and statutory external audit;
- xvi. Putting in place financial and accounting internal controls; and
- xvii. Keeping supplier informed on progress of payments.

5.4 Specific functions of officers within the finance department

5.4.1 Without prejudice to the job descriptions prescribed by the appointing authority, the specific roles and responsibility of the various officers within the finance function shall include:

Ref	Function	Roles and Responsibilities
1	Chief Budget Manager	The responsibilities of the Chief Budget Manager are specified in Article 19 of Organic Law on State Finance and Property. These roles are explained as follows: • To prepare the mid-term plan, the annual action plan, and annual budget for funds provided by the public entity under his/her responsibilities; • To exercise control over the execution of the budget of the public entity under his/her responsibility, in compliance with all provisions of this Organic Law as well as regulations issued by the Minister; • To maintain accounts and records of the public entity under his/her responsibility in accordance with the financial regulations prescribed by the Minister; • To prepare and transmit reports to the Ministry as provided for in this Organic Law and in regulations issued by the Minister with a copy to the Executive head of the public entity under his/her responsibilities; • To prepare and implement cash flow plans in consultation with the Ministry; • To manage effectively, efficiently and in a transparent manner all the public funds for the public entity under his/her responsibility in accordance with relevant legal provisions;
2	Head of Corporate Services (DG Corporate Services/Division Managers) in the districts	Deputize the Chief Budget Manager and perform delegated powers in accordance with articles 18, 19, and 20 of the Organic Law N°12/2013/OL of 12/09/2013 on State Finances and Property in relation to the responsibilities of the Chief Budget Manager, and shall undertake the following duties on behalf of the chief budget manager: • Coordinating the preparation of the medium and annual plans, annual budget and the medium term expenditure framework (MTEF) for the entity in line with laws, procedures and standards in place; • Exercising control over the execution of the budget in compliance with all provisions of the Organic Law on State Finances and Property,

Ref	Function	Roles and Responsibilities
		the other instructions by the Minister and in line with the resolutions by the Technical Coordination Committee meeting; • Coordinating the preparation and implementation of the annual and quarterly cash flow plans in consultation with the Ministry of Finance; • Establishing and maintaining an effective, efficient and transparent systems of internal controls and risk management; • Signing the payment orders and other related documents on the basis of pre-approved limits; • Coordinating the implementation of the audit recommendations of the Ministry in charge of finance and Auditor General of State Finances; • Managing financial and non-financial assets of the entity and producing the required reports in accordance with laws and regulations in place; • Coordinating public financial management activities in non-budget agencies under the district by ensuring their compliance to laws and regulations in place; • Coordinate and ensure a proper management of all contracts engaging the entity until their full closure and be mindful of providing value for money as well as complying with legal procedures in force;
3	Head of Finance	The roles and responsibilities include: • Act as payment authority including signing of cheques, payment orders and EFTs; • Review and approval of financial statements and ensuring they are submitted to relevant authorities in good time; • Attending management meetings and advising management on financial matters; • Review expenditure plans

Ref	Function	Roles and Responsibilities
		• Implementation of audit recommendations; • Monitor commitments, expenditures, appropriations, accounts receivables and revenues within their departments and take corrective action where necessary; • Provide guidance on the organization and training of staff with financial responsibilities within their departments • Ensure that financial manuals, policies, instructions and circular letters are kept current and that each officer is made aware of their existence; • ensure the safekeeping of cash and other assets • Ensure effective risk management and internal controls are put in place within the finance departments of the public entity; • Performance evaluation of finance team; • Review of bank reconciliations; and • Perform other financial duties assigned by CBM;
4	Chief Accountant	Where the position exists, the roles and responsibilities include: • Attending management meetings; • Primary review of bank reconciliation statements; • Preparation of management reports; • Preparation of statutory reports; • Approval of journal vouchers; • Approval of cheques; • Supervision and performance evaluation of accountants; and • Other duties as assigned by HoF.

Ref	Function	Roles and Responsibilities
5	Accountant in charge of Budget	The roles and responsibilities include: • Committing of expenditure; • Cash flow forecasting and management; • Liaison with Planning department counterpart; • Preparing non-financial performance reports; • Preparing budget execution reports with explanations on variances; • Preparing annual budget and MTEF; • Responding to audit recommendations related to budget; and • Other duties as assigned by HoF.
6	Accountant in charge of Local Revenue,	This position is applicable for entities that collect internally generated revenue. • Performing bank reconciliations of various revenue bank accounts held by the Entity; • Follow up on revenue collections; • Implementing all the audit recommendations from related to revenue; • Recording accounting entries in the accounting system; • Preparing revenue reports; and • Other duties as assigned by HoF.
7	Accountant	The roles and responsibilities include: • Preparation of payment orders; • Preparing payment cheques; • Recording accounting entries in the accounting system; • Liaison with the banks for payment purpose, maintaining petty cash; • Implementing all the audit recommendations related to the financial statements; • Performing bank reconciliations of various payment bank accounts held by the Entity; • Preparing monthly and annual financial statements;

Ref	Function	Roles and Responsibilities
		- Carrying out period end procedures; - Review and providing feedback to Subsidiary entities and subsidiary entities; - On-the-job and formal training of Subsidiary and subsidiary entity's accountants; and - Consolidating monthly and annual financial statement reports of subsidiary entities for inclusion on district reports; and - Other duties as assigned by HoF.
8	Accountant in-charge of Local Revenue Inspection	- Keep and regularly update the database of tax payers; - Ensure tax payers pay regularly and the right rate of taxes, according to laws and regulations; - Ensure that all existing and potential tax payers are educated and updated on tax laws and regulations; - Conduct fiscal inspection of sampled local tax payers; - Produce consolidated periodical reports of revenue collection.
9	Logistics and store keeping officer	- Organize, keep records and ensure proper maintenance of fixed and non-fixed assets of the entity; - Organize periodic maintenance of buildings, equipment and other facilities; - Organize timely repair operations; - Produce an inventory of assets (buildings, equipment, etc.) requiring any particular maintenance and/or repairs; - Develop asset maintenance plans; - Follow up on and control the quality of services rendered by contracted service providers; - Budget for the (delegated) management and maintenance contracts for buildings and other equipment of the entity; - Prepare annual budget for fixed and non-fixed assets maintenance; - Follow-up the implementation of assets maintenance operations; - Make an inventory of all the entity non-financial assets;

5.5 Delegation of powers in relation to financial management by the Chief Budget Manager

5.5.1 Article 20 of the Organic Law and Article 5 of the supporting Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations empower the chief budget managers to delegate part of their powers in relation to financial management. The delegation of powers shall involve the following procedures:

- a. The chief budget manager shall notify the Minister in writing with a copy to the Executive Head of the public servant(s) to whom to delegate part of his/her powers. Such a notification shall specify the designation, rank, period of delegation for each person and any other conditions attached to such delegated powers.
- b. Upon notification of the Minister, the chief budget manager shall accordingly inform the public servant(s) in writing with copy to the Executive Head, the powers delegated and the conditions attached to the delegated powers.

5.5.2 Delegated powers must be aligned with responsibility so that those with accountability for outcomes have the means and commensurate administrative ability to act accordingly.

5.5.3 Delegated powers shall clearly explain the roles & responsibilities to prevent any confusion about who is held responsible and accountable, especially when systems, procedures and organizational structures are undergoing change.

5.5.4 Delegating shall not absolve the chief budget manager for the responsibility, he/she remains accountable. If delegated authority has been abused it should be withdrawn.

5.5.5 If a public servant acted outside the scope of, or without delegated powers, he/she will be held personally liable and that officer could be required to indemnify government for any loss incurred in relation with the decisions made without proper authority.

5.5.6 A public servant acting on delegated powers cannot sub-delegate any portion of such powers.

5.5.7 Established internal control procedures must be complied with and any deliberate non-compliance or “management override” of those controls will attract sanctions against the persons involved.

5.5.8 The chief budget manager may withdraw delegated powers in writing with a copy to the Minister, and the Executive Head.

5.5.9 For the avoidance of doubt, the delegation of powers by a Chief Budget Manager shall not apply to a public officer for responsibilities that are provided for and are explicit as part of the job description of the officer.

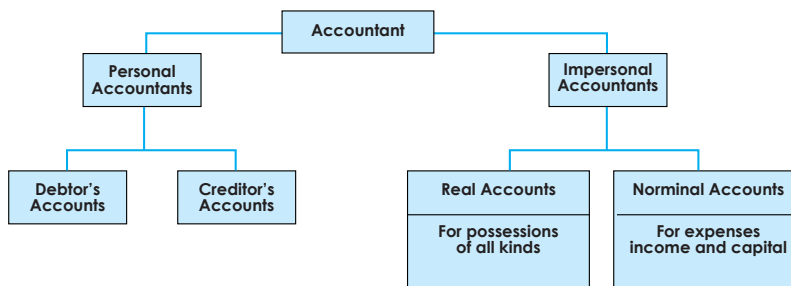
5.6 Books of accounts

5.6.1 The finance department shall maintain the necessary books of accounts to ensure that financial information is comprehensive. In keeping books of accounts, double entry concept will be applied. This entails that a financial transaction gives rise to two equal and opposite entries one debit and the other credit.

5.6.2 An account is a record in a ledger form summarizing all the transactions that have taken place to a particular event or activity to which that ledger record relates. These can be classified as Personal and Impersonal Accounts. Personal Accounts are those that relate to debtors and creditors (i.e. customers and suppliers) while Impersonal Accounts can be divided between ‘real’ accounts and ‘nominal’ accounts. Real Accounts are those in which possessions are recorded such as buildings, machinery, fixtures and stock while Nominal

Accounts are those in which expenses, income and capital are recorded. These accounts are described in figure 4 below:

Figure 4: Books of Accounts



5.6.3 Public entities should at a minimum maintain the following books of accounts in electronic or manual form:

- a. Cash book;
- b. Petty cash book;
- c. General Ledger;
- d. Accounts payable ledger;
- e. Accounts receivable ledger;
- f. The Journal;

5.6.4 These books of Accounts are described below:

- a. **Cash book** - This is a book of primary entry which is used to record all transactions (receipts and payments) related to the public entity bank account. A cash book should be maintained for each bank account. It is fundamental that the bank accounts in the cashbook are kept in their original currencies. In other words, a dollar account in the bank (say BNR) is kept in the cashbook in dollars. This is necessary to enable reconciliation of the cashbook with the corresponding statement of account from the bank.

- b. **Petty cash book** - A petty cash book is a book of primary entry which is used to record all transactions related to the petty cash fund. A Public Entity is allowed to maintain a petty cash fund of Frw 500,000 to cover expenditure of nominal nature with value not exceeding Frw 50,000 in any single transaction.

- c. **General ledger** - The general ledger is the list of all transactions grouped per ledger and is the basis of preparing an entity's trial balance.

- d. **Accounts payable ledger** - Upon the delivery of goods/services, the supplier invoice is recorded in the accounts payable ledger and matched with the relevant purchase order/delivery record. The relevant account payable is thus updated with the liability. The accounts payable ledger is automatically linked with the general ledger and therefore the associated control account in the general ledger is simultaneously updated.

- e. **Accounts receivable ledger** - This records individual ledger accounts of receivables such as salary advances to Government employees.

f. **The Journal** - A journal is one of the books of primary entry. The journal keeps a record of movement between accounts which does not entail cash movements. It is used to record any double entries made which do not arise from other books of prime entry. Entities shall use journal entries to record the following:

- Opening of the accounts at the beginning of the financial year;
- Passing adjustments; and
- Correction of errors.

5.6.5 For the avoidance of doubt and in line with article 98 of the financial regulations 2016, and where an entity uses a computerized accounting system such as the IFMIS (see section 5.8), the books of accounts prescribed under paragraphs 5.6.3 and 5.6.4 shall be maintained in electronic form.

5.7 Registers and Memorandum records of accounts

5.7.1 Public entities shall maintain in electronic or manual form, the following registers and memorandum records of accounts to facilitate maintenance of comprehensive and relevant financial information:

- a) Fixed assets including service concession assets;
- b) Register for both finance and operating leases;
- c) Intangible assets (e.g IT software, large projects of new information systems and Trademarks and Licenses);
- d) Account Receivables arising out of non-exchange transactions;
- e) The actual tax debt written off and recoveries of tax debt previously written off but unexpectedly settled by the tax payer who previously defaulted;

- f) Advance receipts arising out of non-exchange transactions (Taxes, grants and transfers);
- g) Contracts;
- h) Accountable documents;
- i) Supplier invoices;
- j) Destroyed accountable and supporting documents;
- k) Bank accounts;
- l) Bank account signatories;
- m) Written off debtors and creditors;
- n) Inventories; and
- o) Any other register that may be necessary.

5.8 Computerized accounting systems

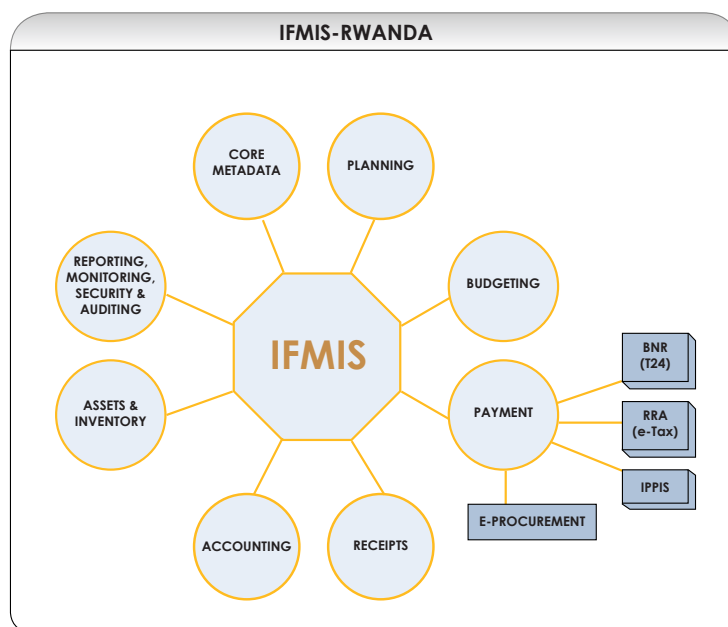
5.8.1 The Government has put in place an Integrated Financial Management System (IFMIS) as the principal system of Government for financial management. It is intended that the system will cover all the General Government entities with the implementation being carried out in a phased manner. Accordingly, the IFMIS shall be used for the following purposes:

- a) centrepiece of the government financial management processes of planning, budget preparation, budget execution, revenue management, asset management, inventory management, accounting and financial reporting.
- b) Preparing financial management reports: - these enable improved management decision making through provision of real time financial statements;
- c) Harmonizing processing of transactions: - transaction processing across Government is made uniform through use of same SCoA

- therefore offering a common integrated enterprise platform for consistency in process and procedures;
- d) On-line inquiries: - users can access the system from any location with the required authorization details;
- e) Controls for commitments, expenditure and budgetary adjustments are made possible; and
- f) Special accounting needs such as for development projects and special funds are also provided.

5.8.2 Figure 5 below summaries the typical structure of the IFMIS. The detailed system functionalities system that are currently available are contained in the user manual issued separately.

Figure 5: The structure of the IFMIS



5.8.3 Although it is the intention of Government to roll out the IFMIS for all General Government Entities, this is being carried out in phases and therefore there are entities including self-accounting development projects and subsidiary entities to Districts that are yet to gain the online access to the IFMIS and as a result continue to use other accounting systems that are stand alone.

5.8.4 In line with Article 98 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the Chief Budget Manager shall ensure that a public entity is using an efficient accounting system.

5.8.5 The Accountant General has, under Article 98 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to fi-

financial regulations, the responsibility to authorize the selection and use of accounting systems across the public sector. All entities that are not covered by the IFMIS, and wish to procure accounting systems, shall therefore seek the approval of the Accountant General.

5.8.6 Users of any computerized financial management information system (FMIS) of Government have a primary responsibility to ensure that they do not cause loss, unauthorized destruction or disclosure of information held on the FMIS. Accordingly, users shall not share their passwords as this will constitute an offence.

5.8.7 Further to paragraph 5.8.6, the CBM shall ensure that only authorized and valid users shall use FMIS to process an entity's transactions.

5.8.8 In accordance with article 100 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the Accountant General shall be responsible for ensuring the proper maintenance and security protocols for the IFMIS are in place. On the other hand, the CBM shall take reasonable steps to ensure back up of financial data and security of accounting systems that are within the control of the entity.

5.8.9 Whereas this manual makes reference mainly to the IFMIS, the concepts covered are general and applicable to other systems. A specific user manual for IFMIS has been developed and can be obtained from MINECOFIN, Accountant General's Department.

5.9 The human resource management information system

5.9.1 The Government has implemented an Integrated Personnel and Payroll System (IPPS). This system manages data relating to various aspects of human resources including

payroll.

5.9.2 The Human Resources Manager (HRM) of the public entity establishes each month the payroll, using the IPPS software. The monthly payroll is sent to the Budget Officer of the public entity for establishing a commitment in the IFMIS and pave way for the payment processing.

5.9.3 The IPPS shall be integrated with the IFMIS so that the payroll is availed automatically to IFMIS for payment of staff salaries and wages.

5.10 Accounting documents

a) General

5.10.1 Accounting documents shall be handled in accordance with the provisions of Article 102 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations.

5.10.2 In general, each entry in the books of account must be supported by proper accounting documents having at least the following characteristics:

- Explaining the nature and details of the transaction being recorded and showing the date of its occurrence.
- Showing the persons who have authorized the transaction and the dates of authorization. The persons indicated must possess the necessary authority granted in accordance with the established financial authority regulations.
- Showing the full budget code, selected from the established uniform chart of accounts, to which the transaction is allocable.
- Showing evidence that the prices involved were decided on the basis of arm-length negotiation, and that as far

as possible third party invoices or cash acknowledgement documents have been obtained and securely filed.

- Showing cross reference numbers to all the related documentation such as cheque numbers & bank accounts, supplier invoices received, purchase orders, delivery notes, invoices issued, tax assessments; and
- Showing the dates the transaction was posted to the books of account and the persons responsible for that posting.

b) Important accounting documents

5.10.3 The following accounting documents shall be maintained:

- i. Revenue and accounts receivable documents - receipt books, tax ticket registers and assessment forms, revenue collection cashbooks, invoices, withholding tax certificates;
- ii. Expenditure and accounts payable documents – Payment vouchers, pay-roll, Goods Received notes, petty cash voucher, Supplier Invoices, Local Purchase Orders, Local Service Orders, pay-roll change documents, contracts;
- iii. Asset and Inventory documents – ownership documents such as log books, title deeds, valuations reports, sale agreements; and
- iv. Any other accounting documents prescribed by the law.

c) Custody of accounting documents

5.10.4 To ensure proper custody of accounting records, the Chief Budget Manager shall ensure that for all accounting documents and financial records, responsibility for custody is specified, access restricted, kept securely and in a manner that ensure easy retrieval when necessary.

5.10.5 Pursuant to Article 102 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, all accountable documents such as cheque books, official receipt books, invoice books and in the custody of the public entity shall be recorded in respective registers, and kept under safe custody.

5.10.6 Public entities may maintain financial records and documents by electronic means if deemed necessary due to their significance, after the expiry of the maintenance periods specified under Article 103 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations.

d) Distribution of accounting documents and financial records

5.10.7 Accounting documents and financial records are sensitive and require careful handling and their distribution should be restricted and controlled to prevent any misuse that may lead to losses or other serious consequences to the public entity. For example; Cheques, Payment vouchers, supporting documents and books of accounts.

5.10.8 An appropriate movement register should be maintained by the Finance Department to record movements of any accounting documents and financial records.

5.10.9 Issuance of accountable documents shall be properly authorized and signed for by both the requisitioning and issuing officers and recorded in the appropriate register. The format below can be adopted for any category of accountable documents.

Name of accountable document	Date Issued	Name of officer issued to	Name of Issuing Officer	Range of Series	Head of Finance Signature

Appendix x, xi and xiii shows examples of formats adapted for issuance of cheque, official receipt and invoice books

e) Periods of retention of accounting documents and financial records

5.10.10 Pursuant to Article 103 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, public entities shall maintain their accounting and financial records with all their supporting attachments safely for a period of at least ten (10) years from the beginning of the first financial year in which the transaction was completed.

5.10.11 Without providing an exhaustive list, accounting documents and financial records to be maintained in accordance with paragraph 5.10.10 shall include:

Ref:	Document name
1	Revenue Voucher
2	Invoice Register
3	Purchase / Service Order /
4	Tender and Contractual documentation that may include newspaper publications, minutes for the tender opening, Tender evaluation report, provisional notifications, final notifications, performance guarantees, advance guarantees and duly certified and signed contracts.
5	All Financing Contracts
6	Delivery Notes/Goods Received Note/ Approved report of services delivered
7	Air tickets and travel clearance
8	Supplier invoices
9	Progress/final reports of civil works carried out
10	Invoice acknowledgement receipt from the IFMIS
11	Payment Orders
12	Payment progress reports
13	Cheque Duplicates
14	Cancelled Cheques
15	Bank Deposit Forms
16	Bank Statements
17	Bank Reconciliations
18	Debtors Invoice
19	Debtors Credit Note duplicates
20	General Ledger
21	General Ledger Journals

Ref:	Document name
22	Petty Cash Vouchers
23	Creditors Invoices/Statements
24	Annual Financial Statements – Audited Copy
25	Annual Budget – Final Copy
26	Auditor's Report
27	Personnel Records
28	Payroll Records such payroll lists, change reports, appointment letters and service contracts
29	Receipts
30	Evidence of payments by main contractor for casual labour
31	Payment Through Third Parties
32	Register of accountable document
33	Inventory and fixed asset registers

f) Destruction of accounting documents and financial records

5.10.12 Financial records whose retention period is over may be destroyed if it is impracticable to store for longer period and provided that they have been audited.

5.10.13 No financial documents shall be destroyed if they are subject to litigation, outstanding audit queries, disputes or investigations. Destruction of records should be witnessed by a team of at least three officers including the head of internal audit or his/her representative.

5.10.14 Pursuant to Article 106 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the CBM shall ensure that all documents destroyed are recorded in a register in a format provided under appendix vii.

5.11 Financial Risk Management.

5.11.1 A public entity's activities may expose it to a variety of financial risks that comprise:

a. Market risk (including foreign exchange

risk, interest rate risk and price risk);

b. Credit risk; and

c. Liquidity risk.

5.11.2 The Chief Budget Manager shall have the primary responsibility of ensuring that an entity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance. Accordingly and in line with section 17.2 of this manual, he or she will undertake such risk management arrangements to ensure that all financial risks are properly identified, evaluated and hedged.

5.11.3 As part of the annual financial statements, the Chief Budget Manager shall provide a certificate to indicate that the assessment of financial risks that the entity may be exposed to, was carried out and that the risk management plan was fully operational.

5.12 Control Environment

5.12.1 The responsibility of establishing an appropriate control environment rests upon the Chief Budget Manager as detailed in the

Organic Law and Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations. This is a pre-requisite to the establishment of an effective financial control system.

5.12.2 The Chief Budget Manager shall ensure that the following operational aspects of the internal control environment are adhered to;

5.12.2.1 Organizational controls instituted to achieve the following;

- a. Ensuring that individual work is organized to the most efficient use of resources to achieve the agreed objectives
- b. Ensuring that resources are adequate at the supervisory level to meet the level of required output.
- c. Establishment of clear control on the use of assets.

5.12.2.2 The Chief Budget Manager shall institute segregation of duties as away of effecting internal control through:

- a. The creation and distribution of work by establishing separate areas of work to reduce the risk of intentional errors, abuse, or opportunity for collusion and promote accountability
- b. Establishment of independent validation and reconciliation of one work area by another.

5.12.2.3 Authorization as an essential aspect of internal control geared to ensure that, all aspects of controls instituted are working through;

- a. The establishment of clear lines of authority.
- b. Ensuring that only legitimate costs are paid for and improper payments are eliminated
- c. Ensuring that all tax obligations are properly computed, declared to the relevant authority and paid in timely manner.

5.12.2.4 Accounting to ensure:

- a. Proper books of accounts are maintained to facilitate data collection, recording, classification, summarization and reporting.
- b. Thorough reconciliation procedures are put in place to ensure that transactions are recorded correctly, data input, and data processing is complete and accurate.

5.12.2.5 Supervisory Controls for purposes of:

- a. Ensuring that internal checks are performed effectively.
- b. Detecting and correct procedural errors through systematic checking.
- c. Identifying areas of control weakness and make recommendation, and follow up with compliance tests.

5.12.2.6 Manpower resources ensuring that;

- a. Educational and professional standard of staff employed is adequate to meet the needs of the work.
- b. There is a framework for developing competence of staff.
- c. Constant adequate training is available to enhance knowledge and expertise.

5.12.2.7 Operation of computerized system;

The IFMIS system should ensure that accurate data is available to enable formulation of the plan, objectives, targets, budgets, and corrective measures to be taken. The accurate data can be made available through the effective use of Application controls namely Input Control, Processing Control, Output Control and Database Control.

- a. Input Controls include all measures instituted to ensure completeness and accuracy of data input. They involve Batch control, Password Protection, Data conversion checks and Screen checks.
- b. Processing controls are those controls applied

to confirm the accuracy of data processing by the computers. They include format checks, reasonableness or range checks, exception checks, compatibility checks, sequence checks, control totals and control over standing data.

- c. Output Controls are the controls designed to ensure accuracy of processed data and reports as well as distribution is limited to intended users. These include control totals, exception reports
- d. Database/Master File Controls are intended to ensure physical security, limited access, authorization of amendments and periodic checks on accuracy by user departments.
- e. Timely monthly provision and communication of actual performance to key management staff to enable continuous monitoring and control.
- f. Assist management to monitor performance measures that are of financial and non-financial nature.
- g. Identification of deviations from targets / plans and budgets for prompt decision making.
- h. To enable management to anticipate changing circumstances and to be able to correct performance.

5.12.2.8 Security;

Extensive security procedures shall be built into the IFMIS system to prevent unauthorized transaction entry, authorization and/or production of payment instructions. These procedures shall be based on each operator and authorizing officer being setup as a user of the system with a user-name and each user having a secret network/system password which is chosen by the user and regularly changed. Each user is prohibited from sharing his/her password with anybody else.

The use of user-names and passwords shall have the dual role of:

- a. Restricting a person's access to tasks and code ranges for which he/she is directly involved, and
- b. Enabling a complete transaction log showing who entered particular transactions, when and on which computer. Safeguards shall be put in place to ensure this log is protected from all kinds of fraudulent behaviour and sabotage - including arson and theft.

Operators, users and authorizing officers who allow their passwords to be known by other persons shall be held personally liable for any losses that arise.

5.12.2.9 User Identity and Passwords;

Operator and Manager Identity will take a standard form however administrator identities will take non-standard form. Passwords will be non-standard, be mixed alpha numeric and will be changed on a regular basis.

5.12.3 The provisions of sub-paragraphs 5.12.2.7 - 5.12.2.9 shall also apply to any other accounting systems (other than IFMIS) maintained by a public entity and under the direct ownership and control of the CBM.

6 The Standard Chart of Accounts

6.1 Overview of the Standard Chart of Accounts

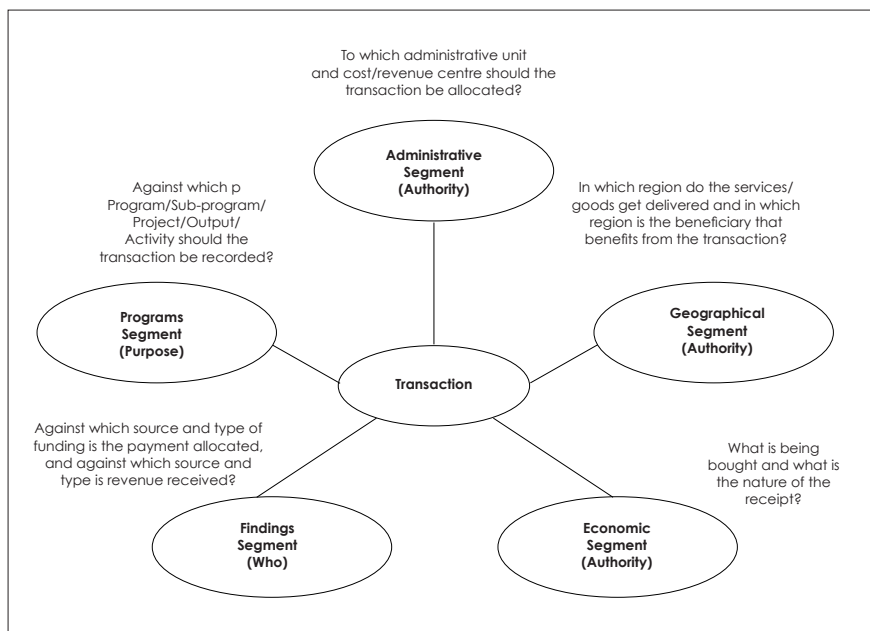
6.1.1 The Standard Chart of Accounts (SCoA) is a classification system by which financial transactions are recorded. Article 97 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations requires the Minister and upon the advice of the Accountant General to issue a standardized Chart of Accounts generally applicable to all public entities excluding public institutions. Under the regulations, public institutions are empowered to develop their own chart of accounts adapted to their financial operations.

6.1.2 The SCoA provides a basis for a uniform budget classification and execution. It is mandatory for all Government entities within

general Government to use the coding structure of SCoA to budget and execute the budget. For entities using IFMIS, the SCoA is already set up in the system, however, for entities using stand alone systems the SCoA has to be set up independently.

6.1.3 Consistent with Article 97 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the coding structure of the SCoA comprises five segments. When recording a transaction, a selection must be made from each of the five segments, meaning that all segments must be used for recording a single transaction by answering the questions provided in the diagram below:

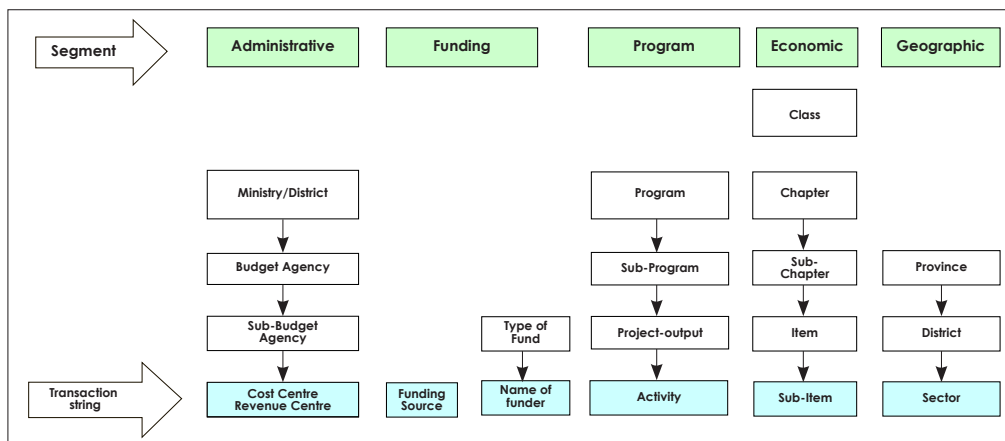
Figure 6: depicting the five segments of SCoA



6.2 The structure of the SCoA

6.2.1 The diagram in figure no. 7 below illustrates the structure of the SCoA of the Government and shows the interaction between the segments and classifications within each segment.

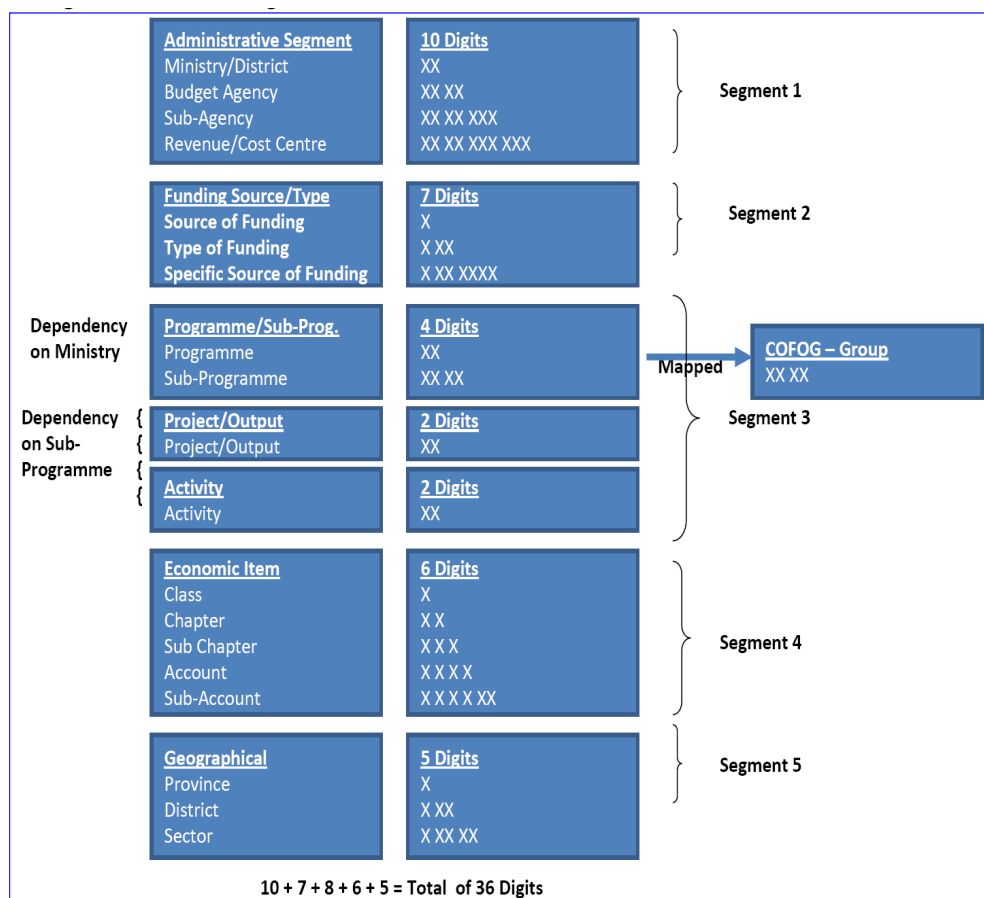
Figure 7: The structure of the SCoA



6.2.2 The size of the CoA that will define the classification of all Government transactions will have a total of 36 digits as shown in the diagram below:

Segment 1	Segment 2	Segment 3	Segment 4	Segment 5
Administrative	Fund	Function/Programme	Economic	Geographic
10 digits	7 digits	8 digits	6 digits	5 digits

The segments are represented diagrammatically as follows:

Figure 8 – CoA coding structure and size

6.2.3 The following illustrates the full coding through the five segments of the SCoA:

Transaction	Expense: Nyarungenge district buys a printer for its human resource department with a grant from EU					
Coding	Transaction string:					
		ADMINISTRATIVE	FUNDING SOURCE	FUNDING TYPE AND NAME	PROGRAM	ECONOMIC
		6700001004 - (Human res Dept)	2- (Grants)	088106- (External Grants - EU)	564202xxxx- (Reinforcement of public sector capacity)	231403- (Printer)
		LOCATION				
		10100- (Nyarungenge)				
		Summarised as follows:				
		>>6700001004/2/088106/564202xxxx/231403/10100<<				

6.2.4 The following is a description of each of the five segments of the SCoA:

(A) Administrative Segment

6.2.4.1

This is based on administrative responsibility, which Executive (Ministry/District) has overall responsibility and accountability for the inflows and outflows of financial and other resources, and also provides for the lower delegated levels of responsibility and accountability.

6.2.4.2

The Administrative segment provides for four levels as follows:

- Level 1 –Ministry/District : - represents the highest level of administrative responsibility
- Level 2 –Public entity : - represents the Public entity level, where budget appropriations are made
- Level 3 –Sub Public entity : - at the disposal of the Public entities which may wish to drive accountability to lower levels of their structures
- Level 4 –Revenue/Cost centre : - at the disposal of the Public entities which may wish to drive accountability to lower levels of their structures.

6.2.4.3

The following illustrates the coding under administrative segment of the SCoA:

Level 1	Level 2	Level 3	Level 4
2 digits	2 digits	3 digits	3 digits
67-NYARUGENGE			
	6700-NYARUGENGE		
		6700001-HRD and Support Services Unit	
			6700001001- Procurement
			6700001002- Legal Affairs and notaries

6.2.4.4

The Administrative Segment is explained in full detail in Section 4 of SCoA manual.

(B) Fund Segment

6.2.4.5

This segment defines the source and type of funding. The segment helps track revenues and expenditures per source and type of funding. The segment applies to both revenues (inflows) and expenditures (outflows). "Source of funding" - defines the source of funding for inflows.

6.2.4.6

In broad terms, there are two broad sources of revenues - Domestic and External sources. Domestic sources may be from Government or other local institutions and individuals.

6.2.4.7

The particular funding organisations and institutions, including donors, bilateral and multilateral, international and domestic organisations, are identified at this stage of SCoA.

"Type of funding" - defines the source of funding for outflows.

6.2.4.8

This helps track expenditures (outflows) per funding type. This is particularly important for conditional or earmarked funding. Name of funder identifies the specific funding source.

6.2.4.9

The following illustrates the coding under funding segment:

Ref	Scenario	Source and type of fund
1.	Nyagatare district receives funds from Imbuto foundation for purchase of drugs.	Source: – Grants (2) Type : – Domestic Grants (06) Particular source: - (8001) - Imbuto Foundation
2.	MININFRA Project is constructing a road funded by EU. GoR was to contribute 30% towards the project. The Project pays an engineer using the 30% portion.	Source: – Govt of Rwanda (1) Type : – GoR Counterpart Funds (04) Particular source: - Central Treasury
3.	MININFRA is constructing a road with a loan from DFID. GoR was to contribute 30% towards the project. MININFRA pays an engineer using the 70% Loan portion received from DFID.	Source: – Loans (3) Type : – External Loans (12) Particular source: - (8208) - DFID

6.2.4.10

The fund segment is described in details under Section 5 of the CoA manual.

(C) Program/Function/EDPRS Segment**6.2.4.11**

This segment defines the purpose of the transactions through programmatic classification. The Government programmes and sub-programmes reflect Government policy, goals and objectives.

6.2.4.12

The segment comprises 8 digits overall, with a hierarchy between programme, sub-programme, Output/Project and activity. The programme coding comprises 2 digits and is dependent on the Executive (Ministry/District) Code. The sub-programme com-

prises 2 digits and is hierarchical within the programme code. The other 4 digits represent Output/Project and activity.

6.2.4.13

Each sub-programme is linked to the 10 Classifications of the Function of Government (COFOG) as provided in the Government Finance Statistics (GFS) manual, 2014 issued by the IMF. Its purpose is to “classify the purpose of transactions such as outlays on final consumption expenditure, intermediate consumption, gross capital formation and capital and current transfers, by general Government”.

6.2.4.14

These functions are designed to be general enough to apply to the Government of different countries. The accounts of each

country are presented under these categories and the value of this is that the accounts of different countries can be compared.

6.2.4.15

The Government has an Economic Development and Poverty Reduction Strategy that stems from Rwanda's vision 2020 and guides medium term actions that will lead to the achievement of the vision's goals. The strategy includes a classification of the different sectors that are considered while allocating the resource envelope to ensure these key sectors are given priority to achieve the desired and accelerated growth of the economy. As is with COFOG, the EDPRS classification of sectors is mapped to the sub programs.

6.2.4.16

This segment is described in detail in Section 6 of Chart of Accounts manual. The details of the EDPRS classifications in relation

to the sub-programs are also provided under section 7 of the CoA manual.

(D) Economic Segment

6.2.4.17

This segment defines the natural accounting nature of the transaction, vis-à-vis, revenue, expense, asset, liability and capital (consolidated fund). The classification includes the five (5) classes accordingly. The economic classification is closely aligned to the GFS system in terms of operating revenues and expenditures.

6.2.4.18

The categorisation for economic item under the chart of accounts is classified as follows: Class>>Chapter>>Sub-Chapter>>Item>>Sub-Item.

6.2.4.19

The following illustrates coding under the economic segments of the SCoA:

Ref	Description	Which Chapter>Sub-Chapter>Item>Sub-Item does the transaction fall?				
Case 1	Nyarugenge district collects market fees in Nyamirambo market	Class	Chapter	Sub-Chapter	Item	Sub-Item
		1 (Revenue)	14 (Other revenues)	142 (Sale of goods and services)	1422 (Sales by Market Establishment)	142103 (Market Gate Entry fees)
Case 2	After an employee was unable to pay off a saloon car loan, MININFRA recovered the car and it sold off.	Class	Chapter	Sub-Chapter	Item	Sub-Item
		1 (Revenue)	15 (Disposal of Assets)	151 (Disposal of Tangible Fixed Assets)	1512 (Transport Equipment)	151201 (Saloon vehicle)

6.2.4.20

The economic item classification is described in detail in Section 8 of Chart of Accounts manual.

(E) Location Segment

6.2.4.21

The Geographic segment defines where the authority for budget execution (e.g. expenditure) lies. However, some expenditure made centrally for example in a Ministry

Headquarters will actually be benefiting the people in a district, e.g. the building of a district hospital or school.

6.2.4.22

This segment comprises 5 digits and provides for classifying the beneficiary of the spending by Province, District (Akarere). and sector (Umurenge).

6.2.4.23

The following illustrates coding under the location segments of the SCoA:

Ref	Scenario	Geographic code
1	Bugesera district buys computers for its human resource department.	Bugesera – (50700) (Expenditure in districts is unlikely to be benefiting other Districts or Kigali city)
2	MINISANTE is funding the construction of health centre in Kigina sector, Kirehe district. Which geographic code should MINISANTE apply?	Kirehe – (50503) (Even though MINISANTE is located in Kigali city, the expenditure is benefiting Kirehe district.)

6.2.4.24

This segment is described in detail in Section 9 of the SCoA manual.

6.2.5.4

The Accountant General shall publish the updated CoA whenever an update is made.

6.2.5 Updating the Government Standard Chart of Accounts

6.2.6 Item master for products and services consumed by the government (E- catalogue).

6.2.5.1

The Accountant General may on his or her own or, on the proposal of a Chief Budget Manager modify the chart of accounts.

6.2.5.2

The final authority for updating the chart of accounts rests with the Accountant General

6.2.5.3

The following procedures will be followed in updating the chart of accounts.

- Where a Chief Budget Manager has identified the need for new account codes, he or she shall apply to the Accountant General for the new codes.
- The Accountant General shall review the request submitted and determine whether it is justified after making any consultations that he or she may consider necessary. Where the request is not justified and the existing Chart of Accounts can be used to track the transactions, the Accountant General shall advise the Chief Budget Managers on which codes to use and how to report on their transactions.

6.2.6.1

The economic classification of the Government Standard Chart of Accounts will be complemented with further classification by an item master for goods and services consumed by public entities.

6.2.6.2

The item master to be applied by the IFMIS shall be the E-catalogue issued by Rwanda Public Procurement Authority (RPPA) and used by the Umucyo procurement system. E-catalogue refers to the central database of procurement commodities and items under standardised classification of products and services as per United Nations Standards for Products and Services Codes (UNSPSC). Information under e-catalogue will typically include product descriptions, product codes, pricing, images and units of measure as well as other relevant information and attributes about the products and services to be procured by government institutions.

6.2.6.3

The use and maintenance of the e-catalogue shall be in accordance with the guidelines issued by RPPA.

7 Revenue Management

7.1 Introduction

7.1.1 This Chapter contains the policy provisions for the control of government revenues including the collection of revenues. The chapter is made up of the following sections:

- 7.2 Policy statement
- 7.3 Classes of revenue
- 7.4 Determining between exchange and non-exchange
- 7.5 Accounting recognition for non-exchange transactions
- 7.6 Accounting recognition for exchange transactions
- 7.7 Accounting procedure and recognition
- 7.8 Internal controls on revenue management
- 7.9 Documentation relating to revenue
- 7.10 Management and accounting for receivables

7.1.2 In general, revenue comprises gross inflows of economic benefits or service potential received and receivable by a reporting entity, which represents an increase in net assets/equity, other than increases relating to contributions from owners.

7.1.3 Government Revenues means funds collected by government authorities according to laws and regulations regulating their collection. It consists of sales of goods and services, taxes & fees, revenue from estates and properties, investments and other miscellaneous revenues, grants from donors, credit term revenue, overseas revenue transactions, revenue collected by one ministry or government authority on behalf of another, and refund received by government authorities.

7.1.4 Government revenue can be broadly classified under exchange and non-exchange revenue. **Exchange Transactions:** - These are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange. Examples of exchange transactions are the purchase or sales of goods or services or the lease of equipment at market rates. Non-exchange revenue is revenue from non-exchange transactions: **Non-exchange transactions are transactions** where an entity receives value from another entity without giving approximately equal value in exchange or gives value to another entity without directly receiving appropriately equal value in exchange.

7.1.5 In non-exchange revenue transactions, an entity will receive resources, values, benefits etc and provide no or nominal consideration directly in return. For example, taxpayers pay taxes because the tax law mandates the payment of those taxes, while the taxing government will provide a variety of goods and/or services to general public. If however, the transaction is conducted at a subsidized price, that is, a price that is not approximately equal to the fair value of the goods sold, that transaction falls within the definition of a non-exchange transaction. Two main types of these type of transactions applicable to the Government reporting are: Transfers (e.g. grants, donations, gifts and pledges) and taxes (including levies) and fines and penalties.

7.1.6 Transfers are inflows of future economic benefits or service potentials from non-exchange transactions other than taxes e.g.

debt forgiveness and assumption of liabilities, aid, donations, grants, bequests, concessionary loans, service-in-kind.

7.1.7 Taxes are economic benefits or service potential compulsorily paid or payable to public sector entities, in accordance with laws and/or regulations, established to provide revenue to the government. Taxes do not include fines or other penalties imposed for breaches of the law.

7.1.8 Fines are economic benefits or service potential received or receivable by public sector entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

7.2 Policy statement

7.2.1 Revenue shall be accounted for on an accrual basis with the exception of the following which will be recorded on cash basis subject to the roadmap for the implementation of the accrual basis IPSAS:

- Borrowings – 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. However, loans acquired directly by a public entity shall be treated on an accrual basis and recognized as liabilities.
- Non-exchange transactions.

7.2.2 Accounting entries for revenue should not be raised on the basis of bank statements as this is not a source document.

7.2.3 Rwanda Revenue Authority (RRA) is the principal collection agent of tax revenue of the Government and all Central Government revenue shall be credited into a Treasury Single Account in the BNR unless otherwise au-

thorized by the Minister.

7.2.4 Revenue shall be banked intact and shall not be used to defray expenditure.

7.2.5 Decentralized entities shall comply with the Organic Law establishing sources of revenue and their management for decentralized entities.

7.2.6 Once Government implements the accrual basis IPSAS, the accounting for revenue from Non-Exchange transactions shall comply with IPSAS 23: ‘Revenue from Non-Exchange transaction’.

7.3 Classes of revenue

7.3.1 The Government revenue can be broadly classified under the following main categories of tax revenue, donor grants and treasury transfers, borrowings, sale of property and other revenues:

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

Tax on revenue is further subcategorized as follows:

- 1) Taxes on Income, Profits or Capital Gains;
- 2) Taxes on Property Income;
- 3) Taxes on goods and services; and
- 4) Taxes on international trade and transactions.

The declaration, filing of returns and effecting tax payments for the domestic taxes, VAT, excise duty, international trade and transactions is summarized below.

Income, profits and capital gains		
1	Corporate Income Tax (CIT)	Annual tax declaration must be filed with Rwanda Revenue Authority by 31 March of the following tax period. Any tax payable is also due at the same time. In case of companies with a special year end, the return is due within three months of the following year after the year end. Companies also file quarterly tax returns and make relevant payments by 6th, 9th and 12th month. The quarterly tax payments are calculated as 25% of the prior year tax liability declared. The corporate income tax rate is 30% 1.
2	Personal Income Tax (PIT)	Individuals must file their annual tax declaration by 31 March of the following tax year, except (i) where the only income is employment income or (ii) investment income which has been taxed under withholding tax system.
3	Pay-as-you-earn (PAYE)	The tax returns and payments are done on a monthly basis and due by 15th of the following month i.e. deadline for PAYE for July 2018 is 15th of August 2018. Small businesses are allowed to file and make tax payments on a quarterly basis.
4	Withholding taxes	The tax returns and payments are done on a monthly basis and due by 15th of the following month i.e. deadline for PAYE for July 2018 is 15th of August 2018. Where there is no withholding tax due, a nil return should be submitted where the WHT system has been activated.
Goods and services		
1	Value Added Tax (VAT)	The tax returns and payments are done on a monthly basis and due by 15th of the following month i.e. deadline for VAT for July 2018 is 15th of August 2018. Small business are allowed to file and make tax payments on a quarterly basis. The VAT rate is currently 18%.
2	Excise	Filed and processed every 10 days (decades) and returns/ payments are due within 5 days after the decade. The excise duty rates varies per various excisable items.
3	Mining royalties	The tax returns and payments are done on a monthly basis and due by 15th of the following month. The base for computing the minerals tax is based on the customs declarations for exports. The filing is done online similar to that for withholding taxes.
Income, profits and capital gains		
4	Strategic reserve levy	Filed and processed at Customs. The tax is paid on declaration at the point of importation.

International trade and transactions		
1	Import duty	Filed and processed at Customs. The tax is paid on declaration at the point of importation.
2	Infrastructure development levy	Filed and processed at Customs. The tax is paid on declaration at the point of importation.

- b) **Grants and donations:** 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. Grants are actually similar to an allowance. Donations are forms of gifts. They are voluntarily given without any requirements or strings attached, and it doesn't require anything in return. It's up to the receiver to use what is given or may dispose of it when he or she does not need it. An entity may access grants from donors and budget transfers from Treasury. These grants and transfers shall be sub-categorized as follows:
- 1) Grants received from Foreign Governments;
 - 2) Grants received from International Organizations; and
 - 3) Grants received from other general Government units which includes Treasury Transfers, Inter-entity and intra-entity transfers.
 - 4) Donations
- c) **Other revenues:** An entity may levy, charge and collect fees, including licensing fees or any other revenue:
- 1) Property Income;
 - 2) Sales of goods and services;
 - 3) Fines, penalties, and forfeits;
 - 4) Voluntary transfers other than grants;
 - 5) Grants from other individuals and local institutions; and
- 6) Miscellaneous and Unidentified Revenue.
- d) **Sale of property:** An entity may receive revenue from sale of government property.
- 1) Disposal of tangible fixed assets;
 - 2) Sale of Inventories;
 - 3) Sale of Valuables;
 - 4) Sale of Non-Produced Assets;
 - 5) Sale of Financial Assets – Domestic (including repayments of advances and loans issued by Government considering that the advances or loans are expensed when issued); and
 - 6) Sale of Financial Assets – Foreign.
- e) **Loans:** The Ministry of Finance and Economic Planning is the principal borrowing agent for central government. The borrowings may include:
- 1) Loan Borrowing - Domestic
 - 2) Loan Borrowing - Foreign

Determining between exchange and non-exchange

7.3.2 The various types of government revenues as provided in section 7.3 can be classified into exchange and non-exchange as follows:

Ref	Type of revenue	Classification	Rationale
1	Tax revenue	Non-exchange transaction	The taxpayer transfers resources to the Government, without receiving approximately equal value directly in exchange.
2	Grants and transfers	Non-exchange transaction	The Treasury transfers funds to the public entities without expecting services or goods of equal value. Entities also transfer funds between themselves. The donors provide funds and assets without expecting a service in exchange.
3	Other revenue	Exchange transaction	An entity may charge fees in exchange for a service. Such includes school fees charged by higher learning institutions. An entity may sell goods or offer services at a fee.
		Non-exchange transaction	An entity may levy, and collect licensing fees, fines and penalties or any other revenue without an expectation to provide a service or goods of equal value.
4	Disposal of property	Exchange transaction	An entity may charge the market value for sale of property.
5	Borrowing	Obligation	Borrowing results into an obligation which shall be repaid. For public debt, proceeds from borrowing shall be treated as revenue whereas any borrowing by public entities shall be treated as a liability.

7.4 Accounting recognition for non-exchange revenue transactions

7.4.1 Subject to the implementation of the roadmap for the migration to accrual basis IPSAS, revenue from non-exchange transactions shall be recognized on a cash basis. This implies that transactions shall be recorded in the books of accounts when the cash and cash equivalent has been received.

7.4.2 Cash is considered as received when cash receipt is issued or deposit slip, cheque remittance advice and payment order remittance

or Electronic Funds Transfer (EFT), Credit advice is received rather than when cash and cash equivalent has been credited and captured on the bank statement.

7.4.3 Generally the accounting treatment for non-exchange revenue transactions shall be as follows:

Upon receipt of cash and cash equivalent

Debit: Cash/Bank xxxxxx
Credit: Specific revenue as per SCoA (class 1) xxxxxx
(Being recognition of non-exchange transaction – describe the nature of transaction)

Receipt Module in IFMIS to be used and the system shall generate automatically the accounting entries

Accounting for the specific types of non-exchange revenue transactions shall be as follows:

7.4.4 Tax revenue

7.4.4.1

Taxes in Central Government are collected by RRA. However where an entity has collected taxes, these should be remitted directly to RRA and should therefore not be recorded as part of the entity/agency's revenue.

7.4.4.2

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

Collection by RRA

7.4.4.3

The detailed procedures for the revenue collected by Rwanda Revenue Authority (RRA) are a subject of a separate RRA Manual that deals with tax collection and management operational procedures. However, below is a summary:

- Tax collection is managed by RRA using specialised financial tax management IT systems for both fiscal and non-fiscal revenue. Generally an assessment of tax payable is carried out by a tax officer, the taxpayer makes payment at designated RRA collection banks which then remit the funds to RRA. The funds are then remitted to the Treasury collection accounts maintained at BNR.
- There are five types of taxes that are collected by RRA namely: Value Added Taxes, Customs, Excise Duty, Corporate taxes and PAYE.
- In addition, RRA has been contracted through a memorandum of understanding with the Districts to collect

local taxes on behalf of decentralized entities (districts). In this regard, RRA collects and remits these funds to the district on a regular basis.

Accounting treatment by RRA

7.4.4.4

Revenue shall only be recognized upon notification of payment of assessed taxes.

Upon receipt of assessed taxes in commercial banks

Debit: Appropriate tax collection bank accounts – commercial banks xxxxx
Credit: Appropriate tax revenue item xxxxx
(Being recognition of tax collections)

7.4.4.5

Revenue collected in commercial banks is then transferred to the RRA tax collection accounts at BNR and the following accounting transactions passed:

Upon transfer of taxes to RRA tax collection accounts at BNR

Debit: Appropriate tax collection bank accounts – BNR xxxxx
Credit: Appropriate tax collection accounts – commercial banks xxxxx
(Being transfer of collections from commercial banks to BNR)

Accounting for remittances of taxes by RRA to Treasury

7.4.4.6

On a regular basis, RRA is required to advise the Treasury of the revenue collections. It is on the basis of this advice that the Treasury updates its ledgers on the revenue collected and remitted.

7.4.4.7

Upon remittance of tax collections by RRA to Treasury, the following accounting shall be passed on the basis of notification of the transfer:

In the books of RRA

Debit: Transfer to Treasury (inter-entity) xxxx
Credit: Bank Accounts of RRA - BNR xxxx
(Being remittance of tax collections to Treasury)

In the books of Treasury

Debit: Bank accounts of Treasury - TSA xxxx
Credit: Transfer from RRA (inter-entity) xxxx
(Being receipt of tax revenue from RRA)

Receipt Module in IFMIS to be used and the system to generate the accounting entries automatically

7.4.4.8

To ensure that the funds remitted by commercial banks to BNR is in line with the records maintained by RRA and for Treasury to confirm receipt of revenue transferred, RRA and Treasury shall perform at a minimum, monthly reconciliations or at other intervals that may be agreed. At consolidation level, the inter-entity account balances are offset.

Collection of revenue on behalf of the districts by RRA or other collection agents**7.4.4.9**

The collection of revenue due to Districts may be outsourced to RRA or other collection agents.

7.4.4.10

Once revenue is collected by commercial banks, it is remitted to the RRA collection account of each district maintained at the BNR and then remitted to the district revenue accounts.

7.4.4.11

Based on the revenue collections and the transfers made to the district revenue accounts, the district shall update its revenue ledgers and revenue cash book accordingly.

7.4.4.12

At least once every month, the revenue officer at the district should together with RRA carry out a reconciliation of the revenue collected and remitted in the districts' accounts with the revenue records maintained by RRA to ascertain the completeness of the revenue.

Accounting for district taxes by RRA**7.4.4.13**

The following accounting entries should be passed for revenue collected by RRA on behalf of the Districts:

Upon receipt of the revenue by RRA:

Debit: Bank account xxxx
Credit: Principal account specific district – Liability Account xxxx

Upon transfer of revenue to districts by RRA:

Debit: Transfer (Principal Account) xxxx
Credit: Bank Account xxxx

7.4.4.14

RRA shall maintain details of revenue collected (by economic sub-items of the SCoA) which shall be part of an accountability statement to be prepared and submitted regularly by RRA to the District to facilitate the reconciliation of the district revenues.

Accounting for taxes by Districts**7.4.4.15**

The following accounting entries should be passed in books of accounts of the Districts to record revenues collected through RRA:

Upon receipt of notification of payment:

Debit: Agency account (RRA or Other) - Receivable account xxxx
Credit: Revenue per appropriate sub-item per SCoA xxxx

Upon transfer of revenue by agent to district:

Debit: District Bank account xxxx
Credit: Agency account (RRA or Other) xxxx

Receivable functionality in the Receipt Module in IFMIS to be used with the accounting entries automatically generated.

7.4.4.16

The district shall ensure that a reconciliation with the revenue collected and remitted by RRA and other agents is carried out on a monthly basis.

7.4.4.17

Until such time when the IFMIS is not yet interfaced or integrated with Local Government Taxes and fees collection system, recording of district revenues will be based on daily, weekly or monthly revenue collection advise received from RRA

7.4.5 Grants and transfers**7.4.5.1**

This category will include grants and donations from foreign governments; interna-

tional organizations and transfers between general government units which includes Treasury transfers, Inter-entity and intra-entity transfers.

Transfer from Treasury

7.4.5.2

The Treasury remits conditional and unconditional transfers to public entities. Conditional transfers consist of funds agreed upon during budgeting process to finance specific programmes while unconditional transfers are paid to public entities to finance recurrent expenditure.

7.4.5.3

The transfers from treasury are in three forms:

- i. **Direct cash transfers:** - relate to transfers received through a credit to the bank account of the recipient public entity.
- ii. **Direct payments:** - relate to transfers received by way of Treasury crediting (paying) the bank accounts of the beneficiaries directly. In this case the public entity will have processed the payment and submitted the payment order to Treasury to effect the payment.
- iii. **Indirect cash transfers:** - relates to transfers received by a public entity from another public entity through the Treasury.

Accounting recognition for transfers from Treasury

7.4.5.4

Transfer from Treasury will be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

7.4.5.5

The following accounting entries shall be passed by the recipient entity to recognize transfers from Treasury:

In the books of receiving entity

For direct cash transfer

Debit: Bank Account	xxxx
Credit: Direct cash transfer	xxxx
<i>(Being recognition of direct transfer from Treasury)</i>	

For direct payment

Debit: Accounts Payable	xxxx
Credit: Direct payments	xxxx
<i>(To extinguish the accounts payable generated when expenditure was incurred and recognize the direct payment made to the beneficiary by Treasury on behalf of the entity)</i>	

The accounts payable was generated as follows:

Debit: Appropriate expenditure item	xxxx
Credit: Accounts Payables	xxxx

For indirect cash transfer

Debit: Bank	xxxx
Credit: Inter-entity (specify sending entity)	xxxx
<i>(Being recognition of indirect cash transfer received from an entity through Treasury)</i>	

The transaction that was generated while in the transferring entity's book of accounts is as follows

Debit: Inter-entity (specify the beneficiary entity)	xxxx
Credit: Indirect cash transfer – Treasury	xxxx

Payment process in the IFMIS generates the accounting entries automatically.

7.4.6 Transfer from other government entities

7.4.6.1

This relates to inter-entity and intra-entity transfers. Inter-entity transaction results from a transaction between two reporting entities. An inter-entity revenue relates to a receipt by a Government entity from another Government entity classified as a reporting entity. As a guide, all central (including projects) and local government entities are reporting entities. Subsidiary Entities and Public enterprises are currently not reporting entities. Further, to qualify as an inter-entity transaction, transfers for the activity being financed must have been budgeted by the beneficiary entity.

7.4.6.2

Intra-entity transfers refers to transfers between cost or revenue centers within a public entity.

7.4.6.3

Transfers received from government entity for onward payment to a third party shall not be treated as an inter-entity (revenue) rather, such transfers shall be recorded as

transit fund (liability) in the books of the receiving entity.

7.4.6.4

Transfers from Treasury that are not related to current fiscal year budget shall not be treated as cash transfers. Instead such transfers shall be treated as inter-entity transfers.

7.4.6.5

Transfers from entities to Treasury which does not relate to the current fiscal year budget shall be treated by Treasury as inter-entity transfers.

7.4.6.6

Funds returned to Treasury at the end of the fiscal year as a result of zero balance accounts sweeping will not be 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 will be recognized as inter-entity transfers.

7.4.6.7

Where the amounts are sent in a different currency such as is the case with embassies, any associated exchange or translation differences should be accommodated by the receiving entity such that the amount recorded by both parties equal the amount recorded by the sending entity in Rwandan Francs.

7.4.6.8

In all cases of inter-entity transfers, the sending entity should carry out direct confirmations from the receiving entity to ensure that both parties have treated the amounts as inter entity transactions and that the amounts are equal.

Accounting recognition for transfers from other government entities

7.4.6.9

Transfer from other government entity will be recognized in the books of account when cash is received. Cash is considered as received when transfer advice is received by the receiving entity rather than when cash is received in the bank account of the receiving entity.

7.4.6.10

The following accounting entries shall be passed by the recipient entity to recognize transfers from other government entities:

In the books of receiving entity

For inter-entity transfers

Debit: Bank Account	xxxx
Credit: Inter-entity transfer (specify sending entity)	xxxx
<i>(Being recognition of inter-entity transfer from specified sending entity)</i>	

For intra-entity transfers

Debit: Bank Account	xxxx
Credit: Intra-entity transfer (specify unit within entity)	xxxx
<i>(Being recognition of intra-entity transfer)</i>	

Payment process in the IFMIS generates the accounting entries automatically

7.4.6.11

The following accounting entries shall be passed by Treasury in respect of funds returned to Treasury at the end of the fiscal year as a result of zero balance accounts sweeping:

In the books of Treasury

Debit: Bank Account	xxxx
Credit: Direct cash transfer – expenditure account (specify sending entity)	xxxx
<i>(Being recognition of unused funds returned to Treasury)</i>	

Payment process in the IFMIS generates the accounting entries automatically

7.4.7 Grants and donations

7.4.7.1

Grants and donations are voluntary transfers of cash or other monetary assets that an entity may receive normally without conditions. Grants may be received in cash, direct payment by donors or direct execution by donors (in kind).

7.4.7.2

For direct payment, the entity contracts the supplier to supply goods or services and the invoice is sent to the donor to effect payment directly to the supplier. For direct execution (in-kind), the donor provides assistance through donation of equipment, books, vehicles e.t.c. In both instances, no cash flows from the project's bank account is involved.

7.4.7.3

For direct execution (grant/donations in kind), donations must be valued to ascertain the value of the items. The receiving entity shall take all the necessary steps to ensure that adequate information is obtained from the donor to confirm the value of the donation. Where information is not readily available, the value may be estimated by comparing the cost of similar item in the local market.

Accounting recognition for grants and donations

7.4.7.4

Grants and donations shall be recognized in the books of account when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants will be recorded upon receipt of the grant item and upon determination of the value. The date of the transaction shall be the value date indicated on the payment advice. In circumstances where it is not possible to ascertain the value of the grant or the value is significantly below the fair value of the grant/donation, appropriate disclosures shall be made in the entity financials statements.

7.4.7.5

Where the grant/donation is denominated in foreign currency, the grant shall be translated using the rate ruling at the value date indicated on the payment advice.

7.4.7.6

The following accounting entries shall be made in the books of account of the receiving entity:

Cash Grants and donations

Upon receiving a payment advice from the donor the entity will use the value date to record the revenue as follows:

Debit: Bank account xxxx
Credit: Grant (classify if current or capital and if local or foreign per SCoA) xxxx

Receipt [Module in IFMIS to be used with the system generating the accounting entries automatically](#)

Grants in form of direct execution (in kind) by donor

Upon receipt of goods or service by the beneficiary entity

Debit: Expenditure which the donor has met xxxx
Credit: Grant xxxx
 (Where financing modality is direct execution by the donor)

Grants in form of direct payment by the donor

Upon receipt of advice from donor that remittance has been made to the service provider

Debit: Accounts Payable xxxx
Credit: Grants xxxx
 (To extinguish the accounts payable generated where expenditure was incurred and recognized awaiting direct settlement by the donor)

The accounts payable was generated at the time of acknowledging the work done or service rendered as follows:

Debit: Appropriate expenditure item xxxx
Credit: Accounts Payables xxxx
 (Where financing modality is direct payments that involve use of country systems by the donor)

[Payment Module in IFMIS to be used with the system generating the accounting entries. The user is availed with the mode of payment that is called "Payment by Donor"](#)

Illustration of accounting treatment of grant through direct payment by the donor:

On 20th May 2015, Kigali Urbanisation Project (KUP) submitted a USD 25,000 Withdrawal Application to World Bank (International Development Association (IDA) – Grant No. RW3010), to be settled directly to a contractor named CCCN Ltd consulting engineers for consultancy services. The funds were transferred to the contractor on 25th May 2015. IDA advised the project management unit through a payment advice with a value date of 25th May 2015 accordingly.

In the books of KUP to recognize grant through direct payment by donor to supplier

25th May 2015: **Debit:** Accounts Payable USD 25,000
Credit: Grant – Multilateral – IDA: RW 3010 USD 25,000

(To extinguish the accounts payable upon payment by the donor to the supplier)

The accounts payable was generated as follows:

20th May 2015: **Debit:** Consultancy services USD 25,000
Credit: Accounts Payable USD 25,000

(To accrue expenditure for consultancy services to be paid for directly by the donor)

Beneficiary contribution

7.4.7.7

There are instances where the donor may require the recipient entity to contribute towards the project being funded through provision of labour by the community. In most cases, the donor agreement will have provided for the method of valuing the labour contribution.

7.4.7.8

Where valuation method has not been specified in the funding agreement, judgement should be exercised at the time when the community work is being undertaken to assess the percentage of work carried out by the community and therefore the value of contribution to be accounted for. A minute or any other signed document to testify the value of the community contribution can be used to support the accounting entries.

Illustration: Valuation of beneficiary contribution and accounting treatment

An agreement for a two year project between the SIDA (donor) and Rural Community Project required the community to contribute 10% of the agreement value of Frw 20,000,000 for provision of rural water. This was to be provided in kind through communal labour in digging trenches. The project commenced on July 20x5 and ended after two years on May 20x7. The donor disbursed the contribution of Frw 18,000,000 on 30 Aug 20x5. No criteria was provided for the valuation of community contribution in the course of the project implementation.

Recognition of the donor contribution

Upon receiving a payment advice from the donor the entity will use the value date of 30th August 20x5 as follows:

Debit: Bank account	Frw 18,000,000
Credit: Grant (classify if current or capital and if local or foreign per COA)	Frw 18,000,000

Recognition of the beneficiary contribution in kind

At the end of the first year, it was established that the community total contribution was Frw 1,500,000:

30th June 20x6	Debit: Expenditure - labour cost	Frw 1,000,000
	Credit: Other revenue (local grants) ³	Frw 1,000,000

(Being community contribution through labour)

7.4.8 Other revenue from non-exchange transactions

7.4.8.1

Included in the category of Other Revenue is: revenue from fines, penalties, and forfeits; voluntary transfers other than grants; and grants from other individuals and local institutions which are non-exchange revenue transactions.

Accounting recognition for Other Revenue from non-exchange transactions

7.4.8.2

Other revenue from non-exchange revenue transactions shall be recognized in the books of account when cash is received. Cash is considered as received when a receipt is issued or a credit advice received.

7.4.8.3

Transactions of Other Revenue category shall be accounted in the books of account as follows:

In the books of receiving entity

Upon receipt of cash or other consideration

Debit: Bank account	xxxx
Credit: Revenue sub-item as per SCoA (Being recognition of other revenue)	xxxx

Receipt Module in IFMIS to be used with the system generating the accounting entries automatically

Illustration: "Other Revenue" from non-exchange transaction

On 20th May 20x5, Kigali Urbanisation Project (KUP) penalized a contractor Frw 200,000 for failure to fulfil certain conditions as provided for in the contractual terms for development of an urban masterplan. The contractor named CCCN Ltd paid the penalty in full on 30th June 20x5.

In the books of KUP to recognize penalty

30th June 20x5:	Debit: Bank	200,000
	Credit: Penalty	200,000

(Being receipt of penalty from contractor)

³ IMF GFSM 2014 classifies all local grants as other revenues

7.4.9 Note disclosures for revenue from non-exchange transactions

7.4.9.1

In line with section 5.7 of this manual and to enable government have a comprehensive view of government resources and in turn support better management of government resources, memorandum records and registers shall be maintained to provide and re-

port on the following financial information which shall be included in the government financial statements as note disclosures.

Taxes

- a) The amount of receivable recorded in respect of tax revenue based on the following taxable event and where the fair value of the inflows can be measured with reliability.

Ref	Tax type	Taxable event
1	Income, profits and capital gains • Personal income tax (PIT) • Corporate income tax (CIT)	Reference to be made to the earning of assessable income by the taxpayers during the taxation period.
2	Customs duty	Movement of dutiable goods across the customs boundary.
3	Property tax	Passing of the date on which the tax is levied or the period for which the tax is levied.

Any deviations from the specified criteria for the recording of the tax receivables shall require the prior approval of MINECOFIN.

- b) Advance tax payments (such as provisional tax paid by a tax payer as an estimate for tax expected for that business year) received by RRA from tax payers with a comparison to the prior reporting period to the current one.
- c) From the tax receivable, an estimate of the doubtful tax debt and basis for the computation i.e. where the RRA has valid grounds that the tax payer (s) will default but the amount and time of default is not known at the time.
- d) The actual debt written off and recoveries of tax debt previously written off but unexpectedly settled by the tax payer who previously defaulted.

- e) The information in respect of paragraphs 7.4.9.1 (a) – (d) shall be included in the Revenue Accountability Report prepared and submitted by the RRA to MINECOFIN.

This information shall also be disclosed in the consolidated accounts of the government. The RRA shall propose the format for the presentation of this type of financial information for the concurrence of MINECOFIN.

Receivables from transfers.

- f) Receivables from transfers shall be tracked and recorded in appropriate registers based on the following criteria.

Ref	Type of transfer	Triggering event for recording of the transfer in the the register or
1	Grant & Transfers	Enforceable claim to receive the grant/transfer during the reporting period but remains outstanding e.g., when the amount is pledged, memorandum of understanding is signed.
2	Fine	Breach of law or regulation giving rise to the fine being the point when the fine/penalty is imposed.
3	Gift and Donation, including Goods in-kind	For gifts and donations not received but there is a transfer of the legal title and for the Goods in-kind when they are yet to be received but there is a binding agreement to receive them and the fair value involved can be measured reliably.

- g) Information on debt forgiveness showing the carrying amount of the debt forgiven.
 - h) Concessionary loans are given and received at below market value, the portion of the loan that is repayable, along with any interest payments, is an exchange transaction. However, the difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is non-exchange revenue that should be tracked and recorded in appropriate registers.
 - i) Any amounts of receivables recorded in the registers that are subject to restrictions and the nature of those restrictions shall be clearly identified.
 - j) The format for the note disclosures to be included in the entity financial statements for receivables from transfers shall be determined by MINECOFIN.
- for each of the years across the duration of the grant but where the period of the grant does not fetter into the GoR FY, the split between the portion of the grant relating to the current financial year and the portion relating to the subsequent financial year will be made on a pro rata basis.
- l) Where grants received (or receivable) have attached conditions, an in-depth analysis of the terms of the agreement shall be made to ensure that the conditions are identified with annual reports submitted to MINECOFIN within one month following the end of the financial year on the progress and timing of the fulfilment of the conditions.
 - m) For advance tax payments see paragraph 7.4.9.1(b) above.

Advance receipts in respect of non- exchange transactions;

- k) In case of multi-year grants/transfers and where revenue receipts from a grant/transfer spans more than one accounting period, the registers shall ensure that the portion of the grant relating to subsequent financial years is recorded and updated annually. The basis of the split shall be, be a case by case basis consideration. Some grant agreements may state explicitly the cash flows

7.5 Accounting recognition for exchange transactions

7.5.1 Exchange transactions and events includes:

- a) **The rendering of services;** This will include the provision of housing, management of water facilities, management of toll roads and management of transfer payments;
- b) **The sale of goods;** This includes goods produced by the entity for the purpose of

sale, such as publications; goods purchased for resale; such as merchandise or land and other property held for resale; and the lease of property; plant and equipment at market rates; and

- c) **The use by others of entity assets yielding interest, royalties and dividends or similar distributions.** This covers Interest - e.g. bank commissions; Royalties - e.g. patents, trademarks, copyrights; Dividends or similar distributions - e.g. equities, debentures and term-deposits.

7.5.2 Government revenue from exchange transactions is identified in section 7.3 of this manual and includes: Property Income; Sales of goods and services; Miscellaneous and Unidentified Revenue; Sale of property: Disposal of tangible fixed assets; Sale of Inventories; Sale of Valuables; Sale of Non-Produced Assets; Sale of Financial Assets.

7.5.3 Revenue from an exchange transaction is considered earned when the following conditions are met:

- a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- f) The stage of completion of the transaction at the reporting date can be measured reliably.

7.5.4 In line with section 7.2.1 and IPSAS 9: Revenues from exchange transactions, revenue from exchange transactions shall be recognized when it is earned and not only when cash or its equivalent is received as follows:

Ref	Type of revenue from exchange transactions	Conditions to be satisfied for recognition of revenue
1.	Sale of goods	a. the amount of revenue can be measured reliably; b. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity. c. The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods; d. The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
2.	Revenue from provision of services.	a. the amount of revenue can be measured reliably; b. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Ref	Type of revenue from exchange transactions	Conditions to be satisfied for recognition of revenue
		c. The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods; d. The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
2.	Revenue from provision of services.	a. the amount of revenue can be measured reliably; b. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity. c. the stage of completion of the transaction at the reporting date can be measured reliably; and d. The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
3.	Interest	Interest shall be recognized on a time proportion basis that takes into account the effective yield on the asset; the amount of revenue can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity
4.	Royalties	Royalties shall be recognized as they are earned in accordance with the substance of the relevant agreement; the amount of revenue can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the public entity.
5.	Dividends and similar distributions	Dividends or similar distributions shall be recognized when the shareholder's or the public entity's right to receive payment is established e.g when the dividends are declared; the amount of revenue can be measured reliably; it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
6.	Revenue from rent of government buildings	Rental income from government buildings shall be recognized as earned in accordance with the terms of the tenancy agreement. This is in addition to its measurability and derivation of economic benefits;

Ref	Type of revenue from exchange transactions	Conditions to be satisfied for recognition of revenue
7.	Revenue from transportation	Revenue from fares charged to passengers for the provision of transport is recognized as the transport is provided. This is also in addition to its measurability and derivation of economic benefits
8	Revenue from the management of facilities, assets, or services	Revenue from the management of facilities, assets, or services is recognized over the term of the contract as the management services are provided; the amount of revenue can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

7.5.5 In documenting the exchange revenue transactions under the accrual basis of accounting, the following source document shall be relevant:

- Invoice/Billing – where revenue is determined and accrued before cash is received
- Receipt Voucher – when revenue is determined and received cash.
- Valuation certificate and any other document as contained in the Financial Regulations/ Financial procedures/ Financial Memoranda/agreements/contracts/memorandum of understanding.

Other revenue

7.5.6 “Other Revenue” - from exchange revenue transactions shall be recognized in the books of account when the revenue is earned regardless of the time the consideration is received.

7.5.7 Other Revenue from exchange transactions shall be accounted in the books of account as follows:

When revenue is earned

Debit: Accounts Receivable – specific debtor xxxxx
Credit: Other Revenue as per sub-items of SCoA xxxxx
(Being recognition of Other Revenue earned)

When consideration is received

Debit: Bank xxxxx
Credit: Accounts Receivable – specific debtor xxxxx
(Being settlement of accounts receivable)

Receivable Functionality under the Receipt Module in IFMIS to be used with the system generating the accounting entries automatically.

Illustration: “Other Revenue” from exchange transaction

University of Rwanda admitted a student named Samuel to undertake a course in accountancy. The fee was Frw 500,000 per semester payable at the commencement of the course. The 1st semester of the course commenced on 1st March 20x5. Samuel paid the full fee on 20th April 20x5.

In the books of University of Rwanda to recognize fee for 1st semester

1st Mar 20x5: **Debit:** Accounts receivable - Samuel 500,000
Credit: Other revenue 500,000
(Being recognition of fee payable by Samuel for 1st semester)

In the books of University of Rwanda to recognize receipt of fee

20th April 20x5: **Debit:** Bank 500,000
Credit: Accounts receivable – Samuel 500,000
(Being recognition of fees paid by Samuel for 1st semester)

Disposal of assets

7.5.8 Disposal of assets is considered as an exchange revenue transaction and shall be recognized in the books of account when the sale occurs regardless of the time the consideration is received. However, once Government implements the accrual basis IPSAS, the accounting

for disposal of assets transactions shall comply with IPSAS 17: 'Property Plant and Equipment' in which case disposal of assets shall be treated as a reduction of asset balances and the associated gain or loss is recognized in the statement of financial performance.

7.5.9 The disposal of asset categories includes: Disposal of tangible fixed assets; Sale of Inventories; Sale of Valuables; Sale of Non-Produced Assets; and Sale of Financial Assets.

7.5.10 Disposal of assets shall be accounted for in the books of accounts as follows:

When sale occurs

Debit: Accounts Receivable – specific debtor xxxxx
Credit: Proceeds from disposal of assets as per sub-items of SCoA xxxxx
(Being recognition of disposal of assets)

When consideration is received

Debit: Bank xxxxx
Credit: Accounts Receivable – specific debtor xxxxx
(Being settlement of accounts receivable)

Illustration: Other Revenue – Disposal of asset

On 20th May 20x5, Kigali Urbanisation Project (KUP) sold an old paving machine to Scrap Dealers Ltd for Frw 250,000 through an auction with a sale agreement dated on the same day. Under the terms of the agreement, Scrap Dealers Ltd was to pay within 90 days. Scrap Dealers Ltd paid KUP the full amount on 30th June 20x5.

In the books of KUP to recognize sale

20th May 20x5: **Debit:** Accounts receivable - Scrap Dealers Ltd 250,000
Credit: Disposal of Tangible asset 250,000
(Being recognition of sale of machinery)

In the books of KUP to recognize receipt of sale proceeds

30th June 20x5: **Debit:** Bank 250,000
Credit: Accounts receivable - Scrap Dealers Ltd 250,000
(Being recognition of sale of proceeds)

Recording of advance payments received from exchange transactions

7.5.11 When advance payments are made for the period subsequent to the current GoR FY then the full amount received is credited to the Deferred tax revenue account and the funds received debited to the cash/bank account. If the payment involves an amount for the cur-

rent financial year, then the amount shall be split between what is due for the current FY and the amount which the public entity is yet to earn which is subsequent to the current FY.

7.5.12 The accounting entries for advance payments shall be raised as follows;

Debit: Cash/bank
Credit: Exchange revenue – component relating to current FY (Statement of Financial Performance)
Credit: Deferred exchange revenue – component relating to subsequent FYs (Statement of Financial Position)
(Being advance payments received in respect exchange revenue transaction)

Deposit functionality under the Receipt Module in IFMIS to be used with the system generating the accounting entries automatically.

7.5.13 Once a public entity earns the revenue which was deferred in the prior period to the current reporting period, a transfer of revenue is made from the deferred revenue account to the revenue account, with the following accounting entries;

Debit: Deferred exchange revenue
Credit: Revenue from Exchange transaction
(Being the reduction of the deferred revenue amount and recognising the revenue earned.)

7.5.14 If pre-paid rent has a condition which if not fulfilled, the amount received has to be refunded, then the revenue shall only be recognized upon fulfilment of the condition in line with the provisions of paragraphs 7.5.11 - 7.5.13

Recording of bad debts from exchange revenue transactions

7.5.15 Where a public entity has valid grounds that an exchange revenue transaction previously recorded as an accounts receivable is not collectible and after obtaining the necessary approval from the relevant authorities the amount is written off, the following accounting entries will be raised to recognise a bad debts expense and reduce the accounts receivable. recognising the revenue earned.)

Debit: Bad debts expense
Credit: Accounts receivable from exchange transaction
(Being actual write off of bad debts.)

7.5.16 When an accounts receivable previously written off is unexpectedly settled, the amount received shall be debited to the cash/bank account and the corresponding credit posted to "Other Revenues" account as follows.

Debit: Cash/Bank
Credit: Other revenues
 (Being recovery of amounts previously written off.)

7.6 Revenue sharing

7.6.1 Revenue from exchange and non-exchange transactions can be shared within public entities. This applies to Urban districts with City of Kigali in accordance with Article 241 of Law N°10/2006 of 03/03/2006 determining the structure and the functioning of the City of Kigali which provides that revenue collected within the City shall be kept in a joint bank account and shared between the City and the districts within the City which are Gasabo, Kicukiro and Nyarugenge.

7.6.2 The revenue sharing formulae of the urban districts and the city of Kigali is determined by law and may change from time to time as the law is amended. The revenue is currently shared as follows:

- The share of the City of Kigali is 30%;
- The share of of each District in the City of Kigali is 45%; and
- The share of the Sectors constituting the District in the City of Kigali is 25 %.

7.6.3 The funds which shall not be paid in the joint account are the following:

- Interests on bank investment;
- Loans;
- Donations and bequests;;
- Accounts balance for the previous year; and
- Incomes of the City of Kigali.

7.6.4 Noting that Kigali City, Gasabo, Kicukiro and Nyarugenge all use IFMIS as their accounting system, the following procedure should be followed while recording revenue

- The three city districts collect the revenue through their respective sectors;
- The sectors deposit the revenues in the district designated bank accounts and submit revenue reports to the district revenue collector;
- The district revenue collector captures the revenue in the IFMIS through the Revenue Module;
- The district revenue collector raises an OP transferring the revenue allocated to the Kigali City;
- The revenue sharing transaction is deemed complete once the funds are physically transferred to Kigali City bank accounts and the district has signed off the OP as PAID.

Illustration: Revenue accounting: shared revenue (Kigali City & the 3 Districts)

Assume that during August 20xx, tax revenue totalling Frw 100,000 was collected by NYARUGENGE district and deposited in the joint bank account managed by the City Council and the Nyarugenge District.

The following ledger entries would be made:

<i>In the books of NYARUGENGE district (the collector of revenue)</i>			
1) Date of collection:	Debit: Bank account (joint account)	Frw 100,000	
	Credit: Revenue account	Frw 100,000	
2) Cash transfer from joint account to Kigali City bank a/c	Debit: Inter-entity with Kigali City	Frw 30,000	
	Credit: Bank account (joint account)	Frw 30,000	
3) Transfer from joint account to Sector	Debit: Transfer to non-reporting entity-sector	Frw 25,000	
	Credit: Bank account (joint account)	Frw 25,000	
<i>In the books of Kigali City</i>			
Upon sharing of revenue and receipt of funds from joint account			
	Debit: Bank account	Frw 30,000	
	Credit: NYARUGENGE inter-entity a/c	Frw 30,000	

7.7 Recording of revenue received in cash by a public entity

7.7.1 Notwithstanding the need for public entities to maintain the zero cash policy, in the circumstances where public entities have to collect revenue in cash, a revenue collection account shall be maintained

7.7.2 In accordance with Article 65 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, all revenue received by a public entity shall be banked daily in a designated bank account.

7.7.3 The accounting entries for revenue received in form of cash shall be raised as follows:

Upon receipt of the revenue on the basis of receipts issued

Debit: Revenue collection account (cash account) xxxxx

Credit: Appropriate revenue sub-item as per SCoA xxxxx
(Being receipt of revenue in form of cash)

Upon banking of the revenue on the basis of duly certified bank deposit slip

Debit: Revenue Bank account xxxxx

Credit: Revenue collection account (cash account) xxxxx
(Being banking of revenue collected in form of cash)

7.8 Internal controls on revenue management and reporting

7.8.1 It is important that the finance department puts in place mechanisms that ensure the following internal controls relating to revenue are working:

Collecting revenue

7.8.2 The following controls shall apply for collection of revenue:

- i. Revenue should be collected by a qualified and competent officer who is authorized in writing by the Chief Budget Manager.

- ii. In acknowledgement of revenue collection, a revenue collector is required to issue an official receipt. The receipt is prepared in triplicate unless for circumstances where revenue collection systems have been used
- iii. The receipt shall show at least the following: Date; Name and type of Revenue; Receipt No.; Amount and Payer. It is this receipt that shall be used for bookkeeping entries.
- iv. The collections must be promptly recorded in the entity cashbook indicating the administrative unit from which the revenue has been collected.
- v. Procedure of capturing revenue using the IFMIS Revenue Management Module is contained in the User Manual for IFMIS.
- vi. The revenues must be fully reported in the prescribed monthly financial statements submitted to the Accountant General.
- vii. The stock of receipt books should be controlled and a new receipt book should not be issued to the revenue officer until the previous receipt book has been accounted for.
- viii. The storekeeper should only issue receipts on presentation of the used receipt books.
- ix. In case there are sub-cashiers, they should requisition for the receipt books from the main cashier on presentation of the used receipt books.
- x. A requisition for a new receipt book should be approved by the Head of Finance or any other designated resource person. This should be accompanied with a reconciliation report comparing the revenue collected in the previous receipt book and the associated bank deposit slips.

Banking revenue

7.8.3 The following guidelines relate to timely deposit of cash receipts regarding revenue collected by Public entities:

- i. Cash must be deposited in the designated entity's bank account daily and intact.
- ii. Deposit all cash receipts on-hand on the last working day of a fiscal period (regardless of the amount or time threshold); this is to ensure that receipts are made available for their intended purpose and that activity is posted to the correct accounting period.
- iii. Cash receipts must be properly safeguarded prior to through the use of adequate physical security (e.g. safes, locking cabinets, etc.).
- iv. Access to and location of cash receipts should be limited and restricted to only designate employees.
- v. Ensure cash receipting and deposit operations are handled by different staff to ensure segregation of duties.
- vi. A copy of the bank deposit receipt/pay-in-slip for all bank deposits should be maintained.
- vii. Upon suspicion of fraud or theft, immediately notify the CBM with a copy to the Ministry.
- viii. Public entity should collect the revenue before providing the required transaction or service, where this is possible. It is not allowed to offer goods and services or complete a transaction unless the full amount has been collected, except for credit revenues.

Recording revenue transactions

7.8.4 The following controls shall apply for recording revenue transactions:

- i. There should be segregation of duties of receiving, recording revenue and preparing the bank reconciliation statements. For example, while the revenue collector is charged with collecting and recording, the same officer should not be responsible for preparing bank reconciliation statements for revenue bank accounts.
- ii. A public entity should maintain a customers' register comprising of accounts relating to each customer, and they should be updated regularly. The entities using IFMIS should use the 'Revenue Management Module' for this purpose.
- iii. A public entity should take the necessary action to ensure the collection of due revenues, with a written reminder in case a credit customer fails to settle his/her debts within the period specified.
- iv. Public entities shall inform MINECOFIN of revenues that have been collected and deposited in the Consolidated Account, and send the deposit advice to Treasury.
- v. Revenue should be recorded to the appropriate codes assigned in accordance with the standard chart of account classification.
- vi. It is not permissible to use part of the revenue collected to incur expenditure.

Refunds of revenue

7.8.5 Refunds of revenue may become necessary because of collections or over-collections made in error or because, although properly collected in accordance with an Act or regulation, provision exists under the Act or regulation for the revenue to be reclaimed under certain circumstances in the form of a rebate or drawback. The following procedures

and controls shall apply while refunding revenue:

- i. Where the collection, over-collection or drawback is made in the same financial year as that in which the revenue was originally collected, a public entity that has collected the revenue by error or in excess of required amount should deduct/adjust the amount refunded to customers from the revenues collected during the current year debiting the original revenue item.
- ii. Where the refund relates to revenue collected in previous years, such should be provided for under an expenditure item appropriated by Parliament in an Appropriation Act so that it is paid from the budget of the current year. In this regard, the estimates of refunds of revenue by a public entity shall include assumptions underpinning the refund estimates.
- iii. While refunding revenue, care should be taken to ensure that revenue being refunded was actually received by the public entity.
- iv. A public entity should get back the receipt voucher from the customer and stamp revenue transaction vouchers and all copies of the receipt with the word "CANCELLED".
- v. A public entity should file revenue transaction documents relating to revenue refund in a specific file, and keep all cancelled receipts in the receipt book or ensure there is a clear audit trail of cancelled receipts in case of receipts issued electronically.
- vi. For the purpose of tax, revenues collected by Rwanda Revenue Authority, the commissioner General can decide other modalities to refund of revenues

Recording of revenue in IFMIS

7.8.6 The following controls shall apply for recording of revenue in IFMIS:

- i. Revenue should be recorded in IFMIS as per the classification provided in the current Standard Chart of Accounts.
- ii. To ensure that the accounts receivables are properly itemized and correctly recorded in the financial statements, public entities shall reconcile the accounts receivable sub-ledger reports with the general ledger transactions and where discrepancies are identified they should be investigated and resolved before any periodical closure and submission of an entity accounts.
- iii. Reference shall be made to the IFMIS user manual for the detailed procedures of recording revenue through the system.

Reporting of revenue in the GoR financial statements

7.8.7 The presentation of revenues in the statement of financial performance shall follow the guidance of IPSAS 1 Presentation of financial statements and MINECOFIN shall determine (through the issuance of appropriate templates for the financial statements) the sub-classifications of total revenue to be presented on the statement of financial performance or in the notes in a manner considered appropriate to the operations and needs of the Government.

8 Expenditure Management

8.1 Introduction

8.1.1 After the approval of the budget, public entities have the authority to make payments and implement the approved budget.

8.1.2 The finance department of a public entity is responsible for making the initial budget implementation activities by ensuring the relevant accounting system is well set up and the budget is loaded in the system for the new financial year before making payments.

8.2 Policy statement

8.2.1 Any contract for goods and services, and commitment for purchase of goods and services outside approved budget, approved procurement plan and approved expenditure plan shall be in contravention of the Organic Law on State Finances and Property and the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations and shall be considered ineligible.

8.2.2 The utilization of the Emergency Budget Reserve shall be restricted to defraying urgent, unforeseen and unavoidable expenditure that was not provided for and shall not exceed available funds. Central Government entities shall require the approval of the Minister and economic planning. For Decentralized entities, the Chairperson of the Executive Committee may authorize the use of funds from the Emergency Budget Reserve. Before such funds are used the Minister and the Chairperson of the Executive Committee shall transfer the required amount to the relevant budget line under the budget of the public entity or district which will use it and specify the purpose of the emergency expenditure.

8.2.3 No payment shall be made without

adequate supporting documents. Supporting documents for expenditure shall include tender documents, Purchase Orders, contractual documents, delivery notes, Goods Received notes, Invoices, Payment vouchers/orders, petty cash voucher, payroll list, payroll change documents, or any other supporting documents as may be required.

8.2.4 Pursuant to paragraph 8.2.2, the Chief Budget Manager and any authorized public officer shall ensure the following while verifying the different categories of payments;

a) Goods and Services

i. Payment Order

Attach copies of original Payment orders
Attach copies of Note a l'OT
The Purchase Order presented should be signed by the supplier
Signatures on Ops should match with that one on the specimen
Acting Appointment (Interim letter) should be attached
Budget lines used should be related to the committed expenditure
Penalties should be well calculated (if applicable)
The bank account (RRA) for penalties should be correct
Payment Currency used should be in line with the contract obligations
3% or 15% WHT Bank account should be correct VAT calculated should be correct
VAT Bank account should be related to the applied VAT remittances
3% or 15% WHT calculated should be correct
3% or 15% WHT Bank account should be correct

ii. Invoice

Provide copies of original invoices (number to be determined by treasury)
Invoice amount should match with the OP amount.
Invoice should be duly approved by the Budget entity
Invoice Acknowledgement receipt from the system
Supplier's account number on Invoice is consistent related to the account on OP and the same as that one in the contract.

Payment progress Report should be provided (where necessary)
Advance on contract should not be greater than 20%
Advance guarantee should be provided
Performance security guarantee should be provided
Amount of Performance security Guarantee should be calculated correctly.
Approved supervisor's report on service/work done should be attached
No ineligible advance
Quitus fiscal should be attached
Performance Guarantee period matches contract period
Any other document as may be deemed necessary

iii. Delivery and Goods Received Note

Original Good Received Note from the system should be attached
Original Delivery note should be attached
Items on Invoice are consistent with items on Delivery note & Goods Received Note

iv. Contract

Contract signed by both parties
Contract amount should be related to that one in Bid Evaluation or clearly supported
Payment modalities should be clear in the contract
Supplier's Bank account number in the contract should be the same as the one on the payment order & Note a l'OT
Contract duration
Contract administrator/Manager
Arbitration to settle disputes
Sub contract not eligible for advance
Sub contract invoice is not acceptable
Addendum amount should not exceed 20% of the contract
Any other consideration as may be necessary

v. Tender documents

Advertisement of the tender in the newspaper should be attached
Tender minutes should be provided
Tender evaluation report should be provided
Successful and Unsuccessful bidders notifications are provided
Provisional Notification letter should be provided
Final Notification letter should be provided
Amount of tender evaluation report is consistent with amount on notifications and Contract

b) Works

i. Payment order – ensure to check against the following;

Attach copies of original Payment orders
Attach copies of Note a l'OT
The Purchase Order presented should be signed by the supplier
Signatures on OPs should match with the specimen signatures
Acting Appointment (Interim letter) should be attached
Budget lines used should be related to the committed expenditure
Penalties should be well calculated (if applicable)
The bank account (RRA) for penalties should be correct
Payment Currency used should be in line with the contractual obligations
VAT calculated should be correct
VAT Bank account should be related to the applied VAT remittances
3% or 15% WHT calculated should be correct
3% or 15% WHT Bank account should be correct

ii. Invoice – ensure to check against the following;

Provide 3 copies of original invoices
Invoice amount should match with the OP amount
Payment modalities should be clear about advance recovery on the Invoice
Invoice should be duly approved by the Budget entity
Invoice Acknowledgement receipt from the system should be attached
Supplier's account number on Invoice is consistent related to the account on OP and the same as that one in the contract.
Payment progress Report should be provided (where necessary)
Advance on contract should not be greater than 20%
Advance guarantee should be provided
Performance security guarantee should be provided
Amount of Performance security Guarantee should be calculated correctly.
Approved supervisor's report on service/work done should be attached
Ineligible advance not acceptable
Quitus fiscal should be attached
Performance Guarantee period should match with contract period
Certificate of works completed should be attached
Supervision report on work done should be attached
Progress report approved by technical team and CBM should be attached
Provisional report for the work done should be attached
Final report for the work done should be attached

Add any other document where necessary

iii. Contract – ensure to check against the following;

Contract signed by both parties
Contract amount
Payment modalities should be clear in the contract
Bank account number
Contract duration
Contract administrator/Manager
Arbitration to settle disputes
Sub contract not eligible for advance
Sub contract invoice is not acceptable
Supplier's Bank account number in the contract should be the same as the one on the payment order & Note a l'OT
Addendum amount should not exceed 20% of the contract
And any other consideration deemed necessary.

iv. Tender document – ensure to check against the following;

Tender evaluation report is not attached
Advertisement of the tender in the newspaper not attached
Amount of tender evaluation report differs from amount on notification
Final Notification letter is not attached
Provisional Notification letter is not attached
Successful and Unsuccessful bidders notifications
Supplier to be paid is not the one awarded the contract

c) Salaries, allowance and other benefits payments

i. Payment order – ensure to check against the following;

Attach signed copies of Payment orders
Attach signed copies of commitment Group
Check budget lines used if they are correct when creating commitments (Salaries and Lump sum)
Check whether the signatures and specimen are matching
Acting Appointment (Interim letter) should be attached
And if any other

ii. Payroll list and Bank List – ensure to check against the following ;

Attach original current payroll list
Attach original Bank lists and non-statutory
Attach payroll change list

Attach Salary dispatching
Attach copy of the previous payroll list paid
Check if Salary and deductions are well calculated
Amount on payroll list is the same amount of Ops
And if any other

iii. Other supporting documents – ensure to check against the following;

Appointment letter for New sous status staff(s) should be attached
Attach the salary structure for the New staff for sous status staffs
Contract for New Contractual Staff should be attached
Approval letter from MIFOTRA for contractual staff should be attached
Contract for expert(s) and/or consultant(s) is attached
Cabinet decision for political appointee is attached
Resignation letters and/or other supporting documents is attached
Contract for Lump sum should be attached
Qualification (certificates, diplomas, degrees...) is attached for New teachers staff
Budgetary position (poste budgetaire) qualification is related to placement

d) Transfers

i. Payment order – ensure to check against the following;

Attach original copies of payment orders
Attach signed copies of Note a l'OT/ Commitment Group
Period should be mentioned in description
Signatures on Ops should match with that one on the specimen
Acting Appointment (Interim letter) should be attached
And if any other

ii. Other supporting documents – ensure to check against the following;

Breakdown of the activities to be financed by the amount requested should be provided
Inter entity transfer not allowed
And if any other

e) Mission and related expenses

i. Payment order – ensure to check against the following;

original copies of Payment orders should be attached
original copies of Note a l'OT should be attached
Signatures on OPs should match with that one on the specimen

Acting Appointment (Interim letter) should be attached
Check budget lines used if they are correct when committing expenditure
Mission allowance should be well calculated

ii. Other supporting documents – ensure to check against the following ;

Copy of exchange rate from BNR website should be attached
Original and copy of the Travel clearance should be attached
Travel clearance should be signed and stamped
Attach a copy of cost of living where the beneficiary is travelling to
Amount of Electronic ticket should be the same as the one on the invoice
Invitation letter should be attached

f) Membership subscription payment

i. Payment order – ensure to check against the following ;

Attach original copies of payment orders
Attach original copies of Note a l'OT
Check budget lines used if they are correct when committing expenditure
Signatures on Ops should match with that one on the specimen
Acting Appointment (Interim letter) should be attached

ii. Other supporting documents - ensure to check against the following;

MoU should be attached
Budget agency is not allowed to pay subscription except MINAFFET
Organization request for payment should be approved by Budget Agency

g) Expropriation

i. Payment order – ensure to check against the following;

Attach 3 original copies of payment orders
Attach 3 original copies of Note a l'OT
Check budget lines used if they are correct when committing expenditure
Signatures on OPs should match with that one on the specimen
Acting Appointment (Interim letter) should be attached

ii. Other supporting documents - ensure to check against the following;

Attach signed bank list of payees (3 copies)
Original valuation form signed by owner/beneficiary, representative of Institution, Valuer, Executive Secretary of cell and sector and Mayor of the district
Attach a copy of Identity Card of Beneficiary/Owner
Copy of Land title should be attached

8.2.5 The listing of the supporting documents and number of copies prescribed under paragraph 8.2.4 above may be reviewed and updated by the Secretary of the Treasury from time to time, as he or she may deem necessary. Under the paper less initiative and in the context of using and integrating E – Procurement, IPPIS, IFMIS; E- Tax and E- Payment systems, the use of hard copies documents will be limited and number of copies required will be reduced.

8.2.6 In accordance with IPSAS 1 – Presentation of financial statements, all public entities shall present on the face of the statement of financial performance and in the notes to the statement of financial performance an analysis of expenses using classification/sub-classifications based on nature of expenses within the entity.

8.3 Types of expenses

8.3.1 The main classification of expenditure by nature as derived from the SCoA are shown below:

a) **Compensation of Employees-** There are two main groupings within compensation of employees namely; “Salaries and Wages” and “Social Contributions” (also referred to as employee benefits). Salary and Wages comprise of amounts paid to the employees of an entity including all statutory deductions such as PAYE and the employee’s contributions to pension and/or medical schemes. The Social Contributions category includes the employers’ contribution to the

social insurance schemes to which the employee belongs.

- b) **Use of goods and services** - This item refers to all government payments for goods and services, excluding purchases of capital assets.

- (c) **Acquisition of capital assets (Fixed assets)** - Capital assets are goods that are expected to be used during more than one fiscal year and from which future economic benefits or service potential are expected to flow, provided that their value exceeded the capitalization threshold of Frw 100,000 when originally acquired.

Payments on goods worth less than the capitalization threshold or those whose useful life is less than one fiscal year are never included under acquisition for capital assets, rather these items are classified as goods and services.

- d) **Consumption of capital (Depreciation)** - This represents the depreciation charge and is used by entities that are treating the acquisition of fixed (capital assets) using the accrual basis of IPSAS.

- e) **Interest** - Interest includes the following payments:

- i. Total value of interest payments where such payments are associated with debt, e.g. interest on borrowing and overdraft facilities;
- ii. Interest payments on bills and bonds issued by other government units; and
- iii. Interest paid on overdue accounts.

- f) **Grants and Transfers** - Grants and Transfers include all payments made by an entity when that entity does not expect to receive value equal to the transfer to the other party. Such payments includes grants to international organizations, grants to foreign government, and grants to other

government units which includes Treasury transfers, inter-entity transfers and intra-entity transfers as well as transfers to sub-district entities.

- g) **Subsidies** - include transfers to public corporations and private enterprises to: influence the level of production and/or pricing policies of the recipient; engage in production that is not related to specific products or to reduce pollution; compensate for losses they incur on their productive activities as a result of charging prices that are lower than their average costs of production because of deliberate government economic and social policy.

- h) **Social benefits** - these includes social assistance benefits such as pooling risk for health insurance, assistance to refugees, assistance to orphans and other vulnerable groups, compensation to deceased, care of the destitute as well as employer social benefits which includes medical allowance and costs abroad, education allowance, deceased and funeral costs and terminal benefits.

- i) **Other expenditures** - Miscellaneous other expenses include a number of transfers serving quite different purposes and any other expense transaction not elsewhere classified.

- j) **Repayment of Borrowings** - These items refer to repayment/settlement of Loan Principal but exclude interests' payments on the Loans (Classified under Interest above). Loan Repayments are appropriated and therefore feature in the appropriation accounts.

8.4 Committing Government Expenditure

8.4.1 The expenditure process starts with committing the expenditure. A commitment occurs when a Public entity enters into a legal obligation that requires it to pay for goods or services either immediately or sometime in future.

8.4.2 A Public entity enters into financial commitments whenever it makes an agreement which involves future financial payments. It is very important that Public entities' make commitments within their approved budget estimate limits.

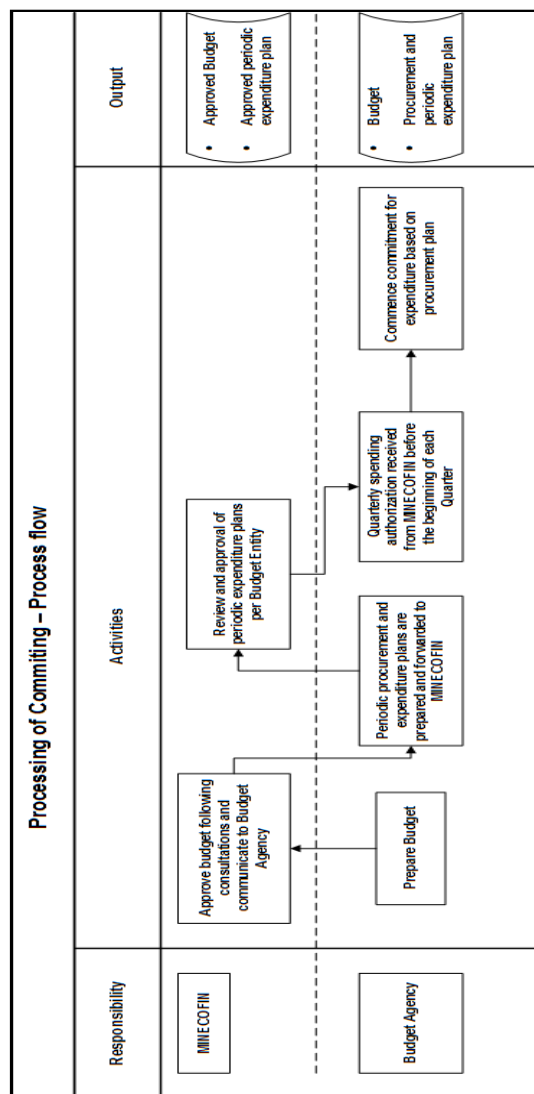
8.4.3 Commitment of funds should be in conformity with the existing legal provision such as the Organic Law on state finances and property, Public procurement law etc.

8.4.4 All types of commitments in respect of foreign currency payments shall be made at the prevailing spot exchange rate irrespective of any exchange rates used for budgeting or contracting purposes. The prevailing spot exchange rate shall be in accordance with paragraph 10.2.1(i). Where the budget available for the commitment is found to be insufficient because of the fluctuations in the exchange rates, the Chief Budget Manager shall cause a budget reallocation or budget revision, as may be necessary in line with paragraphs 4.3.18 – 4.3.19 of this manual.

8.4.5 Further to paragraph 8.4.4 above, and where commitments are made and paid directly by a third party. Example a development partner, in a currency other than the transaction currency, the prevailing spot exchange rate at the time of creation of the commitment shall be used and advised to the third party together with the equivalent amount payable directly to the supplier or contractor by the third party. This requirement notwithstanding, the Chief Budget Managers shall ensure as much as pos-

sible that all direct payments to suppliers by third party are effected in the same currency as the transaction currency so as to mitigate the exposure to the foreign currency risk arising out of the fluctuations in the foreign exchange rates.

8.4.6 The following diagram summarizes the established payment process at various levels:



8.4.7 The above illustrated commitment processes are described below:

Step	Description	Details
1	Approved budget is communicated to Public entity	As soon as the annual budget is approved together with the annual procurement plan, the PS/ST prepares for the Minister's signature, a letter to inform the Chief Budget Managers of the approved annual budget for each Public entity. In the letter, the Minister requests the public entities to prepare and submit a final expenditure plan based on the approved budget.
2	Preparation expenditure plan	Public entity prepares its expenditure plan (cash plans) for the 12 months of the next fiscal year.
3	Receiving and consolidation of the expenditure plans	The expenditure plans (cash plans) are received and consolidated by Treasury, MINECOFIN.
4	Review of expenditure plan (cash plan) by Treasury Management Committee (TMC)	The expenditure plans are reviewed and agreed by the Treasury Management Committee before the start of the fiscal year.
5	Authorization of spending by Minister	The Minister informs the CBM in writing of the quarterly spending authorization for each budget entity for a particular period say monthly, quarterly or at any other frequency that MINECOFIN may prescribe.
6	The authority to spend is received by the public entities	The Budget Entity receives spending authorization before the beginning of the specified period. Based on these authorizations, the entity begins making commitments.
7	Commencement of procurements	Procurement activities as per procurement plan commence once the authority to spend is received by public entities.
8	Commitment	Upon receipt of the approved procurement documents, and upon carrying out a budget check to confirm availability of funds against a budget line, the Budget Officer commits funds for the purchase of goods and services.

Step	Description	Details
		The HoF reviews the purchase order before forwarding it to the CBM or his/her delegate for approval. The HoF verifies whether the order is supported with a contract or other documents, depending on the goods and services being procured. The CBM or his/her delegate approves the purchase order once satisfied that the purchase order has been prepared after all the required procedures are fulfilled. The approval of the purchase order signifies that funds related to the intended procurement have been committed and are therefore not available for other activities.
9	Issue of purchase order	Once a purchase order is duly approved, it creates a commitment by the public entity to pay for the intended service or goods to being procured The purchase order is given to the Supplier.

8.5 Multi-year expenditure commitments

8.5.1 A Chief Budget Manager who implements an ongoing assignment or project for more than one financial year shall demonstrate that the financial commitments for implementing the assignment or project are within the Medium Term Expenditure Framework.

8.5.2 The annual budget shall be the first call on resources for implementing the assignment or project. Being a first priority for the allocation of resources in the budget will ensure that multi-year assignments or projects will not be unnecessarily interrupted once approved.

8.5.3 A Chief Budget Manager shall only be able to enter into new multi-year commitments within the Medium Term Expenditure Framework if he or she can demonstrate that the existing financial commitments shall be met.

8.5.4 The Chief Budget Managers and tender committee shall check for funds availability within the MTEF before considering any contract awards relating to multi-year commitments.

8.5.5 After awarding a multi-year contract to the selected supplier, an annual budgeted amount under the contract shall be committed and purchase orders progressively issued through the IFMIS subject to availability of the quarterly cash plan allocations.

8.5.6 Payments to suppliers shall be processed against the IFMIS purchase orders when the supplier's certificate of completion of work is approved or the delivery of goods and services under the purchase order is acknowledged.

8.5.7 E-Government Procurement system known as "Umucyo" shall be used to track the performance of all multi-year contracts, clearly indicating the contract amounts relating to the subsequent financial years.

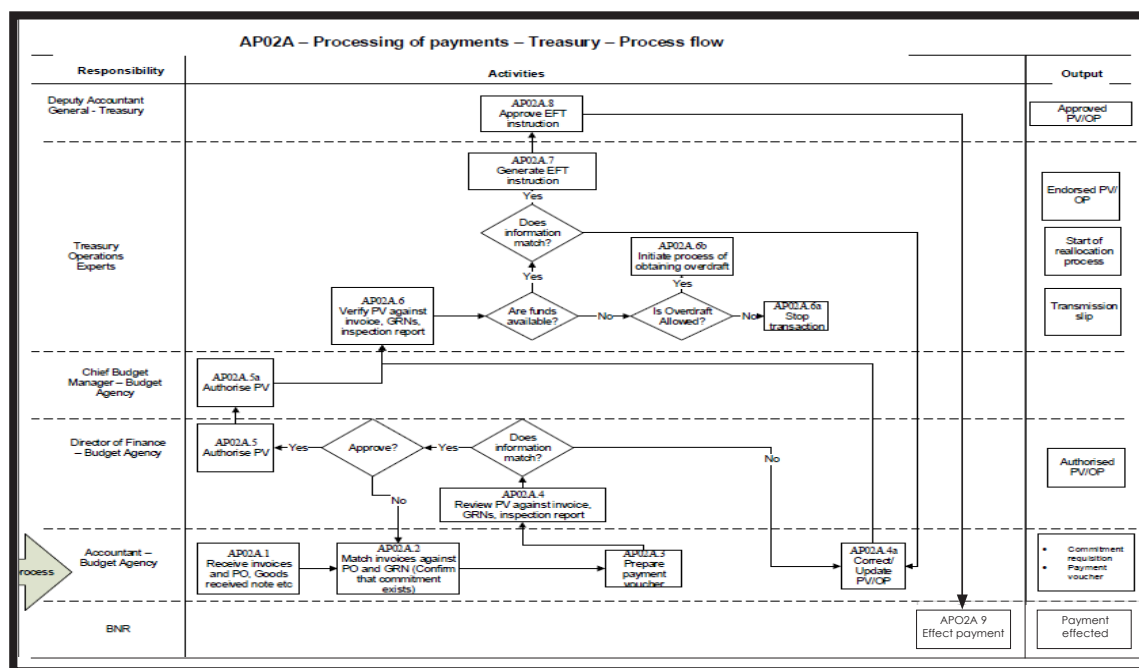
8.6 Making payments on committed expenditure

8.6.1 This section contains the provisions and procedures relating to government payments to suppliers and specifies the main general rules for controlling government payments aiming at ensuring that all government payments are carried out according to the applicable rules and regulations.

8.6.2 It aims at ensuring that only the correct amounts are paid to the beneficiaries on the basis of the supporting documents which

should be complete and correct ensuring that payments are registered correctly and accurately and that payments are verified and shown in the financial and accounting reports on the appropriate dates.

8.6.3 The diagram below describes the payment process while using direct payments method. This method entails processing of payments through the Treasury:



8.6.4 The finance department or authority responsible for processing payments at the public entity will undertake the following steps/procedures as depicted in the flow chart above:

Step	Description	Details
1	Delivery of goods	The supplier on receiving the purchase order delivers the goods within the agreed time.
2	Receiving of goods	The logistics officer and user departments confirm that the goods or services supplied correspond to what was ordered and write a report. They confirm by signing on the face of the invoice or the delivery note from supplier or on a Goods Received Note issued by the entity as per Appendix i: In case where computer equipment is received, the ICT Officer must verify the goods being delivered and countersign on the delivery note. In case of service delivery, the Contract Manager acknowledges satisfactory delivery of service by supporting the invoice from the supplier.
3	Invoicing	The logistics officer or head of user department or supplier submits the endorsed invoice and the delivery note to the accountant for payment processing.
4	Verification of supporting documents	Upon receipt of the supplier invoice, the accountant ensures that: • All the required supporting documents have been attached These will include contract/agreement with the supplier, copy of Purchase Order, delivery note or Goods Received Note (signed by logistics officer and procurement officer). The Purchase Order and Goods Received Note must be generated from the IFMIS for entities using the IFMIS. (See also Paragraph 8.2.2 for requirements for supporting documents) • Compliance with the established tendering/procurement regulations and check that the invoice complies with the terms and conditions specified in the service contract/agreement. • Check that the claim is a genuine invoice and not a duplication of an invoice earlier settled. • Confirm that a commitment exist for the payment. • Original certification of work done. • Ensuring that the details of the invoice are complete and correct by checking them against the details of the other supporting documents. Doing this should include the following details: • Supplier's name, bank account details and other particulars. The unit value and total,

Step	Description	Details
		and they should reflect the actual value of materials received or services provided. - Details of the materials or services compared with the details of the purchase order and delivery note. - Date of the invoice. - Supplier's signature and stamp on the invoice. - Paragraphs Error! Reference source not found. and 8.2.4 of this manual should be referred to, for the specific guidelines for the verification of each category of payment.
5	Request for payment	The accountant then forwards the payment to the budget officer for payment. On receiving the documents, the budget officer confirms that the expenditure had been committed and that it has been properly allocated to the applicable expenditure ledger code/budget Vote in the IFMIS system.
Payments relating to Direct Payments (paid directly to supplier by Treasury through TSA)		
6	Preparation of payment order	The accountant then attaches to the payment order all the supporting documents, and forwards them to HoF and CBM for approval. For payment to be made by the Treasury (direct payments), the accountant prepares a payment order in four copies; - one copy for Public entity (for filing), - three for MINECOFIN (One copy is retained and two copies are submitted to BNR)
7	Initial review and approval of payment	The Head of Finance verifies the payment order to ensure that the verification procedures prescribed above have been properly performed and then approves it by signing.
8	Final approval	The Head of Finance then forwards the signed payment voucher/payment order, together with the attachments, to the CBM for authorization.

Step	Description	Details
9	National payments received by Central Treasury under MINECOFIN	For direct payments the signed payment order, together with the attachments, are forwarded to Treasury for further processing. Article 40 of Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations requires each public entity to maintain register for all requests for payment. See appendix xii of this manual for format.
10	Verification of payment order	The assigned Treasury Operations Officer in the Treasury verifies the Payment Order (PO) to ensure that all required processes have been followed and the supporting documents are adequate as prescribed in paragraphs 8.2.2 – 8.2.4;
11	Approval of payment order	The Treasury Operations officer then forwards the PO for approval and signature by Deputy Accountant General in charge of Treasury Management, together with the supporting documents.
12	Funds transfer by BNR	The batch slip and Payment Order are forwarded to the Government Cashier at the BNR for payment to be effected. With internet banking, this step involves payment instructions effected automatically.
13	Custody of payment documents	After the settlement of the invoice the copies of the Payment Order are distributed as follows: • The original PO together with the originals of the supporting documents are kept by the Treasury. • The Public entity shall print the paid PO reflecting the updated status and file it together with the corresponding copies of the supporting documents.
14	Posting of transactions Once the approved	payment order is signed as “paid”, the transaction is automatically updated on IFMIS and the user only needs to reconcile the transaction. The user must ensure that the accounting classification regarding payment is correct and suitable to the nature of the transaction and its payments. For entities that are not using IFMIS, the payment transaction has to be captured on the ledger after forwarding the payments to Treasury for direct payment.

Payment made by the entity (Local payments)		
15	Preparation of payment Voucher	For local payments, the accountant prepares two copies; • one for the entity and • one for BNR
16	Initial review and approval of payment	The Head of Finance verifies the payment voucher to ensure that the verification procedures prescribed above have been properly performed and then approves it by signing.
17	Final approval by the Chief Budget Manager	The Head of Finance then forwards the signed payment voucher together with the attachments, to the CBM for authorization.
18	Preparation of cheque /internet banking/EFT	On authorization, the cheque is prepared by the accountant. This step will not apply in case of internet banking that will require electronic payment instructions effected automatically
19	Cheque approval / Internet banking/EFT	The cheque is approved by the authorized bank signatories. This step will be replaced with the approval of the electronic payment instructions in case of internet banking.
20	Posting of transactions	Upon approval of cheques/electronic payment instructions, the accountant shall update the payment voucher by signing it as "paid". For entities using IFMIS, the payment transaction is automatically updated in the general ledger. For entities that are not using IFMIS, the payment transaction has to be captured in the ledger after remitting the cheque to the bank.
21	Cheque disbursement	The accountant makes a photocopy of the cheque and remit the original to the bank which acknowledges receipt on the copy of the cheque. The Accountant shall issue a copy of the acknowledged cheque to the supplier as confirmation of the payment made. This step will not be necessary in case of internet banking/EFT payment instructions.

8.7 Making government payments by Electronic Funds Transfer (EFT)/ Internet Banking

8.7.1 Payments due by any public entity may be made by Electronic Funds Transfer (EFT)/Internet banking.

8.7.2 EFT/Internet banking is a payment method and all procedures and controls related to the commitment and payment-processing cycle of government shall continue to apply up to the point where a payment order would have been printed and sent to the bank. Accordingly, the overall authority and responsibility for electronic payments in a budget agency shall remain with the Chief Budget Manager.

8.7.3 Electronic payment instructions will be automatically generated in the IFMIS (or any other authorised system) with unique reference numbers and transmitted to BNR – Internet banking for payment through a secure link.

8.7.4 The unique reference numbers assigned to each of the electronic payment transactions and narrative descriptions on the bank statement will provide the required audit trail to enhance the bank reconciliation process.

8.7.5 To enable processing of payments using EFT, all suppliers shall at a minimum be created in the IFMIS (or other authorised systems of Government) with the following bank account information:

- a) Supplier/Employee name and contact details (mobile phone number and e-mail).
- b) Tax identification number (TIN). Foreign suppliers without TIN shall use a business registration number for companies and passport numbers/NID for individuals.
- c) Account Title.

- d) Account Number.
- e) Bank Name.
- f) Bank Branch.

8.7.6 The Accountant General shall ensure that all blacklisted suppliers by the Rwanda Public Procurement Authority (RPPA) are deactivated in the IFMIS system. In this regard the Director General, RPPA shall provide the Accountant General with up to date information on blacklisted suppliers.

8.8 Fruitless and wasteful expenditure

8.8.1 Pursuant to article 73 and 119(2) (b) of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, fruitless and wasteful expenditure shall constitute expenditure that is made in vain and would have been avoided had reasonable care been exercised. A Chief Budget Manager shall therefore exercise all reasonable care to prevent and detect fruitless and wasteful expenditure, and must for this purpose implement effective, efficient and transparent processes of financial and risk management.

8.8.2 Fruitless or wasteful payments occur as losses if a payment is avoidable and there is no benefit to the Government, such as a payment of a retainer for professional services where these services are not in fact used, a payment for accommodation rented but not used or a payment for goods wrongly ordered or accepted through irregularity or negligence other than an error of judgment. Examples of wasteful expenditure include;

- a) Expenditure relating to lost court cases that could have been avoided;
- b) Penalties and fines for non-compliance with regulations, contractual obligations, etc; and
- c) Payments for acquisition of goods and ser-

vices not put to use;

8.8.3 Unauthorized or irregular expenditure contrasts with fruitless and wasteful expenditure, as it relates to payments that are not authorized under an Appropriation Act/ approved by Parliament or tender procedures.

8.8.4 The Director of Finance/Head of the Finance Unit and the Head of Corporate Services shall assist the Chief Budget Manager in the prevention of wasteful expenditure and where this is discovered he or she shall immediately report such expenditure to the Chief Budget Manager. The Director of Finance/ Head of the Finance Unit shall also maintain a fruitless and wasteful expenditure register (see appendix xxxii), which shall contain detailed information on such expenditure for each financial year. The fruitless and wasteful expenditure shall also be disclosed in the annual financial statements as a note.

8.8.5 The Chief Budget Manager shall be required to investigate the alleged expenditure and shall take all appropriate disciplinary steps against any official responsible for causing to incur the fruitless and wasteful expenditure and when taking disciplinary steps, the Chief Budget Manager must take into account –

- a. The circumstances of the transgression;
- b. The extent of the expenditure involved; and
- c. The nature and seriousness of the transgression.

8.9 Expenditure plans

8.9.1 Cash is the most important financial resource in Public entities and therefore requires good management. Effective cash management implies the efficient utilization of the limited budgetary resources available to the Government of Rwanda. This is achieved through preparation of ex-

penditure plans. This ensures the following:

- a. The Public entity has the sufficient cash to meet all planned expenditures;
- b. Payments are made according to the plan (cash budget);
- c. Serious shortfalls in cash balances are avoided.

8.9.2 Article 34 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations provides guidelines for expenditure management within public entities.

8.9.3 The article requires that the CBM prepares and submits to MINECOFIN on the basis of the draft budget and procurement plans, provisional annual expenditure plans broken down by month and quarter not later than 15 June and the final expenditure plans not later than 30 June.

8.9.4 Public entities should take the following guidelines into account with regards to expenditure planning

- i. The cash plans shall be prepared in line with the underlying procurement plans, action plans, the approved budget and the projected cash inflow. For salaries and wages monthly cash plans equal to the approved budget divided by 12 shall be issued.
- ii. The cash plans obtained from the public entities are consolidated by MINECOFIN into the government-wide holistic cash plan. The reliability of the consolidated cash plan is largely dependent on the accuracy of the plans from the public entities, and therefore care must be made to ensure that those plans are realistic.
- iii. It is the responsibility of the Chief Budget Manager to ensure that the required expenditure plans are prepared by the due dates. The director responsible for

finance in a public entity prepares a draft of the plan and submits the same to the Chief Budget Manager for review and approval. In the case of the local government entities, the draft plans are further submitted to the entity's executive committee for consideration and approval before submission to MINECOFIN.

- iv. In local governments, the district cash plans must encompass the aggregate of all the entities in the district – sectors, hospitals, schools and health centres. Therefore, each of these entities is required to prepare own cash plans and submit them to the district chief budget manager for consolidation into the district cash plan.

8.9.5 The following is a summary of the steps involved in expenditure planning in accordance with Articles 34, 35,36,37 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations:

Step	Description	Responsibility
1	Letters requesting expenditure plans for the fiscal year are sent to Public entities;	MINECOFIN
2	Request for inflows from RRA and EFU (Domestic and External Revenues respectively);	MINECOFIN
3	Public entities submit Plans through IFMS and analysis of the expenditure plans is made;	Public entities and MINECOFIN
4	Consolidation of National expenditure plan;	MINECOFIN
5	Based on the approved expenditure plan by the TMC, each Chief Budget Manager is given authorization for the execution of his/her budget.	MINECOFIN
6	Approving expenditures in IFMS based on TMC decisions.	MINECOFIN
7	The Chief Budget Manager may, if necessary or upon request by the Secretary to the Treasury, submit revised expenditure plan to the Treasury after the 15th day of the last month of each quarter.	Public entities

8.10 Accounting recognition for various expenditure scenarios

8.10.1 Expenditure relating to compensation of employees, purchase of goods and services, acquisition of capital assets and inventories shall be accounted for on an accrual basis and recognized in the books of accounts when an expenditure is incurred regardless of the time the associated cash and cash equivalent are paid out. Similarly, expenditure relating to grants, subsidies, social assistance, principal loan repayments and interest costs of public entities, investments by public entities, lending and on-lending shall also be accounted for on an accrual basis with Generally Accepted Accounting Principles – GAAP. See paragraph 3.2.3 for the recognition points of each type of expenditure transaction.

8.10.2 For exchange transactions, expenditure is considered as incurred once the economic benefit and associated risk and rewards of ownership have been passed to the entity. This implies that the entity has received the procured goods and consumed services and the receipt of which is acknowledged by one of the following: goods received note; acknowledgement of service consumed; invoice; certification of completed works and service; approved payroll; or any other related evidence of incurrence of expenditure. Following accounting entries shall apply to all accrual based expenditure scenarios:

Upon incurrence of expenditure:	
Debit: Expenditure per SCoA	xxxx
Credit: Accounts payable (being recognition of incurrence of expenditure)	xxxx
<i>IFMIS payment Module is used and all the accounting entries are generated automatically by recording the expenditures and accruing the associated liabilities</i>	
Upon payment of the expenditure	
Debit: Accounts Payable	xxxx
Credit: Bank/Cash/Direct payment by Treasury (being recognition of payment)	xxxx
<i>IFMIS payment Module is used in extinguishing the accrued liabilities. If the paying cost center is integrated with Internet Banking, IFMIS plays the role of Inputter</i>	

8.10.3 Expenditure relating to payments in respect of transfers, public debt repayments and interest, national investments, student loans as well as other expenditure shall be accounted for on cash basis and recognized in the books of accounts when cash and cash equivalent is paid out.

8.10.4 Cash is considered as paid when consideration for payment such as Internet banking/EFT instructions, Cheque, Payment Order are signed rather than when cash and cash equivalent are debited from the bank statement. In such scenarios, following accounting entries shall apply:

Upon making payment related to the expenditure:

Debit: Expenditure per SCoA	xxxx
Credit: Bank/cash/direct payment by Treasury (being recognition of expenditure)	xxxx

IFMIS payment Module is used in extinguishing the accrued liabilities. If the paying cost center is integrated with Internet Banking, IFMIS plays the role of Inputter

8.10.5 Expenditure shall be measured at historical cost. This relates to all consideration paid in cash and cash equivalent paid to acquire an asset or service.

8.10.6 Accounting policies to be applied with regards to the various expenditure categories shall conform to chapter 3. These will be modified from time to time during the implementation of the roadmap to accrual basis IPSAS where relevant IPSAS shall be applied for recognition, measurement and disclosure of expenditure.

8.10.7 Notwithstanding paragraph 8.10.6, expenditure incurred in acquiring capital items, inventories, lending and on-lending are expensed and written off during the year of acquisition. However, for their day-to-day management, a register appropriate for each category shall be maintained and disclosed in the financial statements.

8.11 Treatment of returned payments

8.11.1 Returned payments relate to the payments instructions issued by the Treasury or budget agency but rejected by BNR or commercial banks as unpaid transactions. This may be for a variety of reasons such as the use of wrong bank accounts.

8.11.2 For all the unpaid transactions, BNR or the relevant Commercial Bank shall notify the Treasury or the relevant budget agency providing the following details;

- a) Bank Transaction ID
- b) Reference number (Payment Voucher/Instruction Number)
- c) Description
- d) Amount
- e) Beneficiary name (Payee)
- f) Bank Account
- g) Currency and
- h) Reason why payment instruction could not be effected

8.11.3 Upon receipt of the notification, the Treasury or relevant budget agency, as the case may be, shall record the unpaid transactions in the IFMIS with all the above details and the following accounting entries;

Debit: Appropriate Bank Account (TSA or Budget Agency bank account)

Credit: Returned payments liability Account (Below-the-Line Account) (Beneficiary Name)

8.11.4 Upon taking the necessary corrective action, the claimant or concerned budget agency, as the case may be, shall initiate a claim for payment of the returned payment with the following details;

- a) Claim reference number
- b) Payment order reference number (Payment Voucher/Instruction Number),
- c) Returned payment Transaction ID issued by the Bank
- d) Amount of the returned payment,
- e) Reason for not applying/rejecting the payment instruction in the first place
- f) Beneficiary name
- g) Beneficiary National ID/Passport Number
- h) Beneficiary Bank Account details
- i) Supporting documents to the claim

8.11.5 On approval of the claim by the Chief Budget Manager and where payment has to be made from the bank account maintained by the budget agency or entity, the following entries will be passed.

Debit: Returned payment liability Account (Below-the-Line Account) (Beneficiary Name)

Credit: Bank account of the budget agency

8.11.6 If payment is to be made by the Treasury, the Chief Budget Manager shall upon final verification, transmit the claim to the Treasury for payment. When payment is eventually effected by the Treasury, the following accounting entries will be effected;

Debit: Returned payment – liability account
Credit: TSA Bank Account

In this case no accounting entries are to be raised by the budget agency.

8.11.7 Any returned payments that remain unclaimed for over 2 years shall be recognised as other revenues with the following entries

Debit: Returned payment liability Account (Below-the-Line Account) (Beneficiary Name)

Credit: Other miscellaneous Revenue

8.11.8 If it is confirmed that the deposited amount on bank account results from a genuine transaction which was not properly recorded rather treated as a returned payment or funds held on behalf of third party, such liability will be distinguished by making an adjusting entry to the surplus/ deficit (prior year adjustment) in the year of reporting unless it is possible for a retrospective adjustment

8.12 Expenditure scenarios

8.12.1 Compensation of employees

8.12.1.1

In line with paragraph 8.3.1(a), compensation to employees shall include; “Salaries and Wages” and “Social Contributions” (also referred to as employee benefits).

8.12.1.2

The compensation of employees shall not include:

- i. Reimbursements of payments incurred by employees on tools, equipment, uniforms and other items that are needed to enable them to carry out their work. For example, uniforms provided to police officers do not fall under compensation of employees, but goods and services. Equally allowances to employees to purchase an item such as uniform that will mainly be used at work are classified as goods and services.
- ii. Payments for travel and subsistence while on government duty away from duty station. These are classified under goods and services depending on how the travel and substance was utilized.
- iii. Purchases of services provided by people who are not government employees, for example, consultants, architects and occasional workers. These are classified under goods and services.

- iv. Communication and lunch allowance provided to staff.
- v. Lump sum and mileage allowance.
- vi. Employer social benefits such as medical allowance and costs abroad, educational loans, deceased and funeral costs, and terminal benefits. These are classified as social benefits.

8.12.1.3

Compensation of employees is accounted for on accrual basis except for post-employment benefits including retirement benefits such as pensions and other post-employment benefits such as life insurance and medical care, termination benefits and short term compensated absence such as paid annual leave and paid sick leave which will be treated on cash basis.

8.12.1.4

Once Government implements the accrual basis IPSAS, the accounting for compensation of employees shall comply with IPSAS 25: ‘Employee benefits’.

8.12.2 Maternity leave contributions

8.12.2.1

Article 7 of the Law No. 003/2016 of 30/03/2016 establishing and Governing Maternity Leave benefits scheme provides for monthly maternity leave contributions at the rate of 0.3 % of the gross salary by each employee and an additional 0.3 % of the gross salary by the employer.

8.12.2.2

For purposes of determining the maternity leave contributions and in accordance with article 6 the Ministerial Order No. 007/16/10/TC of 28/10/2016, the gross salary shall be calculated to also include any benefits in kind such as accommodation facilitation; mobile tools of communication; sports and recreational facilitation; leave or vacation facilitation; meals; compa-

ny shares; work uniforms; and any other allowance that may be considered as such. In this regard, the chief budget manager shall ensure that all components of calculating the gross pay are part of the payroll.

8.12.2.3

To facilitate the budgeting and payment of the maternity leave benefits, the following shall be adhered to:

- a) An employer's contributions to the maternity leave scheme shall be budgeted for using an appropriate budget line.
- b) All maternity leave contributions shall be accounted for separately and should have their own payroll deduction code different from that of other statutory deductions such as RAMA or CSR.
- c) Declarations of the maternity leave contributions shall be made and shown separately on the declaration form.
- d) Payments of any maternity leave contributions to RSSB shall be paid into a specific bank opened and maintained for this purpose.
- e) To facilitate the payment process and in line with Article 23 of the Ministerial Order No. 007/16/10/TC of 28/10/2016, the employer shall pay the woman maternity leave benefits due and those benefits shall be reimbursed by RSSB within thirty (30) days of the receipt of request of reimbursement. Staff on maternity leave shall therefore be paid 100% of their salary throughout the leave period by their respective entities as part of the normal payment process.

8.12.2.4

Using a standard reimbursement form issued by RSSB, public entities shall ensure that they seek a reimbursement from RSSB for the salaries paid to their staff on maternity leave for the last six (6) weeks. It

shall be the responsibility of every public entity to ensure that the funds so claimed are paid into the correct bank account from which the salaries were initially paid; The Treasury Single Account in case the salaries were processed and paid through the Central Treasury; and to the respective entity bank account for salaries that were paid directly from an entity's bank account.

8.12.3 Accounting treatment for maternity leave contributions and benefits

8.12.3.1

In accordance with sub - paragraphs 8.12.2.3 (e) and 8.12.2.4 above, the following accounting entries shall be passed for the various transactions relating to the woman maternity leave contributions and benefits:

For the accounting entries, assume the following payroll amounts for illustrative purposes;

- A monthly salary of Frw 100
 - Government Contribution to CSR- Frw 5
 - Government Contribution to RAM - Frw 7.5
 - Government Contribution to Maternity Leave Scheme - Frw 0.3
 - PAYE is Frw 30
- a) As part of the monthly payroll commitments, separate commitments relating the employer's contribution to the MLBS of 0.3% will be created in addition to the employee's contribution of 0.3% that will part of the gross salary expenditure. Accordingly the monthly payroll expenditure and associated payables will be recognised as follows upon creation of the salary commitments in the IFMIS;

Description	Dr	Cr
Dr. Salary Expenditure	100	
Dr. Government Contribution to CSR	5	
Dr. Government Contribution to ML	0.35	
Cr. Salary Net Payable		59.2
Cr. Salary CSR Payable		8
Cr. Salary RAMA Payable		15
Cr. Salary MLC Payable		0.6
Cr. Salary PAYE Payable		30
	112.8	112.80

- b) On the payment of the maternity leave contribution to RSSB, accounting entries will be effected by the entity as follows:

Where the National Treasury makes payment, as a direct payment

Description	Dr	Cr
Dr. Salary MLC Payable	0.6	
Cr. Treasury Direct Payment		0.6
	0.6	0.6

Where payment is made form the entity's bank account.

Description	Dr	Cr
Dr. Salary MLC Payable	0.6	
Cr. Cost Center Bank account		0.6
	0.6	0.6

- c) With the monthly payroll commitments, separate commitments relating to the benefits paid from week 7 to week 12 to the eligible staff on Maternity Leave (ML) that are to be reimbursable by RSSB shall be created . The commitments for such amounts will not require budgetary provisions but will be treated as an accounts receivable to be settled by the RSSB. The Salary Expenditure and Related Payables for a mother on ML- from week 7 week to week 12 (6 weeks) will be recognized as follows;

Dr. Receivable from RSSB.....	XXXX
Cr. Bank Account / Direct Payment (If salary is processed by Central Treasury)	XXXX

- d) The employer's contribution to the MLBS shall in all cases be expenses and must be budgeted for under a specific expenditure sub item relating to contribution to maternity leave payable by employer.
- e) Both employer's and employee's contribution (0.6%) shall be processed and paid to RSSB as it is with other Pension Scheme contributions payable to RSSB. A specific budget line is necessary in this case so as to facilitate monitoring and prevent mis-postings.
- f) The concerned entity shall create its claim from the IFMIS for amount to be reimbursed by the RSSB. The claim shall specify the following details;
- Claim number
 - Employee's ID and Name
 - Starting Date of Leave
 - Ending Date of Leave
 - RSSB affiliation number
 - Amounts paid and reimbursable by RSSB
 - OP/PV
 - Source bank Account for the payment.
 - Total Amount reimbursable by RSSB (This may involve a total of two payments straddling over a period of two months).
- g) The claim shall be equal to the total receivables amount equivalent to 6 weeks pay of salary.
- h) The claim shall specify the Bank account into which the refund has to be made and this shall be automatically linked to the bank account from which the benefits were paid to staff in the first instance.
- i) Payments by RSSB shall be linked to the associated claim which will be accounted for as follows upon receipt of payment.

Where payments are paid back to the Treasury

In the Books of the entity

Description	Dr	Cr
Dr. Transfer (Inter Entity to Treasury)	150	
Cr. RSSB ML Receivable		150
	150	150

In the Books of the Treasury.

Description	Dr	Cr
Dr. Treasury Bank account	150	
Cr. Transfer from Cost center		150
	150	150

Where RSSB refund is paid to the entity

Description	Dr	Cr
Dr. Cost Center Bank account	150	
Cr. RSSB ML receivable		150
	150	150

- j) A reconciliation of the accounts receivable from RSSB shall be carried out between the entity and RSSB and a note disclosure of a breakdown of the outstanding amount at the reporting date with the following details shall be included in the entity financial statements;

- National ID of staff
- RSSB affiliated No.
- Name of Staff
- amount still pending
- Total amount pending

8.12.4 Payroll procedures

8.12.4.1

Detailed payroll procedures are contained in instructions issued by the Ministry in charge of public service and labor and the following section is therefore restricted to accounting procedures related to the management of the payroll.

8.12.4.2

The officer in-charge of the Human Resource function shall prepare, on a monthly basis, a payroll in accordance with the established laws and regulations, procedures

and systems as advised by the Ministry in charge of public service.

8.12.4.3

The payroll shall be approved by the Chief Budget Manager before deductions and payments are effected.

8.12.4.4

All staff shall be paid monthly salaries in arrears by direct bank transfer through their bank accounts.

8.12.4.5

Payments for terminal benefits and compensation shall be in accordance with rules and regulations issued by the Ministry responsible for public service.

8.12.4.6

Taxes and other deductions related to payroll shall be remitted to relevant authorities alongside the net salary payments and filing of payroll declarations made within statutory due dates.

8.12.4.7

The human resource manager preparing the payroll, as well as the Head of Finance and CBM or Head of Corporate Services in the budget entity, should sign each page of the payroll to evidence their approval/authorization of the payroll contents. The payment processing shall then follow the normal commitment and payment procedures as outlined in Chapter 8 of this manual.

8.12.4.8

CBM shall ensure that, on a monthly basis, changes in payroll are approved and communicated to the Ministry in charge of public service and labor.

8.12.4.9

There should be summary schedules for each type of payroll deductions for each budget entity. These schedules should accompany payrolls and may include the following:

- i. Pay As You Earn tax (TPR);
- ii. Social Security – employee contribution;
- iii. Social Security – employer contribution;
- iv. Health Insurance – employee contribution;
- v. Health Insurance – employer contribution; and
- vi. Any other payroll deduction made.

8.12.4.10

All salaries must be paid via personal bank accounts of the beneficiaries. Thus, banking lists showing the particulars of the each employee's bank account to which the salary dues are to be remitted should be annexed to each payroll

8.12.5 Accounting policy for payroll expenditure

a) Illustration: Payroll computation for an individual staff

#	Payroll item	How this is computed	Illustrative amount
A	Basic Salary	Based on the salary scale	542,435
B	Housing Allowance	Basic salary divided by 7 (542,435/7)	77,491
C	Transport allowance	Basic salary divided by 7 (542,435/7)	77,491
D	RAMA Patr/Health insurance by employer	Basic salary * 7.5% (542,435*7.5%)	40,683
E	CSR Patr/pension contribution by employer	(Basic+housing+other allowances)*5% =(542,435+77,491)*5%	30,996
F	Maternity Patr/maternity leave benefits scheme by employer	(Basic+housing+other allowances)*0.3% = (542,435+77,491)*0.3%	1,860
G	Gross Salary	A+B+C = G	697,416
H	Taxable amount	Equals the Gross Salary (A+B+C)	697,41
I	TPR/PAYE	(H - 100,000)*30%+14,000	193,225
J	CSR Pers//pension contribution by employee	(Basic+housing+other allowances)*3%	18,598
K	Rama pers/Health insurance by employee	Basic* 7.5%	40,683
L	Maternity Pers/maternity leave benefits scheme by employee	(Basic+housing+other allowances)*0.3%	1,860
M	Net Pay	taxable-TPR-CSR Pers-Rama Pers-Maternity Pers =H -I-J-K-L)	443,050

b) Illustration: Payroll accounting

During the month of March 20x5, the gross salaries payable to the public officers under the Ministry of Health (MINISANTE) excluding any benefits in kind and before the maternity leave contributions totalled Frw 99,495,450 made up of the following:

Net salary	Frw 73,680,450;
TPR (PAYE) Frw 15,300,000;	
Employee Social Security contributions	Frw 3,015,000;
Employee Medical Insurance contributions	Frw 2,500,000;
Other employee contributions	Frw 5,000,000

As the employer, Government contribution towards social security and medical insurance was Frw 5,025,000 and Frw 2,500,000 respectively.

The payroll deductions of 0.3% equal to Frw 300,000 (0.3% x 100 million) are to be made from the employees as maternity leave contributions. Similarly, the employer's contribution will also amount to Frw 300,000, being 0.3% of the gross salaries payable by the entity including the benefits in kind.

The salaries are centrally settled through the Central Treasury account. Assume the payrolls were forwarded and received in the Treasury on 25th of the month and that the relevant Payment Order was sent to BNR on 30th March.

The ledger entries for the above transactions are as follows:

In the books of MINISANTE

25th March 20x5:	
Debit: Salary in cash	99,495,450
Debit: Employer Social contrib.	5,025,000
Debit: Employer medical contrib.	2,500,000
Debit: Employer Maternity Leave contrib.	300,000
Credit: Accounts payable (net salary)	73,380,450
Credit: Accounts payable (TPR)	15,300,000
Credit: Accounts payable (Social Security)	8,040,000
Credit: Accounts payable (Medical Insurance)	5,000,000
Credit: Accounts Payable (Maternity Contrib. RSSB)	600,000
Credit: Accounts payable (other)	5,000,000
<i>(Being recognition of March salary)</i>	

Upon payment by Treasury

30th March 20x5:	
Debit: Accounts payable (net salary)	73,380,450
Debit: Accounts payable (TPR)	15,300,000
Debit: Accounts payable (Social Security)	8,040,000
Debit: Accounts payable (Maternity leave _RSSB)	600,000
Debit: Accounts payable (Medical Insurance)	5,000,000
Debit: Accounts payable (other)	5,000,000
Credit: Treasury direct payments a/c	107,320,450
<i>(Being payment of March salary)</i>	

In the books of the Treasury

25th March 20x5: No entry as the liability is for the entity.	
30th March 20x5:	
Debit: MINISANTE direct payment	107,320,450
Credit: Bank Account	107,320,450
<i>(Being payment of March salary)</i>	

In the books of the Treasury

25th March 20x5: No entry as the liability is for the entity.	
30th March 20x5:	
Debit: MINISANTE direct payment	107,320,450
Credit: Bank Account	107,320,450
<i>(Being payment of March salary)</i>	

Returned salaries

8.12.6 These are returned payments in respect of salary payment instructions issued to the bank. Accordingly the procedures prescribed under section 8.8 of this manual shall

generally apply to the treatment of unclaimed or returned salaries.

8.12.7 Payrolls are mainly processed by public entities and paid centrally from TSA by Treasury as direct payments. There are instances where salaries processed particularly through the TSA are returned back for example due to mismatch in beneficiary bank accounts details.

8.12.8 Since the returned salaries had already been charged to a particular expenditure line by the public entities and paid from TSA, the returned salaries should be accounted for by Treasury as an accounts payable (Returned salary) until they are paid back to the beneficiary employee. The concerned public entity is not required to pass any accounting entry unless the payment was processed from the entity account.

8.12.9 The following shall be considered while processing a refund to the beneficiary:

- i. Ensure that the amount being refunded match to the amount that had been received back to the account;
- ii. The beneficiary has requested for the refund in writing and this has been approved by CBM;
- iii. The cause of return of the salary has been identified and resolved;

8.12.10 There are instances where the returned salary (goes unclaimed for periods in excess of two years (from the date when the payment is returned). In such cases, the returned salary should be written back from the accounts payable and be recognized as an income (other miscellaneous revenues) in the year of write back.

8.12.11 The following accounting entries apply:

Upon sighting the returned salaries on the bank statement

Debit: Bank account	xxxx
Credit: Accounts payable – returned salaries	xxxx
<i>(Being recognition of returned salary)</i>	

*IFMIS Receipt Module to be used to capture bounced payments***Upon the beneficiary claiming the salary and being paid**

Debit: Accounts payable – returned salaries	xxxx
Credit: Bank account	xxxx
<i>(Being payment of salary claimed back)</i>	

IFMIS, Receipt Module to be used to record and process the claim and the payment module takes care of the process to effect payment to the claimant

Upon a "write-back" of the accounts payable related to returned salary

Debit: Accounts payable – returned salary	xxxx
Credit: Other revenue – Other miscellaneous revenues	xxxx
<i>(Being write back of unclaimed salaries)</i>	

tion has been completed before the end of fiscal year and the amount to be paid has been determined but not paid before the year end, the amount payable of the annual performance based bonus shall be made by each public entity and accrued and following accounting entries shall apply;

At year end and upon the determination of the best estimate for the annual performance bonus payable by the public entity.

Debit: Appropriate expenditure item	xxxx
Credit: Accounts payable	xxxx
<i>(Being recognition of the annual performance based bonus accrued at year-end)</i>	

8.12.12 Where the beneficiary of an unclaimed salary submits a claim after the entity has recognized the unclaimed salaries as revenue, the payment of the claim shall be done through the appropriation using an appropriate budget line. Such a claim must be duly certified and approved by a Public entity and shall be submitted to MINECOFIN for payment if the unclaimed salaries amount was returned into the Treasury Single account or its sub-accounts.

8.13 Payments relating to the annual staff performance based bonus

8.13.1 Annual performance based bonus is currently paid to staff and this is calculated as 5% of the basic pay for scores above 80% and 3% for scores 70% - 80%. The amount is determined after staff performance evaluation following the end of the financial year and is usually paid during the period August – December of the following financial year.

8.13.2 As prescribed under paragraph 3.2.3 and as a year-end procedure, the annual staff performance based bonus will be accounted on accrual basis at the time when such bonus can be estimated reliably and the payment process will go through the normal commitment control. In case, the staff performance evalua-

8.14 Post-employment benefits for government employees

8.14.1 Post-employment benefits to civil servants that include pension benefits and post-employment medical are managed by the Rwanda Social Security Board (RSSB) and currently include.

Benefit	Description	Notes/Remarks
Terminal benefits	A lump sum payment is made to a civil servant, depending on seniority under a post-employment defined benefit scheme, when he or she leaves his or her position as a civil servant. If the person leaves the current position to continue working as a civil servant in a different department, the seniority continues to evolve and no payment is made. It is only when a civil servant leaves the system (retirement, death, or departure to work as a private employee/self-employed person), there is payment. After 5 years, people receive 1 month of salary, after 10 years 2 months of salary, etc. with a maximum of 6 months.	This is a typical example of a post-employment defined benefit scheme for which a full valuation must be made.
Pension scheme organized through the RSSB	The RSSB provides pensions not only to employees of the government, but also to members of the public. There is mandatory affiliation to all salaried employees and active political representatives. There is voluntary affiliation for other people by applying to join and by paying the necessary contributions. IPSAS 39 only relates to employees of the government and as such it is imperative to make a distinction between social benefits and employee benefits. Contributions are 3% for the individual and 5% for the employer. For people who are not employed, the individual needs to pay the full 8% of contribution. Payment is made as a defined benefit at retirement. The benefit depends on the years of contribution to scheme: If people have contributed for less than 15 years (in total, it doesn't have to be consecutive), they receive a lump sum payment at the retirement period. The formula is defined by Law.	benefit scheme for which a full valuation must be made.

	If people have contributed for at least 15 years, as of age retirement, a monthly pension is paid out. The benefit is 2% for each year of contribution: If you have contributed for 15 years, you will receive 30% of the average last 5 salaries. If you have contributed for 20 years, you will receive 40% of the average of last 5 salaries. If people leave the system, they need to wait until the retirement age to receive the pension benefits. This is a typical example of a post-employment defined	
Post-retirement medical insurance (formal format) organized through the RSSB	The RSSB provides medical insurance coverage not only to employees of the government (civil servants), but for all employees who have contributed to the system. There is continued affiliation for pensioners who have contributed to the system. There is automatic affiliation to all civil servants. Private institutions can also join the scheme by applying to join and by paying the necessary contributions. Note that not all institutions are accepted. Again, one must be careful. As such, IPSAS 39 only relates to employees of the government and therefore it is important to make the distinction between social benefits and employee benefits Contributions are 7.5% for the individual and 7.5% for the employer. For pensioners, only the individual contribution remains and this is deducted from the monthly pension. The benefits are not only provided during active service but also post-retirement. Benefits consist of 85% of medical treatment and prescribed drugs. The remaining cost is to be covered by the patient. As the benefits are provided during retirement, these benefits are considered a post-employment defined	benefit scheme for which a full valuation must be made.
Community Based Health Insurance (CBHI)	This health insurance system covers all people who are not affiliated to the formal format. Four categories are distinguished. Contribution depends on the category to which the individual belongs.	This is a typical example of a social benefit, which is not covered by IPSAS 39.

8.14.2 As part of the financial statements submitted to the Ministry, the RSSB shall ensure that appropriate financial information is obtained by the Accountant General in respect of the post-employment benefits payable to government employees based on a full valuation.

8.15 Payments relating to acquisition of assets

8.15.1 Entities may procure capital assets (assets of value above Frw 100,000 and useful life of more than one year) that include assets such as vehicles, furniture, equipment, finance leases, plant and tools and investment property. These shall be expensed and charged to the statement of financial performance as capital expenditure during the year of acquisition and as revenue in the category of proceeds from disposal in the year of disposal.

8.15.2 Depreciation/impairment of assets and revaluations will not be recognized in the financial statements rather this will be reflected in the fixed asset register in accordance with the Government asset management policies and procedures prescribed under chapter 14 of this manual.

8.15.3 The measurement base to be applied in the preparation of financial statements shall be historical cost unless otherwise stated. The historical cost is the amount of cash or cash equivalent paid or received or fair value of any other consideration given or received in relation to an asset.

8.15.4 Under the accrual basis of accounting, the acquisition of capital assets shall be recognized as an asset in the statement of financial position when the asset is purchased with the consumption of the asset (depreciation) being recognized in the statement of financial performance. Further details relating to the management and accounting of the non-current assets

are provided in chapter 14 of this manual.

8.15.5 The following accounting entries apply:

Upon receipt of invoice or cash purchase of capital assets

Debit: Acquisition of assets	xxxx
Credit: Accounts payable or bank account	xxxx
<i>(Being recognition of purchase of capital assets on credit or cash terms as applicable)</i>	

8.16 Prepayments

8.16.1 Entities may prepay for expenditure before consumption of the service or goods.

8.16.2 The prepayments are recognized as an accounts receivable when cash is paid out and which is expensed when service or goods are consumed. However, this should be differentiated to installment payments where such instalment is accounted for as normal expenditure and expensed in the books of accounts.

8.16.3 Commitments for all prepayments shall be recorded on the appropriate underlying budget line and will be cleared into an actual expenditure for the budget line when the associated goods or services are delivered.

8.16.4 The following accounting entries apply:

Upon prepayment of an expenditure

Debit: Accounts receivable (commitment recorded on the underlying budget line)	xxxx
Credit: Bank account	xxxx
<i>(Being recognition of prepayment in respect of an expenditure)</i>	

Upon delivery and receipt of goods or services

Debit: Underlying expenditure item	xxxx
Credit: Bank account	xxxx
<i>(Being recognition of actual expenditure when goods or services are delivered/consumed from the prepaid expenses)</i>	

8.16.5 Public entities paying expenses covering more than one fiscal year shall continue to expense the total amount paid until such time when the relevant IPSAS will be complied to. At this point, expenses not yet consumed will be apportioned and treated as an asset (prepaid).

8.17 Payments in-advance and deposits (e.g. for contractor)

8.17.1 In some circumstances entities may be required to pay for a deposit related to a certain expenditure. For example foreign embassies may pay rent deposit to secure office space.

8.17.2 Payments in-advance and deposits shall be accounted for under the accrual basis of accounting. The deposit shall be accounted for as an accounts receivable and expensed when the service is consumed. For the embassies rent deposit, the receivable is expensed at the end of the lease contract when the deposit is refunded back to the embassy.

8.17.3 Following entries apply:

Illustration: Payment in advance and deposit

On 1st July 2015, Embassy of Tokyo paid Frw 12,000,000 equivalent in foreign currency for a year rent in advance for an operating lease of office space for the embassy. Monthly rent is Frw 1,000,000 payable in arrears.

Assume at the end of the lease contract, the landlord refunds Frw 10,000,000 as he has incurred an expenditure of Frw to bring back the office space to the state it was in at the time of contracting. This was pursuant to the lease agreement and has been agreed upon by both parties.

The payment in advance also known as rent deposit will be accounted for as follows:

Upon payment of the deposit

Debit: Accounts receivable third parties (per SCoA)	12,000,000
Credit: Bank account	12,000,000

Upon expiry of the lease contract and refund of the deposit

Debit: Bank account	10,000,000
Debit: Rental Expenditure (per SCoA)	2,000,000
Credit: Accounts receivable third parties (per SCoA)	12,000,000

8.17.4 Contractually where any prepaid rent is not refundable, then any prepayment made shall be expensed directly and not accrued as an accounts receivable.

8.18 Penalties for late deliveries or poor quality.

8.18.1 There are circumstances when suppliers are penalized for late deliveries or poor quality

ty with deductions made from their payment invoices. In line with article 7 of the Organic Law on State Finances and property and article 25 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, all such deductions either by the Treasury or a Central Government Entity shall be paid to a designated bank account of the RRA that shall in turn recognize the revenue collected under an appropriate revenue item. Penalty deductions by decentralized entities shall be collected and deposited in the designated district bank account

8.18.2 The sequence of accounting entries involved in the treatment of penalties for both payments made by the Central Treasury or a Budget Agency shall be as follows;

Upon receipt of goods with the issue of Goods Received Note.

Debit: Expenditure item	xxxx
Credit: VAT Account xxxx	
Credit: Supplier Account xxxx	

Upon initiating payment of invoice

Debit: Supplier Account (WHT & Penalties)	xxxx
Credit: WHT Account	xxxx
Credit: Penalties*	xxxx

Upon effecting payment ("Sign as paid" of payment order/ voucher)

Debit: WHT account (RRA)	xxxx
Debit: VAT account (RRA)	xxxx
Debit: Penalties account *	xxxx
Debit: Supplier account	xxxx
Credit: Bank (Treasury/Budget Agency)	xxxx

The IFMIS Payment module shall be used to effect the deductions and generate all the accounting entries automatically.

8.18.3 For the avoidance of doubt, tax computations and remittances to the RRA shall not be affected by any penalties paid by suppliers for poor quality or late deliveries.

8.19 Treatment of discounts received

8.19.1 Discounts may be offered to a public entity by suppliers on sales of goods or services for a variety reasons including to attract the entity to buy more. The accounting treatment for discount received shall depend on the nature of the discount. Discounts may be clas-

sified into two types:

- (a) **Trade Discounts:** offered at the time of purchase for example when goods are purchased in bulk or to retain loyal customers.
- (b) **Cash Discount:** offered to customers as an incentive for timely payment of their liabilities in respect of credit purchases.

8.19.2 Trade discounts shall generally be ignored for accounting purposes and therefore shall not be recorded in the accounting records of the public entity. Accordingly, the procurement, commitments along with any payables shall be recorded net of any trade discounts offered.

Illustration: Treatment of trade discounts

Akagera Ltd as part of its sales promotion campaign offers to sell its vehicles to a district hospital at a 5% discount on their quoted price of Frw 50 Million. In this case the district hospital will create its purchase orders, commitments and associated payables net of the trade discount, i.e Frw 47.5 Million per vehicle.

8.19.3 Cash discounts result in the reduction of procurement costs during the period and the amount payable in respect of the procurements. In this case, the purchase orders, commitments and accounts payable will be recorded at the gross amount (after deducting any trade discounts though!) and subsequently reducing the payment amount by the amount of discount that is actually received. In line with paragraph 8.18.1 above, the discounts received will be paid to the credit of the RRA bank account in case of central government entities and the RRA shall recognise the discounts as revenue in its accounting records. Cash discounts to decentralized entities shall also be collected by the RRA under an MoU signed between the RRA and the decentralized entity.

8.19.4 The chronology of the accounting entries for the recognition of the cash discounts received shall be as follows;

Upon receipt of goods with the issue of Goods Received Note.

Debit: Expenditure item	XXXX
Credit: VAT Account	XXXX
Credit: Supplier Account	XXXX

Upon initiating payment of invoice

Debit: Supplier Account (WHT & Discount received)	XXXX
Credit: WHT Account	XXXX
Credit: Discount received – Liability	XXXX

Upon effecting payment ("Sign as paid" of payment order/voucher)

Debit: WHT account (RRA)	XXXX
Debit: VAT account (RRA)	XXXX
Debit: Discount received account	XXXX
Debit: Supplier account	XXXX
Credit: Bank (Treasury/Budget Agency)	XXXX

The IFMIS Payment module shall be used to recognize the cash discounts and generate the relevant accounting entries automatically.

8.19.5 As is with penalty deductions, discounts received from suppliers shall not affect the tax computations and payments to RRA.

8.20 Grant and transfer payments – inter entity transactions.

8.20.1 Inter-entity payments relates to a payment made by a Government entity to another and classified as a reporting entity.

8.20.2 Following guide applies:

- i. All central (including projects) and local government entities (except subsidiary entities) are reporting entities. Public enterprises are not.
- ii. The associated receipt by recipient entity must be in relation to an activity that has been budgeted for by the receiving entity or is in its activity plan.
- iii. To ensure there is adequate documentation and all inter entity transactions are correctly classified, a memorandum of understanding shall be signed between the sending and receiving entities clearly indicating the basis of the inter entity transactions; where in any doubt, the concerned parties shall seek the neces-

- 8.20.3 The following accounting entries relate to inter-entity payments:

<u>Upon sending of funds</u>	
Debit: Inter-entity transfer	XXXX
Credit: Bank account	XXXX

IFMIS payment module to be used with the selection of the different transfer commitment types designed in the system.

8.20.5 Where the receiving entity receives the funds in a different fiscal year, this normally causes a timing difference. To enable government carry out inter-entity reconciliations while preparing consolidated financial statements, it is a policy that all inter-entity transfers must be accommodated during the same financial period. To achieve this, the receiving entity should accrue (anticipate) the revenue. The following accounting entries apply:

<u>Receiving entity accruing the revenue</u>	
Debit: Accounts receivable – government entity (select name of entity)	XXXX
Credit: Inter-entity transfer – select name of entity	XXXX
<u>Upon receipt of cash in the following year</u>	
Debit: Bank account	XXXX
Credit: Accounts receivable – government entity (select name of entity)	XXXX

8.20.6 Intra-entity transactions relate to payment or receipts made between departments or sub-units of a reporting entity. For instance, the Supreme Court is a reporting entity which has lower courts as subsidiary entities whose financial results are consolidated with the headquarters to arrive at entity (Supreme Court) financial statements. A transfer between the head quarter and the lower courts is therefore an intra-entity transaction.

8.20.7 Intra-entity transactions should be eliminated while preparing the periodic financial statements of the reporting entity.

8.20.8 The following accounting entries relate to intra-entity transactions:

<u>Upon sending of funds</u>	
Debit: Intra-entity transfer (per SCoA)	XXXX
Credit: Bank account	XXXX
<i>IFMS payment module to be used with the selection of the different transfer commitment types designed in the system..</i>	

8.21 Expenditure related to donations in kind

8.21.1 A donation in kind entails donations that are done in goods and services rather than money (or cash). To record such donations, it is important to ascertain the value of the donation usually by requesting the donor to provide an estimate in writing of how the item donated cost or by comparing its price with that of similar commodities in the market.

8.21.2 Once the value is established, the donated asset or service should be recorded both as revenue and as expenditure.

8.21.3 Further guidance on recognition and measurement (including valuation) of capital items donated to a Government entity is provided in Chapter 14 of this manual.

8.21.4 The following accounting entries apply:

<u>Under cash basis</u>	
<u>Upon ascertaining the value of donated item or service</u>	
Debit: Expenditure – depending on nature classify per SCoA	xxxx
Credit: Revenue – grants either domestic of foreign as may apply	xxxx
<u>Under accrual basis</u>	
<u>Upon ascertaining the value of donated item or service</u>	
Debit: Asset Account – depending on nature classify per SCoA	xxxx
Credit: Revenue – grants either domestic of foreign as may apply	xxxx

8.22 Accountable Imprest and mission advance

8.22.1 An accountable imprest is a disbursement of funds that is provided to an employee to carry out an activity other than travel and on the condition that the recipient will spend the funds for approved purposes only. The employee is expected to account to the Government for spend funds, and return to the Government by a specified date any portion of the funds that is not spent or accounted for (mission returns).

8.22.2 A mission advance is a disbursement of funds that is provided to an employee to travel, abroad or locally, on the condition that the recipient will spend the funds for approved purposes only. The employee is paid the advance based on Government specified rates specific for the area of travel. The accountability report of the mission advances shall form part of the mission report.

8.22.3 The following procedure apply to accountable imprest and mission advances

(a) Applying for the accountable imprest and mission advance

8.22.4 Staff requesting for an accountable imprest or mission advance should complete an imprest/mission advance voucher form (see appendix ii).

8.22.5 Payment honouring a duly approved imprest voucher form can be made using EFT, Visa Cards, cheque or cash and should follow the normal payment process.

(b) Surrendering the accountable imprest / mission advance

8.22.6 The staff should use an imprest/mission advance surrender form (see appendix iii) detailing down the expenditure. The imprest/mission advance surrender form shall form the basis of posting the specific expenditure categories in the general ledger.

(c) Accounting policy for accountable imprest and mission advance

8.22.7 Under the accountable advance arrangement, the funds imprest is accounted for as an accounts receivable to the employee who is undertaking the mission. It is only when he/she accounts back that the correct expenditure line item is charged. The principal behind this is that at the point of obtaining the advance, it is not known with precision what expenditure will be incurred. It is only then the staff accounts for the imprest that the correct expendi-

ture line can be determined. This also ensures that there is discipline in accounting back for unspent funds.

8.22.8 Under mission advance, the associated advance is accounted for as expenditure (expensed) at the time of granting the advance since the purpose of travel and rates of say accommodation and travel are already predetermined by Government circulars. The mission report to support the mission advance shall be prepared and filled together with funds disbursement documents.

(d) Accounting illustration for the mission advance

8.22.9 Following is an illustration of the accounting for mission advance;

i. Recognition after successful application for mission advance.

Illustration: Mission advance initial recognition

Assuming a staff member, Samuel, applies for mission advance to travel for a conference (mission) to Germany. The staff applies for Frw 5,000,000 based on 10 days at Frw 500,000 per day as per approved Government rates. The application is approved through the established application procedure.

Samuel completes an imprest voucher indicating the amount of Frw 5,000,000 applied for to travel to Germany from 15th April 2015 to 25th April 2015. The imprest voucher is approved by the HoF and CBM and a payment order is processed against the budget of the Public entity where he is employed.

The funds shall be accounted for as follows:

Upon issue of payment order

Dr Mission allowance (per SCoA)	5,000,000
Cr Local bank account – Main account	5,000,000

Samuel will after the mission be required to complete a mission advance surrender form detailing down the number of days applied for, number of days utilised, associated amount applied for and that used and any balance thereof. The imprest surrender form will be approved by the CBM and HoF. This will provide the basis for the accountant to charge the expenditure to the correct category.

ii. Un-utilised mission advance

8.22.10 Assuming Samuel spends Frw 4,000,000 since the mission lasted for 8 days instead of the approved 10 days. The unspent balance should be banked and the expenditure line which had been used to record the

expenditure reduced by the returned amount through a journal entry passed as follows:

Illustration: Un-utilised mission and advance

iii. Un-utilised mission advance returned to Treasury directly

Debit: Bank account of entity	1,000,000
Credit: Mission allowance (per SCoA)	1,000,000
(Being return of excess or unutilised mission advance)	

8.22.11 Where un-utilised mission advance is banked in Treasury OTR account directly, then the amount should have the effect of offsetting the direct payment recorded by Treasury and a corresponding reduction on the amount of expenditure recorded by entity for the purpose of the mission advance. This should be effected through journal entries. This is illustrated below:

Illustration: Un-spent mission advance returned to Treasury

Assume that Samuel had banked the returned amount of Frw 1,000,000 to the OTR bank account. The OP that had been raised for purposes of his mission advance was OP No. 0023/xx08/2015 for Frw 5,000,000.

The return would be accounted for as follows:

In the books of Treasury upon return of funds:

Debit: OTR bank account	1,000,000
Credit: Direct payment OP No. 0023/xx08/2015	1,000,000

In the books of the entity upon return of funds:

Debit: Direct payment OP No. 0023/xx08/2015	1,000,000
Credit: Travel expenditure	1,000,000

iv. Accounting illustration for accountable imprest

8.22.12 Following is an illustration of the accounting for accountable imprest;

Illustration: accounting for accountable imprest

Assuming a staff member, Samuel applies for an accountable imprest to carry out a survey of rice production in Nyanza district. The staff applies for Frw 1,000,000 that he estimates is adequate to carry out the exercise.

Samuel completes an imprest voucher indicating the amount of Frw 1,000,000 applied for the activity. The imprest voucher is approved by the HoF and CBM and a payment order is processed against the budget of the Public entity where he is employed.

Assuming Samuel spends Frw 900,000 and banks the balance of Frw 100,000 to the Public entity bank account and attaches the deposit slip as part of the documentation for the imprest surrender form.

The funds shall be accounted for as follows:

Upon receiving the accountable imprest:

Debit: Accounts Receivable – imprest to Samuel	1,000,000
Credit: Bank account	1,000,000

Upon retiring of the accountable imprest:

Debit: Local travel, food and refreshments	600,000
Debit: Communication	300,000
Debit: Bank	100,000
Credit: Accounts Receivable – Employees – Samuel	1,000,000

8.23 Cut-off period for payments

8.23.1 In accordance with article 48 of the Organic Law on State Finance and Property of 2013, expenditure commitment shall end on 15th May of the same year, unless otherwise authorized by the Minister. In all cases, all payment requests shall be submitted to the Treasury not later than the 15th June of each financial year. Payments in respect of committed funds shall not be allowed beyond 30th June of the financial year. This means that expenditure in respect of activities intended to take place between 16th May and 30th June (end of financial year) must be contracted by 15th May.

8.23.2 Further the same Article stipulates that any funds that will remain unutilized by the 30th June of the fiscal year for Central Government Ministries and Agencies' bank accounts shall be transferred back to the Treasury. This instruction shall not apply to decentralized entities and extra-budgetary entities.

8.24 Procedure for ensuring payment orders are cleared at year end

8.24.1 As part of the year end procedures, it is important for the finance department to ensure that no purchase orders remain open by the end of the financial year.

8.24.2 The following steps should therefore be followed to ensure that this is achieved;

- a) Ensure that all purchase orders are closed so that no commitments remain outstanding under open purchase orders.

The following reports should be run to confirm that this is achieved:

- Budget Execution Report and the Open Commitments report - confirm that amounts under commitments are nil; and
 - Using the search functionality, ensure there are no open purchase orders.
- b) All approved purchase orders should be fully delivered in time for the suppliers to submit their invoices for payment by the end of the financial year. The suppliers must be notified by the procuring departments or entities that any purchase orders that are not delivered with the associated invoices in time, shall be cancelled.
 - c) All deliveries made should accordingly be captured on the system in time for the payment documents to be processed by the close of the financial year.
 - d) Any purchase orders that remain open (i.e. not delivered) by the end of the financial year should be cancelled.

- tion of the payment process.
- ii. All supporting documents generated from the IFMIS shall display the latus status for any documents printed from the system.
 - iii. No Purchase Order, contract agreement, or other payments should be issued unless a proper commitment has been approved.
 - iv. If a purchase order is subsequently cancelled, the “commitment” should be cancelled meaning that the amount is again available as part of the allocated budget and can be committed afresh.
 - v. Article 48 of the Organic Law on State Finances and Property prohibits any public entity from committing expenditure after 15th May of any financial year. Thus, no “purchase order” can be issued after 15th May. This means that expenditure in respect of activities intended to take place between 16th May and 30th June (end of financial year) must be contracted by 15th May.
 - vi. All commitments should be consistent with the approved annual budget and relate to activities in the annual work plan.
 - vii. Commitments should not be approved unless there is sufficient balance available under the quarter’s commitment limit, for the relevant budget item.
 - viii. The Head of Finance should maintain a contract/commitment register.
 - ix. Public entity using IFMIS must observe the established process for making payments and commitments. These are available in the IFMIS User Guide.
 - x. To ensure that the accounts payable are properly itemized and correctly recorded in the financial statements, public entities shall reconcile the accounts payable sub-ledger/module reports with the general ledger transactions and where discrepancies are identified they should be investigated and resolved before any periodical closure and submission of an entity accounts.
 - xi. Public entities should seek advice from their legal advisor in the following cases:
 - Disputed claims with the suppliers, if the settlement of the same may result in the relinquishment of the government dues, or the payment of amounts exceeding the agreed amounts for supplying the materials or performing the services or works.
 - Claims submitted by suppliers for obtaining compensations or claiming the settlement of penalties on the grounds that the government authority is in default in respect of its contractual obligations.

9 Management of debt and liabilities

9.1 Introduction

9.1.1 This chapter shall cover accounting for public debt, direct borrowing done by public entities, management of accounts payables, transit and funds held-in-trust, and contingent liabilities. For detailed procedures relating to the management of public debt, reference should be made to a separate manual issued by the ministry.

Some applicable definitions under this chapter include;

“Public debt” refers to a state monetary liability or Treasury bills, Treasury bonds, corporate bonds, sovereign bonds and external loans issued by the Central Government and Decentralized entities or any other debt the State may take on.

“Direct borrowing” relates to a liability acquired directly by a public entity. Such includes loans contracted by decentralized entities or any other public entity that has been granted authority to borrow.

“Accounts payable” the amount of an entity short term obligation to pay the supplier for products and services which the entity purchased on credit. It includes payroll liabilities, third party liabilities and other payables.

“Contingent liability” is a possible future obligation arising out of a past event whose occurrence depends on uncertain future occurrence of an event outside the control of the reporting entity. It includes guarantees.

“Funds-in-transit” relates to funds received by a public entity for the purpose of onward transfer to an agent of the sending entity (prin-

cipal). In effect the funds are just transiting through the entity and are therefore not meant for executing the entity’s budget. This arrangement is common with embassies where public entities pass funds the embassies for purposes of transacting with the embassy host country.

“Funds held-in-trust” relates to funds received by the public entity for safe custody until a certain event where the funds are remitted to the beneficiary. This includes refundable deposits.

“Value date of loan disbursements” is the date of the payment advice which the lender has disbursed the loan to the receiving entity. It differs from the actual date when the funds are received to the credit of the bank account of the entity.

“Service concession arrangements” - The GoR may enter into service concession arrangements as a grantor under a public-private partnership. Service concession arrangements are arrangements in which:

- a) The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
- b) The operator is compensated for its services over the period of the service concession arrangement. A grantor (the government) is the entity that grants the right to use the service concession asset to the operator. An operator (the company) is the entity that uses the service concession asset to provide public services subject to the government’s control of the asset.

9.2 Accounting policy

9.2.1 Public debt and associated interest shall be recognized on cash basis. Proceeds from loan borrowing shall be 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 a transfer advice is received from lender by the receiving entity rather than when cash is received in the bank account of the receiving entity.

9.2.2 Where the disbursement from the lender is in foreign currency, this shall be translated using the spot rate on the value date of the payment advice.

9.2.3 Accounts payable, funds held-in-trust, funds-in-transit and loans acquired directly by a public entity (principal and any associated interest) shall be treated on an accrual basis and recognized as liabilities.

9.2.4 Once Government implements the accrual basis IPSAS, the accounting for public debt, direct borrowing done by public entities, management of accounts payables, transit and funds held-in-trust shall comply with: IPSAS 15 Financial Instruments disclosure and measurement; IPSAS 28 Financial Instruments Presentation; IPSAS 29 Financial Instruments Recognition and Measurement; IPSAS 30 Financial Instruments Disclosures. Contingent Liabilities will be governed by IPSAS 19 Provisions Contingent Liabilities and Contingent Assets.

9.3 Public Debt

9.3.1 Introduction

9.3.1.1

The Ministry is mandated under Article 49 of the Financial Regulation to:

- i. To borrow or to permit borrowing for purpose of financing the Central Gov-

ernment budget deficit;

- ii. To raise loans for other public entities; and
- iii. To give and approve guarantees and security for the loans granted to public institutions by financial institutions.

9.3.1.2

Public institutions may borrow but with written authorization of the Minister.

9.3.1.3

For decentralized entities, the Council of each entity may borrow only for development projects and upon authorization of the Minister. However, the Minister may, through instructions, determine the maximum amount that the Council may borrow without prior authorization from the Minister.

9.3.1.4

Pursuant to article 52 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, debts of a decentralized entity shall remain the sole obligation of the Council and the decentralized entity and accordingly the Decentralized entities shall submit quarterly report on the debt repayment status to the Ministry.

9.3.1.5

Pursuant to Article 55 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the Chief Budget Manager of a Central Government entity shall ensure that no public official borrows money on behalf of the entity or issues an unauthorized guarantee, security or indemnity.

9.3.2 Types of borrowings

(a) Domestic borrowings

9.3.2.1

These include the following:

- Treasury Bills/Bonds: - these are government operational borrowing instruments usually from the public to manage government liquidity. They may be repayable on a rollover basis over a period ranging from 4 weeks to 20 years or more.
- Corporate loans: - these are usually development oriented borrowings normally repayable over long periods. They include loans from commercial banks which the local banks can access.

9.3.2.2

The central bank (BNR), on behalf of government, administers these instruments through commercial banks, and thus related operational procedures are outside the scope of this Manual.

(b) External borrowings

9.3.2.3

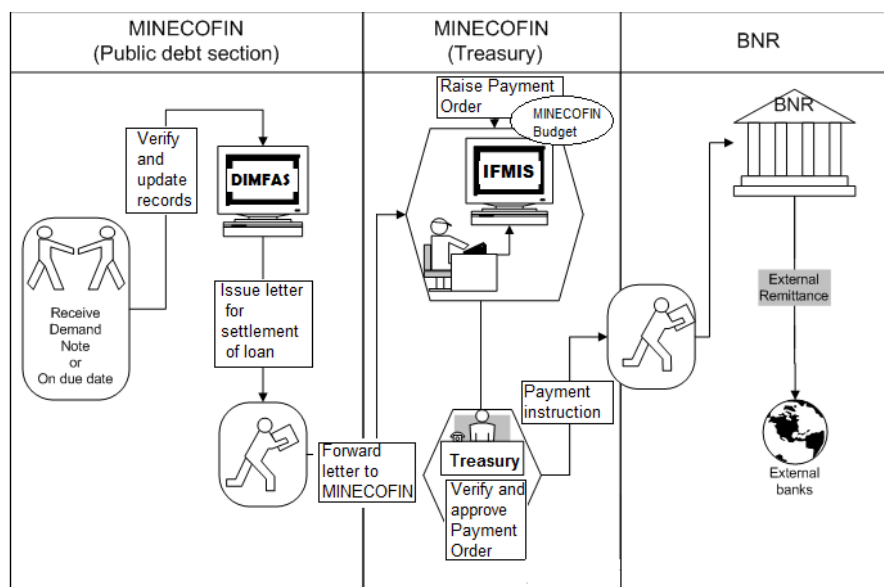
These include the following:

- Bilateral loans: - relate to borrowing arrangements between two governments.
- Multilateral loans: - relate to borrowing arrangements between the government and international lenders such as the World Bank.
- Commercial loans - relate to borrowing arrangements with the international financial system e.g the Eurobonds.

9.3.2.4

The administrative policy and procedure for Central Government borrowings is covered by a separate document called "Rwanda Aid Policy Manual". The following is an illustration of the payment process for settling external loans contracted by MINECOFIN:

Figure 9: Overview of procedures for servicing external loans



9.3.3 Accounting recognition for public debt

9.3.3.1

Upon receipt of the borrowing proceeds from public debt, the following entries should be recorded:

Upon receipt

Debit: Bank Account	xxxx
Credit: Proceeds from borrowing - revenue (type and specific source name)	xxxx
<i>(Being receipt of proceeds from borrowings)</i>	

(a) Treasury Bills, Bonds and Corporate loans

The following illustration explains the relevant books entries for treasury bills, bonds and corporate loans transactions.

Illustration: Accounting for treasury bills transactions

The following illustrates the specific accounting entries required to account for Treasury Bills:

On behalf of government, on 20th April 2015, BNR sold Treasury Bills (TBs) to the public through various commercial banks with surrender values totalling Frw 400 million. The nominal value of the TBills were Frw 400 million and discount was Frw 6 million. The TBs matured after 30 days. The ledger entries should be as follows:

In the books of the Treasury

20th April 2015: Debit: Bank account	Frw 394 M
Credit: Proceeds from borrowing - Treasury bills	Frw 394 M
<i>(Being recognition of actual proceeds received at OTR)</i>	
Debit: Direct payment – MINECOFIN	Frw 6M
Credit: Proceeds from borrowing – Treasury bills	Frw 6M
<i>(Being recognition of discounted amount at books of Treasury)</i>	

- In the public debt subsidiary ledger, it is not required to keep a record of each lender (purchaser of the Treasury Bill/Bond) – this record is the responsibility of the banks.
- Upon advice from the central bank for the sale of Treasury Bills/Bonds, a journal entry (use journal voucher) should be prepared and used to update the

books of account. Similarly, upon the bank's advice in respect of repayments and interest, journal vouchers should be prepared and posted accordingly.

- Interest payment for Treasury Bills and Bonds is budgeted for under MINECO-FIN since Treasury is not a Public entity.

Illustration (i) : Accounting for bonds – treasury and corporate issued at par

The following illustrates the specific accounting entries required to account for Treasury Bonds or Corporate Bonds:

On behalf of government, on 20th April 20x5 BNR sold Treasury Bonds (TBonds) at par to the public totalling Frw 100 million. The nominal value of the TBonds were Frw 100 million and attracted an interest of 10% per annum. The TBs maturity was one year and it was redeemed on 19th April 20x6. The ledger entries should be as follows:

In the books of the Treasury upon issue

20th April 20x5:	
Debit: Bank account	Frw 100 M
Credit: Proceeds from borrowing - Treasury bonds	Frw 100 M
<i>(Being recognition of actual proceeds received at OTR)</i>	

In the books of the Treasury upon maturity and repayment

19th April 20x6:	
Debit: Direct payment Tbond principal– (MINECOFIN)	Frw 100 M
Debit: Direct payment Tbond Interest	Frw 10 M
Credit: Bank account	Frw 110 M
<i>(Being recognition of principal amount of TBonds paid)</i>	

In the books of MINECOFIN

19th April 20x6:	
Debit: Repayment of borrowing - TBonds	Frw 100 M
Debit: Interest payment	Frw 10 M
Credit: Direct payment – (MINECOFIN)	Frw 110 M
<i>(Being recognition of discount on TBonds budgeted for under MINECOFIN)</i>	

Illustration (ii): Accounting for Treasury bonds issued at a discount

The following illustrates the specific accounting entries required to account for Treasury Bonds issued at a discount:

On behalf of government, on 20th April 20x5 BNR sold 10% Treasury Bonds (TBonds) at a discount of 10% to the public. The nominal value of the TBonds were Frw 100 million and attracted an interest of 10% per annum. The TBs maturity was two years and it was redeemed on 19th April 20x7. Interest is paid semi-annually. The ledger entries should be as follows:

In the books of the Treasury upon issue 20th April 20x5:

Debit: Bank account	Frw 90 M
----------------------------	----------

Debit Discount – TBs Frw 10 M
Credit: Proceeds from borrowing - Treasury bonds Frw 100 M
(Being recognition of issue of the TBs (10%) at nominal value at a discount of 10%)

In the books of the Treasury – payment of interest for the first semester

19th Oct 20x5:
Debit: Direct Payment - interest Frw 5 M
Credit Bank account Frw 5 M
(Being recognition of interest payments for the first semester 10% x 100m/2)

In the books of the Treasury upon maturity and repayment

19th April 20x7:
Debit: Direct payment Tbond principal– (MINECOFIN) Frw 100 M
Debit: Direct payment Tbond Interest Frw 5 M
Credit: Bank account Frw 105 M
(Being recognition of TBonds principal amount and interest of last semester paid)

In the books of MINECOFIN

19th Oct 20x5:
Debit: Finance cost - Interest Frw 5 M
Credit Direct Payments - treasury Frw 5 M
(Being recognition of interest payments for the first semester 10% x 100m/2 paid by Treasury)

19th April 20x7:
Debit: Repayment of borrowing - TBonds Frw 100 M
Debit: Interest payment – last semester Frw 5 M
Credit: Direct payment – (Treasury) Frw 105M
(Being recognition of interest payment and repayment of the TBonds budgeted for under MINECOFIN)

In the books of the Treasury upon repayment

7th July 20x5:
Debit: Direct payment - MINECOFIN Frw 109.88 M
Credit: Bank account Frw 109.88 M
(Being recognition of cash outflow to settle the repayment of loan)

NB: At the time of payment by BNR, the exchange rate may be different from the one that was used to effect payment by the Treasury. In this case, any exchange differences will be accounted for by the Treasury by debiting the exchange gain/loss account as the case may be. I.e. the exchange rate used by MINECOFIN on the 7th July 20x5 may be different from the rate applied by BNR on 15th July 2015 when payment is effected to the credit of the beneficiary. The value date for the entry to recognise the exchange gain (loss) will be 15th July 2015 when payment is effected by BNR.

In the Public Debt Unit

Update the public debt records on DMFAS with the principal and interest payment.

(c) External loans – loans through development projects

9.3.3.2

Development projects are the government implementing agencies for the development programs particularly those financed through external loans and grants.

9.3.3.3

External Resource unit within MINECOFIN is charged with loan and grant negotiations with development partners and external lenders. The Development Projects then access the funding through Withdrawal Applications (WA) to the lender/donors.

9.3.3.4

Donor regulations specify the format and content of the Withdrawal Applications (WA) to be used for drawing funds from the credit fund created by the donor. Upon donor approval of the WA, the requested funds are remitted to the National Bank of Rwanda (BNR) and the donor advises the project management accordingly. This is technically referred to as “cash drawdown”. Upon receipt of the funds, BNR credits the projects’ bank account with the drawdown proceeds and advises the project management accordingly.

(b) External loans – budgetary loans

Illustration:

Accounting for budget support loans

On 24th May 20x5, payment instructions were received from the World Bank (International Development Association - IDA) in respect of Credit No. 34830-RW: Rural Sector Support Project (original credit currency – USD) as follows: Interest due = USD 62,594.97, Principal due = USD 90,000 Commitment fees = USD 3,761.99.

The amounts are payable by 15th July 20x5 by the BNR upon a payment instruction from the Treasury.

The payment was initiated by MINECOFIN on 7th July 20x5 when the exchange rate was Frw 701.8303 = 1 USD and the SWIFT charges were Frw 150,500.

In the MINECOFIN books

7th July 20x5:
Debit: Repayment of Loans a/c (34830:RW) Frw 63,164,727
Credit: Direct payment Frw 63,164,727

7th July 20x5:
Debit: Interest charge Frw 43,931,047
Debit: Commitment fees Frw 2,640,279
Credit: Direct payment Frw 46,571,326

(Being repayment budgetary support loan under MINECOFIN budget)

NB: BNR shall ensure that information on the SWIFT charges for each transaction is advised to MINECOFIN so that the necessary accounting entries are passed as follows:

15th July 20x5:
Debit: Swift charges Frw 150,500
Credit: Direct payment - Treasury Frw 150,500

9.3.3.5

The required accounting entries are illustrated as follows:

Illustration:

Accounting for loans through development projects

On 15th July 20x5, Kigali Urbanisation Project (KUP) submitted a USD 300,000 Withdrawal Application to World Bank (International Development Association – Credit No. RW3010). On 27th July KUP received a payment advice dated 25th July from the World Bank confirming the disbursement of the funds to the credit of KUP. The funds were received in BNR on 30th July 20x5. On the same day, BNR advised the Project about the receipt of the funds.

The Frw/USD rates indicated on BNR website were as follows:

Date	Buying rate	Average rate	Selling rate
15th July	750		
25th July	750.3456	749.4567	748.5678
27th July			
30th July			

In the books of KUP

25th July Debit: Bank 300,000 USD 225, 103,680 Frw
 Credit: Proceeds from Borrowing – (revenue sub-item) 300,000 USD 225, 103,680 Frw
*(Being proceeds from loan borrowing translated at the buying rate on 25th July being value date i.e 750.3456*300,000)*

In the public debt unit

Public debt unit shall record in DMFAS the External Loan: IDA RW 3010 USD 300,000 and translate using the buying rate on 25th July i.e $750.3456 \times 300,000 = 225,103,680$

Note that the public debt unit should carry out regular reconciliations with the projects to ensure that both records tie.

The required accounting entries for direct remittances are illustrated as follows:

Illustration:

Direct donor remittances to service providers

On 20th May 2015, Kigali Urbanisation Project (KUP) submitted a USD 25,000 Withdrawal Application to World Bank (International Development Association (IDA) – Credit No. RW3010), to be settled directly to BCC Ltd consulting engineers based in Nairobi. The funds were transferred from the Credit account in CITI bank New York on 25th May 2005 and IDA advised the project management accordingly.

In the books of KUP to recognize borrowing proceeds

25th May 2015:

Debit: Accounts Payable USD 25,000

Credit: Proceeds from Borrowing – IDA: RW 3010 USD 25,000

(To extinguish the accounts payable upon payment by the lender to the supplier)

The accounts payable was generated as follows:

20th May 2015:

Debit: Consultancy services expense USD 25,000

Credit: Accounts Payable USD 25,000

(To accrue expenditure for consultancy services to be paid for directly by the lender)

In the books of public debt unit

25th May 2015: Record the loan on DMFAS.

Again, the records maintained by public debt should be reconciled with those maintained by development projects.

(d) Direct donor remittances to service providers

9.3.3.6

Especially where international tender awards are involved, external lenders often directly settle the invoices from the service provider and later inform the project management accordingly. Thus, no cash flows from the project's bank account in BNR is involved. Upon receipt of the payment advice from the donor, the project management is required to prepare the Credit Advice Form for the information and necessary action by the Public debt unit.

9.3.3.7

9.4 Direct borrowing by a budget agency.

9.4.1 Pursuant to Article 52 and 53 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations: the Council of each decentralized entity may borrow only for development projects and upon authorization of the Minister. However, the Minister may, through instructions, determine the maximum amount that the Council may borrow without prior authorization from the Minister.

9.4.2 Direct borrowing results into a financial asset (borrowed amount) and a financial liability (loan with the lender). The borrowed amount is recognised as an asset through the bank and as a liability upon contracting of loan agreement.

9.4.3 Upon migration to accrual basis IPSAS, direct borrowing will be recognized and measured in accordance to IPSAS 29 Financial

Instruments measurement and recognition, IPSAS 28 Financial Instruments presentation, and IPSAS 30 Financial Instruments disclosures.

Operation procedures for direct borrowing;

Procedures for direct borrowing by decentralized entities shall involve the following;

9.4.4 The Director of Finance shall prepare a borrowing request and after the review input of the legal counsel, submit it to the Chief Budget Manager.

9.4.5 Upon receipt of the borrowing request, the Chief Budget Manager shall review the request for submission to the council for consideration and approval.

9.4.6 The council shall approve the request with or without changes, upon which the request shall be submitted to MINECOFIN.

9.4.7 At MINECOFIN, the legal counsel and head of the public debt shall review the borrowing documentation including the draft loan agreements.

9.4.8 Upon recommendation of the legal counsel/head of public debt, the Minister may approve or reject the borrowing request and notify the requesting entity accordingly.

9.4.9 With the Minister's approval, the decentralized entity shall proceed to sign the loan agreement and borrowing schedule with the lending institution accordingly to pave way for the disbursement and receipts of funds.

Accounting recognition for direct borrowing

9.4.10 The following entries should be recorded:

(Upon contracting)

Debit: Bank Account	xxxx
Credit: Loans	xxxx

(Upon repayment)

Debit: Loans	xxxx
Credit: Bank account	xxxx

Illustration: Accounting for direct borrowing

Rwamagana District borrowed a loan from Bank of Kigali of Frw 500,000,000 for the construction of the headquarters building. The effective date of the loan was 1st April 2015. The loan carried an interest of 15% p.a on a reducing balance and was to be repaid in 5 years.

To recognize the receipt of the loan

1st April 2015		
Debit: Bank Account		500,000,000
Credit: Loan Account liability – Bank of Kigali	500,000,000	

To recognize the interest expense 30th April 2015

Debit: Finance cost	6,250,000
Credit: Bank Account	6,250,000

NB: The interest amount is recognized at the end of each month at Frw 6,250,000 being 15% prorated per month, (500,000,000 x 15% / 12months).

To recognize repayment of principal

30th April 2015		
Debit: Loan Account – Bank of Kigali		8,333,333
Credit: Bank Account	8,333,333	

NB: The principal amount is recognized at the end of each month at Frw 8,333,333 being 5 year repayment prorated per month, (500,000,000 / (5yrs x 12months)).

The date of this transaction is the effective date of the loan.

9.5 Debt relief, forgiveness, rescheduling and cancellations

9.5.1 Debt relief, forgiveness, rescheduling and cancellations relating to public debt of Central Government shall be disclosed in the financial statements. (Also see sub - paragraph 7.4.9.1).

9.6 On-lending

9.6.1 The term "lending" relates to the borrowing made by Government to finance its programmes. There are instances where the Government entities may borrow and then lend the proceeds from borrowing to other entities affiliated to Government with the intention of repaying at a specified interest rate. This arrangement is referred to as on-lending.

9.6.2 The Government entity that has borrowed for purposes of on-lending shall account for the loan as a borrowing while the beneficiary entity shall also account for amount as a borrowing owed to the Government entity.

9.6.3 The on-lending shall then be accounted for as a receivable by the Government entity that has borrowed.

9.6.4 Accounting for borrowing shall be in line with chapter 9 'management of debt and liabilities' of this manual.

9.6.5 Accounting for the accounts receivable resulting from on-lending shall be as follows:

Upon on-lending

Debit: Accounts receivable xxxx

Credit: Bank account xxxx

(Being recognition of accounts receivable in respect of on-lent funds)

9.6.6 The provisions under paragraphs 9.6.2 - 9.6.5 shall apply to the on-lending involving entities other than the ministry. Where the on-lending is by the ministry, the amount borrowed and then lent out to another entity shall be accounted for on a cash basis with appropriate memorandum records also maintained.

9.7 Contingent Liabilities and provisions

9.7.1 A contingent liability is a possible future obligation arising out of a past event whose occurrence depends on uncertain future occurrence of an event outside the control of the reporting entity.

9.7.2 The following are examples of contingent liabilities to be included in the register for contingent liabilities as prescribed in sub - paragraph 9.7.7.1.

- i. Disputes for which legal proceedings are underway - e.g legal suits for breach of contract, any court cases against government with probably material finan-

cial implications.

- ii. Guarantees to a public enterprise are a contingent liability to government. In case the public entity defaults, the guaranteed amount shall crystalize into a liability in the books of the guarantor.

9.7.3 A provision is a liability of uncertain timing and amount.

9.7.4 Public entities should not recognize contingent liabilities rather these should be disclosed as a note in the entity's monthly and annual financial reports. Public Entities are also not required to recognize or disclose provisions.

9.7.5 Upon migration to accrual basis IPSAS, provisions and contingent liabilities shall be recognized, measured and disclosed in accordance to IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

9.7.6 Government guarantees

9.7.6.1

Often, public enterprises acquire loans with government backing in form of written guarantee over the debt. Government can also guarantee loans granted to the private sector e.g by local banks especially to farmers and micro-finance programmes to promote agriculture and small-scale entrepreneurs.

9.7.6.2

Effectively, a government guarantee is a promise to the lender that government would ensure the loan repayment. Thus, a guarantee is a potential liability to government. For this reason, it is required that government guarantees should be disclosed in the financial statements.

9.7.6.3

The following information should be disclosed:

- i. The nature of the guarantee - the guar-

anted loan, the borrower organization, duration of the loan, the terms of the loan, the purpose for which the loan was acquired.

- ii. The status of the loan repayment, and if applicable, the accumulated loan arrears and the reasons for the delayed repayment.

9.7.6.4

The public debt unit shall be responsible for maintaining an adequate record of all guarantees issued by the government.

9.7.7 Disclosure of contingent liabilities

9.7.7.1

Each Public entity shall maintain a record (register) of contingent liabilities showing the following information:

- i. The nature, and if quantifiable the value involved;
- ii. The likely date when the commitment may become actual liability and the likely cash flow implications, or expiry if applicable; and
- iii. The parties involved.

9.7.7.2

A summary schedule of contingent liabilities showing the above information shall be disclosed as a note in the entity's monthly and annual financial reports submitted to the Accountant General.

9.8 Funds in-transit or held in-trust (refundable deposits)

9.8.1 Following definitions apply to funds held-in-transit and funds held-in-trust

"Funds in-transit": - Funds in transit relates to funds received by a public entity for the purpose of onward transfer to an agent of the sending entity (principal). In effect the funds

are just transiting through the entity and are therefore not meant for executing the entity's budget. This arrangement is common with embassies where public entities pass funds to the embassies for purposes of transacting with the embassy host country. Embassies also collect revenue in form of consular fees, visa stickers, legalization of documents and emergency travel documents fees. This revenue is collected on behalf of RRA and should be remitted to RRA regularly. Expenditure must not be defrayed from the amounts collected on behalf of RRA without proper approval.

9.8.2 **"Funds held-in-trust"** – otherwise referred to as refundable deposits, funds held in-trust relates to funds received by the public entity for safe custody until a certain event where the funds are remitted to the beneficiary.

9.8.3 Examples of funds held in-trust include:

- a) Such an arrangement may apply to caution funds held by universities on behalf of students, bonds deposited with the courts, funds held by prisons on behalf of prisoners e.t.c.
- b) On receipt of the full amount of the awarded damages, Court retains 4% withholding charge and keeps the 96% on account of the beneficiary (party has won the case). The 96% is therefore an example of a refundable deposit which is held in-trust until claimed by the beneficiary. However, the 4% should be accounted as government revenue.
- c) A court may require an accused party to deposit a bond until the determination of the court case. This deposit is an example of a refundable deposit which is held in-trust to be refunded to the accused party should he/she win the case. In case the accused party loses the case, he/she is required to pay a Court charge usually equal to the "cash deposit" refunded. This is commonly called 'Igarama' and should be recognized as revenue to government.

9.8.4 Public entities shall recognize funds-in-transit and funds-held-in-trust once such funds are received by the entity and recognized as a liability.

9.8.5 Each funds-in-transit and funds-held-in-trust should have a distinct ledger account.

9.8.6 Funds in transit/held in-trust received in foreign currency shall be recorded using appropriate exchange rates as prescribed under Chapter 10 of this manual. Any resulting exchange rate differences shall be borne and accounted for by the sending entity upon notification of the receiving entity with all the relevant supporting documentation.

9.8.7 After the funds are remitted to the beneficiary, confirmation shall be obtained in writing by the sending entity from the receiving entity and the Debtors – Funds in-transit / held in trust account retired by the sending entity.

9.8.8 In the preparation of the Government wide consolidated financial statements, the balances on the debtors and creditors accounts for funds in-transit / held in-trust for reporting entities should be equal and eliminated upon consolidation

Accounting for funds-in-transit and funds-held-in-trust

9.8.9 The following entries should be recorded in respect of funds-in-transit and funds-held-in-trust.

In the books of the sending entity:

When the funds are sent

Debit: Debtors – Funds in-transit / held in-trust	xxxx
Credit: Bank	xxxx

(In respect of sending funds-in-transit and funds-held-in-trust)

Upon remittance to beneficiary entity or person by the receiving entity and with notification to the sending entity

Debit: Appropriate expenditure item	xxxx
Credit: Debtors – Funds in-transit / held in-trust	xxxx

In the books of the receiving entity Upon receipt of the funds

Debit: Bank account	xxxx
Credit: Liability – Funds in-transit / held in-trust	xxxx

(Being receipt of funds-in-transit and funds-held-in-trust from the beneficiary)

Upon remittance to beneficiary entity or person

Debit: Liability - Funds in-transit / held in-trust	xxxx
Credit: Bank account	xxxx

(Being remittance of funds-in-transit and funds-held-in-trust to the beneficiary)

Process description for funds-in-transit relating to services carried out by one budget agency on behalf of another.

9.8.10 Where works or services of one Chief Budget Manager are required to be carried out by another Chief Budget Manager, as a charge to a budget line which the latter Chief Budget Manager is not accountable, a memorandum of understanding shall be agreed between the two Chief Budget Managers, the basis of which payments shall be made to the executing Chief Budget Manager.

9.8.11 The Chief Budget Manager carrying out the works or services on behalf of another shall credit the payment amounts received above to a “Liability – Funds in-transit A/C” and debit the appropriate bank account. He or she shall accordingly debit the expenditure for the works or services from the bank account to the Liability – Funds in-transit A/C. Where all the works or services have been completed a final certificate of completion shall be issued. Any balance on the Liability – Funds in-transit A/C. Shall be returned to the Chief Budget Manager who paid the deposit (of the budget agency which paid the deposit) when the works or services are completed.

9.8.12 The payment to the executing Chief Budget Manager shall be captured as commitments against appropriate expenditure accounts but accounted for by the paying Accounting Officer by debiting “appropriate Receivables A/C- (Name of Accounting Officer)” and crediting the expenditure Bank A/C - TSSA. Expenditure Accounts (from the commitments initially booked) for the works or services shall be debited by him or her with a corresponding credit entry to the Receivables

Account upon receipt of progress certificates of work completed.

9.8.13 If at the end of the financial year, the work or services paid for in accordance with the above provisions, has not been completed but it is expected to continue in the following financial year with additional work that has not been paid for, the Accounting Officer requiring the work or service shall make fresh payment provided a provision for the additional work has again been included in the subsequent financial year's budget estimates.

9.8.14 Statements of completion provided by the executing Accounting Officer to account for expenditure from the deposit accounts referred to above shall not be supported by expenditure vouchers. The Executing Accounting Officer, for audit purposes, shall retain all the originals of the expenditure vouchers and supporting documents.

9.8.15 The following accounting recognition relates to the consular fees collected by embassies and held in-trust on behalf of RRA:

Upon receipt of revenue:

Debit: Bank Account xxxx
Credit: Accounts Payable third parties (RRA) xxxx
(Being receipt of funds-in-transit on behalf of RRA)

Upon surrender to RRA

Debit: Accounts Payable third parties (RRA) xxxx
Credit: Bank Account xxxx
(Being remittance of funds-in-transit to the RRA)

9.8.16 Pursuant to paragraph 9.8.6 above, any resulting exchange differences on the translation of the Funds in-transit / held in-trust liability balances at a reporting date shall be accounted for as follows;

Upon translation of the Funds in-transit / held in-trust liability balances at the reporting date with a favorable movement in the exchange rate against the reporting currency.

In the books of the receiving entity

Debit: Liability – Funds in-transit / held in-trust xxxx
Credit: Bank – translation losses xxxx
(Being monthly translation exchange losses on Funds in-transit / held in-trust)

In the books of the sending entity

Debit: Exchange losses-translation losses xxxx
Credit: Debtors – Funds in-transit / held in-trust xxxx
(Being monthly translation exchange losses on Funds in-transit / held in-trust)

Upon translation of the Funds in-transit / held in-trust liability balances at the reporting date with an unfavorable movement in the exchange rate against the reporting currency.

In the books of the receiving entity

Debit: Bank – translation gains xxxx
Credit: Liability – Funds in-transit / held in-trust xxxx
(Being monthly translation exchange losses on Funds in-transit / held in-trust)

In the books of the sending entity

Debit: Debtors – Funds in-transit / held in-trust xxxx
Credit: Exchange gains- on translation xxxx
(Being monthly translation exchange gains on Funds in-transit / held in-trust)

9.9 Leases

9.9.1 A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

9.9.2 There are two types of leases, operating lease and finance leases. A finance lease is lease that transfers substantially all the risks and rewards incident to the ownership of the asset. An operating lease is a lease that does not transfer substantial all risk and rewards incident to the ownership of the asset.

9.9.3 Operating leases do not result in an obligation. However, a finance lease creates an asset and an obligation.

9.9.4 Operating and finance leases shall be treated on a cash basis. Lease payments shall be recognized as payments while lease receipts shall be recognized as revenues. Lease payments will be recognized by the lessee as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the user's benefit. A schedule of both finance and operating leases shall be provided by way of a disclosure in the financial statements.

9.9.5 Upon migration to accrual basis IPSAS, leases shall be recognized, measured and disclosed in accordance to IPSAS 13 Leases.

9.10 Writing back liabilities

9.10.1 Pursuant to Article 105 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the Chief Budget Manager shall seek authority from the Executive Head of the Central Government entity, Executive Authority or the Council in the case of a decentralized entity to write-off from their books of accounts long outstanding and irrecoverable assets and long outstanding liabilities.

9.11 Transfer of liability

9.11.1 Where a public entity has transferred liabilities to another public entity, the following entries shall apply to the source and destination entities:

In the books of destination entity

Debit: Inter-entity (name of sending entity) xxxx
Credit: Accounts payable (specify creditor/supplier ID) xxxx
(Being recording of liability transferred by an entity)

In the books of source entity

Debit: Accounts payable (specify creditor/supplier ID) xxxx
Credit: Inter-entity (name of receiving entity) xxxx
(Being transfer of a liability to another entity)

9.12 Settling of rolled over liability

9.12.1 Where a public entity has carried forward liabilities from a previous period (rolled over), entities shall ensure that there is a budget provision to settle the rolled over liability and this should follow the commitment control system in place.

9.12.2 The following entries shall apply in settlement of that liability:

Upon settlement of the liability

Debit: Accounts payable (specify creditor/supplier ID) xxxx
Credit: Bank/Direct payment xxxx
(Being settlement of a liability rolled over from a previous period)

9.13 Service Concession Arrangements and Public Private Partnerships.

9.13.1 Introduction

9.13.1.1

The Government of Rwanda (GoR) considers that private sector can play a pivotal role in supporting the accelerated delivery of strategic national investments via Public Private Partnerships (PPPs). PPPs can benefit the economy by providing quality infrastructure services and help in attaining GoR's goals in Vision 2020/2050 and the National Strategy for Transformation (NST -1).

9.13.1.2

To facilitate PPPs, the GoR enacted LAW N°14/2016 of 02/05/2016 for Governing PPPs in Rwanda. The Law defines the types of PPP arrangements and potential sectors; identifies institutions; outlines processes for procurement of PPP projects; delineates roles for institutions; and institutionalizes governance framework for PPPs. The Law requires the Rwanda Development Board (RDB) to issue general guidelines for procurement of PPP projects and advise the government on matters related to PPPs.

9.13.1.3

For the management of the service concession arrangements/PPPs, reference shall be made to the comprehensive policy and detailed guidelines issued by RDB to assist ministries, departments, state owned enterprises, districts, and public officials to develop and implement PPP projects as per the PPP Law. The Guidelines also inform the private sector of the intent of GoR to systematically develop PPP projects and competitively procure private partners while ensuring transparency, fairness, non-discrimination, and accountability of the institutions involved in the PPP process.

9.13.1.4

Accordingly, this section of the manual covers the accounting, recording and reporting on the service concession agreements/PPP contracts in the government financial statements.

9.13.2 Typical Features of Service Concession Arrangements

9.13.2.1

The typical features of service concession arrangements shall include.

- a) The grantor is a public entity;
- b) The operator is responsible for at least some of the management of the service concession asset and related services and does not merely act as an agent on behalf of the government;
- c) The arrangement sets the initial prices to be levied by the operator and regulates price revisions over the period of the service concession arrangement;
- d) The operator is obliged to hand over the service concession asset to the government in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it; and
- e) The arrangement is governed by a binding arrangement that sets out performance standards, mechanisms for adjusting prices, and arrangements for arbitrating disputes.

9.13.2.2

The different types of service concession arrangement shall include;

- a) **“build-operate-transfer”** arrangement. Under this type of arrangement, an operator constructs the infrastructure to be used to provide a public service, and it

operates and maintains that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement. A contract sets out performance standards, pricing mechanisms, and arrangements for arbitrating disputes.

- b) **“Rehabilitate-operate-transfer”** arrangement. In this case, the operator may upgrade the existing infrastructure and maintain and operate the upgraded infrastructure.

9.13.2.3

Outsourcing the operation of an entity’s internal services (e.g., employee restaurant, building maintenance, accounting, or IT functions) shall not constitute a service concession arrangement.

9.13.2.4

Service concession arrangements may apply to a broad range of concession arrangements, such as contracts for the:

- a) Road and water treatment concession arrangements
- b) Provision of transport services;
- c) Construction and operation of waste treatment plants;
- d) Provision of public airport services;
- e) Construction and maintenance of hospitals;
- f) Generation of renewable energy;
- g) Production of electricity; and
- h) Construction and operation of public transport systems, schools, prisons etc.

9.13.3 Recognition of a Service Concession Asset by a public entity

9.13.3.1

A public entity shall recognize an asset as a service concession asset (and therefore in-

cluded in the asset register) and the related liability if the following conditions are met:

- a) The public entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- b) The public entity controls—through ownership, beneficial entitlement or otherwise— any significant residual interest in the asset at the end of the term of the arrangement. For a “whole-of-life” asset, only the conditions under sub-paragraph 9.13.2.1(a) above need to be met. Only assets provided by the operator (existing asset of the operator, constructed or developed, purchased or an upgrade to an existing asset of the government) are recognized. Existing assets of the government (other than upgrades thereto) used in a service concession arrangement are reclassified as service concession assets— no additional asset and related liability are recognized in such cases.
- c) If the conditions for asset recognition of the PPEs and intangible assets are also met.

9.13.4 Treatment of the Liability

9.13.4.1

The type of liability a public entity shall recognize in respect of service concession arrangements shall depend on how the entity compensates the operator.

9.13.4.2

The public entity may compensate the operator for the construction, development, acquisition, or upgrade of a service concession asset and service provision by making a predetermined series of payments to the operator. In this case the liability will be treated as a financial liability.

9.13.4.3

It may also be possible for the public entity to compensate the operator for the construction, development, acquisition, or upgrade of a service concession asset by granting the operator the right to earn revenue from third-party users of the service concession asset or another revenue-generating asset. This shall constitute an exchange transaction that involves dissimilar assets (a service concession asset for the government and an intangible asset for the operator) that gives rise to revenue for the public entity.

However, as the service concession arrangement covers a period of time, the public entity shall not recognize the revenue immediately.

The public entity shall recognize a liability for any portion of the revenue that is not yet earned.

9.13.5 Recording and accounting of transactions in respect of service concession arrangements.

9.13.5.1

No accrual accounting entries shall be raised in respect of service concession assets and the related liabilities until such a time when the government implements the full accrual IPSAS framework, in which case IPSAS 32; Service concession arrangements - Grantor shall apply.

9.13.5.2

The service concession assets shall however be recorded in the fixed asset register and a corresponding liability captured in an appropriate memorandum record by the concerned public entity against which future payments shall be allocated to reduce the liability.

9.13.6 Disclosures of service concession agreements to be included in the financial statements of Rwanda Development Board.

9.13.6.1

Service concession agreements/Public Private Partnerships (“PPP”) are governed by an Act of Parliament and are managed by Rwanda Development Board. RDB serves as the secretariat of the PPP Steering Committee as per the Prime Minister’s orders. Most of the Service concession agreements/ PPPs are in the energy and water sector of the economy. The agreements and contracts signed are currently managed by RDB and is responsible for identifying commitments, contingencies and liabilities in PPPs. . The following shall be disclosed by way of notes to the accounts of RDB:

- a) Full description of the arrangement
- b) Parties to the PPP including operator, grantor and grantee;
- c) Duration of the PPP;
- d) Investment value of the PPP including cash flows over the duration, outstanding financial liability;
- e) Conditions; and
- f) Changes in the arrangement occurring in the reporting period.

9.13.7 Accounting procedures for the recording of transactions relating to service concession agreements/PPP contracts.

9.13.7.1

The following procedures shall apply in the recording of the concession assets and corresponding financial liabilities in the memorandum records of RDB:

- a) Ensure proper documentation of all service concession agreements/contracts.
- b) Record the concession assets in the fixed asset register;

- c) Record corresponding liability in appropriate memorandum records to be updated by future payments to reduce the liability.
- d) From the concession agreements determine ways of compensating the operator for using the concession asset.
- e) To make payments to the operator using the “financial liability model”;
 - Raise payment vouchers/orders to effect payment by debiting appropriate expenditure item and crediting Cash/Bank; and
 - Simultaneously update the liability memorandum accounts with the payments made.
- f) To grant the operator access to revenue (Grant of right to the Operator Model) – generating asset for the operator’s use:
 - Update memorandum records with the revenue generated by the service concession; and
 - Simultaneously update the liability memorandum accounts with the revenue generated to adjust the liability.
- g) For the combination of the Financial Liability Model and Grant of a Right to the Operator Model (that is, compensating the operator partly by making the payment and partly by the grant of a right to the operator, the procedures in each of the models shall apply.
- h) For upgrade of the existing asset, reclassify the asset and update the fixed asset register.

10 Accounting for foreign exchange differences

10.1 Introduction

10.1.1 A Public Entity may have transactions in foreign currencies such as transfer or receipt of funds relating to purchase of goods and services or a donation or borrowed funds received in foreign currency. These transactions will necessitate an exchange between the Rwandan Francs and the foreign currency in accordance with Article 107 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations. Due to the use of different exchange rates, this may result in an exchange gain or loss.

10.1.2 The following definitions and application to the GoR are important in understanding the recognition of the effects of changes in foreign exchange rates:

“Average rate: average between the selling and buying rate.

“Buying Rate” is the spot rate the bank will buy foreign currency from its clients.

“Closing rate” is the spot exchange rate at the reporting date.

“Exchange difference” is the difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

“Exchange rate” is the ratio of exchange for two currencies. 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).

“Foreign currency” is a currency other than the functional currency of the entity.

“Foreign currency transaction” is a transaction that is denominated or requires settlement in a foreign currency. An entity may carry on foreign activities in one or a combination of the following ways:

- a) It may have transactions in foreign currencies; or
- b) Have foreign operations

Examples of a foreign currency transaction is when a public entity:

- a) Buys or sells goods or services whose price is denominated in a foreign currency;
- b) Borrow or lend funds when the amounts payable or receivable are denominated in a foreign currency; or
- c) Acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.

“Foreign operation” is an entity that is controlled (subsidiary) entity, associate, joint venture, or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of a reporting entity.

“Monetary items” are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. The essential feature of a monetary item is a right to receive, or an obligation to deliver a fixed or determinable number of units of currency. Conversely, the essential feature of

a non-monetary item is the absence of a right to receive or an obligation to deliver a fixed or determinable number of units of currency e.g prepaid rent, inventories, etc.

“Reporting/Presentation currency” is the currency in which the financial statements are presented. The GoR reporting/presentation currency is the Rwanda Francs.

“Functional currency” is the currency of the primary economic environment in which the entity operates; with the exception of some donor funded projects and foreign operations like embassies, the GoR functional currency in the Rwanda Franc which is also the reporting currency (the presentation currency).

“Selling Rate” is the spot rate the bank will sell foreign currency to its clients.

“Spot exchange rate” is the exchange rate for immediate delivery.

“Value date of a foreign currency transactions” is the date when revenue is earned or expenditure incurred rather than when the payment is received or made in foreign currency.

10.1.3 The principal issues in accounting for foreign currency transactions are to decide which exchange rate to use and how to recognize the financial effect of the exchange difference in the financial statements.

10.2 Accounting for translation and transactions gains and losses

10.2.1 The following procedures shall apply while accounting for exchange differences:

- i. Ensure that all foreign currency transactions are recorded, on initial recognition, in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting

currency and the foreign currency at the date of the transaction; The spot exchange rates shall be those provided by the National Bank of Rwanda unless the foreign currency transaction involves another bank/financial institution in which case the rate quoted by that institution shall be used.

- ii. Where the entity pays an expense in a functional currency but from a foreign currency bank account maintained at BNR or any other financial institution, the rate to use is the rate at which the central bank or financial institution, as the case may be, buys that foreign currency (Buying rate quoted by the Central Bank/Financial Institution)..
- iii. Where an entity's functional currency is different from the Rwanda Francs, which is the GoR reporting currency (presentation currency) e.g in the case of embassies and some donor funded projects, the equivalent amounts in Rwanda Francs shall be obtained by translating the individual revenue transaction items using the rate of the transaction day at which the Central Bank would have to buy the functional/foreign currency (Buying rate quoted by BNR) and for the Expense items the translation shall be done using the rate of the transaction day at which the Central Bank is selling the functional /foreign currency (Selling rate quoted by the BNR). Where BNR exchange rates between the Rwanda Francs and the functional currency do not exist, these may be derived through cross exchange rates involving the Rwanda Francs, major currencies and the functional currency.
- iv. Notwithstanding the procedure under paragraph 10.2.1(i) above, transfers from foreign currency bank account to another foreign currency bank account of

same currency, the reporting entity shall translate the transfer in foreign currency into the reporting/presentation currency using the average rate quoted by Central Bank at the date of the transfer.

- v. At each reporting date and on subsequent reporting, foreign currency monetary items shall be translated into the reporting currency (Rwanda Francs) using the BNR closing rate. Hence, book balances, Assets (such as bank and cash and accounts receivables) and liability (such as accounts payables), denominated in foreign currencies shall be converted into the Rwanda Franc at the spot rate ruling on that closing date, as issued by the National Bank of Rwanda. With the approval of the Accountant General, the average rate of the BNR closing rates may be applied for the translation of the monetary assets and liabilities denominated in foreign currency into Rwanda Francs.
- vi. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction whereas for non-monetary items measured at fair value, the translation shall be done using the exchange rates at the date when the fair value was determined.
- vii. With the approval of the Accountant General and where the translation of revenue and expenditure is done as a period end procedure and it is not practical to assign a rate for each revenue and expense item, the average rate for that period can be applied.
- viii. All resulting exchange losses shall be recorded and recognized as recurrent expenditure while the exchange gains shall be recognized as recurrent revenue.

10.2.2 As a disclosure note, a public entity shall state in the notes to its financial statements when the presentation currency is different from the functional currency, together with a disclosure of a functional currency and the reason for using a different presentation currency.

10.2.3 Illustration: Recognition of transaction and translation exchange differences

The embassy of Rwanda London, on 2nd April 2015 sold a car for \$ 2,000. The sales proceeds were received on 5th May 2015.

The exchange rates were as follows:

2nd April 2015 \$ 1 = Frw 700.2345
(Buying rate presented at BNR website)
30th April 2015 \$ 1 = Frw 725.4567
(Buying rate presented at BNR website)
5th May 2015 \$ 1 = Frw 730.5678
(Buying rate as presented at BNR website)

Transactions for the month of April 2015

Debit: Accounts Receivable (2nd April 2015)	1,400,000
Credit: Proceeds from disposal of assets (2nd April 2015)	1,400,000

Translation of the accounts receivable at the reporting date of 30th April 2018

Debit: Accounts receivables (30th April 2015)	50,000
Credit: Translation Exchange Gain (30th April 2015) {(725.4567-700.2345)*2,000}	50,000

Transaction for the month of May 2015 when the funds were received

Debit: Bank Account (5th May 2015) (730.5678*2,000)	1,460,000
Credit: Accounts Receivable (5th May 2015)	1,450,000
Credit: Transaction Exchange Gain (Frw 1,460,000 – Frw 1,450,000)	10,000

11 Management of inventories and receivables

11.1 Introduction

11.1.1 This chapter provides detailed guidelines on the efficient and effective management of financial assets of government of Inventories and Accounts Receivable.

11.2 Definition of Inventories

Inventories are assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories include also assets held for sale or distribution in the ordinary course of operations. These consist of inventories of various kinds of office supplies such as stationery, computer consumables, ammunition, spare parts, etc. These inventories are usually budgeted to be consumed during the particular financial year but due to timing differences may remain in stock. The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

11.2.1 Accounting for inventories

11.2.1.1

Public entities shall charge all inventory acquisitions as expenditures when purchased rather than when used.

11.2.1.2

Public entities shall report any material amount of inventory on hand at the end of the fiscal year by way of a disclosure note. The value to be indicated shall be based on cost of acquiring the inventories and shall take into consideration any impairment of the inventories. The Weighted Average

Cost valuation method shall be used for the valuation of the inventories.

11.2.1.3

Upon migration to accrual basis IPSAS as shall be guided by the roadmap, accounting for inventories shall be in accordance with IPSAS 12: "Inventories".

11.2.1.4

The following accounting entries shall apply to inventories:

Recording inventory at the time of purchase

Debit: Expenditure	xxxx
Credit: Accounts payable (specify creditor/supplier ID)	xxxx
<i>(Being recording to purchase of inventories)</i>	
Debit: Accounts Payable	xxxx
Credit: Direct Payment/ Bank	xxxx
<i>(When payment is effected)</i>	

11.2.2 Responsibility of management with regard to inventory

11.2.2.1

The CBM shall with regards to management of inventory, ensure that:

- The public entity is required to maintain a system of inventory management that ensures avoidance of stock-outs to prevent disruption of operational activities and optimizes inventories to minimize funds tied-up.
- Sound internal controls are in place to prevent loss through damage, deterioration, unauthorized use or pilferage.
- An officer is designated to be in charge of maintaining inventory records in the

entity. The officer shall be entrusted with the responsibility for maintaining the Departmental inventory records and for ensuring that the rules established to safeguard government property are rigidly adhered to.

- iv. Transfer of the inventory items is adequately recorded and responsibility for the inventory items identified.
- v. Inventory records are maintained in the prescribed format and are updated to reflect accurate and precise details of the items in question.
- vi. All finished goods manufactured in the entity workshops where applicable are to be physically treated as stores items in a similar fashion as purchased goods.
- vii. Summaries of the inventory items should be disclosed in the monthly financial reports submitted to the Ministry.
- viii. Stock takes are carried out on a monthly basis by the officer responsible for inventory and witnessed by the entity internal auditor, where possible.
- ix. All damaged and obsolete stocks are properly identified and a record kept; The necessary approval should be sought in line with Article 105 of the Financial Regulations for the write-off such inventories.

11.2.3 Registers and records

11.2.3.1

Public entities shall be required to maintain adequate records to record purchase and issuance of consumable inventories. These records shall be maintained in electronic form (electronic database) and/or in manual form (bin cards – see appendix xiv)

11.2.3.2

The records should be maintained in such a way that each type of inventory can be separately identified.

11.2.3.3

The records should contain such information as:

- i. The supplier;
- ii. Quantity purchased;
- iii. LPO number where applicable;
- iv. Date when item was included in the inventory;
- v. Beneficiary department for issues (quoting the reference number of the related stock requisition);
- vi. Date of issue;
- vii. Inventory at hand – stating the dates of occurrence and associated historical cost.
- viii. The quantity levels at which replenishment should be prompted; and
- ix. The maximum quantity beyond which further procurement would be unduly tying funds.
- x. Condition of the inventory.

11.2.3.4

Where electronically maintained, the officer in charge of the inventory shall produce a certified hard copy (printed copy) of the database at least once a year for office and/or audit purposes.

11.2.3.5

The officer responsible for maintaining the inventory records shall also be responsible to take precautions in safeguarding the records and in case of electronically kept records, the backup security copies of the database. In this regard, an electronic copy of the inventory database is to be lodged on a monthly basis with the Head of Administration or Head of Finance, as the case may

be, with the version number and date of the electronic copy clearly indicated.

11.2.3.6

The provisions of sub - paragraph 11.2.3.5 above notwithstanding, and where the inventory records are maintained using the IFMIS, the back up and security arrangements shall be as issued by MINECOFIN.

11.2.4 Receipt of inventory

11.2.4.1

Upon receipt of inventory items, the Officer in charge of inventory shall check the goods supplied with the details on the invoice or any other supporting document relating to the items being placed in the inventory.

11.2.4.2

The Officer in charge of the inventory shall record the inventory in the respective records; Bin Cards and Stock Register for each category of inventory. Each item of stock must have a bin card.

11.2.4.3

The Officer in charge of the inventory shall ensure that the information entered into the bin cards is precise and accurate and reflects the information pertaining to the respective inventory item.

11.2.5 Issuance

11.2.5.1

An authorised officer from the user department shall raise a duly approved requisition form detailing the items required.

11.2.5.2

The officer receiving the items shall acknowledge receipt by signing.

11.2.5.3

The issuing officer shall update the inventory records immediately upon issue;

11.2.5.4

Where the items in store are not sufficient

to cover the items requested for, the issuing officer shall amend the requisition form to the extent of items issued.

11.2.6 Stock taking

11.2.6.1

At the end of each month, the stocks at hand should be summarized in a schedule showing the quantity and values for each inventory category. This schedule should be annexed to the monthly financial reports submitted to the Accountant General.

11.2.6.2

The CBM shall ensure that stock count takes place once every quarter and at year end.

11.2.6.3

The CBM shall request the Internal Auditor to witness the stock take of the inventories on a quarterly basis and the External Auditor at year end stock count.

11.2.6.4

The CBM can request the Internal Auditor to carry out special audits on inventories. The nature and extent of the audit shall be agreed upon between the Internal Auditor and the CBM.

The CBM shall ensure that the recommendations made by the Internal Auditor are implemented.

11.2.6.5

The results of the count should be reconciled with the corresponding records in the inventory cards. Disparities between the inventory register and the physical inventory counted must be recorded, followed up and cleared.

11.2.6.6

The above arrangements shall not absolve the officer responsible for inventory from making the necessary checks from time to time and reporting immediately any discrepancies discovered.

11.2.6.7

When a stock take reveals that an inventory item cannot be traced, the CBM shall:

- i. Investigate and establish how it came to be missing;
- ii. Establish who is to be held responsible for its loss;
- iii. Recommend that the inventory item be written-off from the Inventory Database; and
- iv. Take any disciplinary and or legal action as prescribed by the law.

11.2.7 Safeguarding inventory

11.2.7.1

All inventories should be safeguarded and locked up at all times. The store should be well spaced to allow for movement and regular stock takes. Items should not be stacked up so high that they constitute a safety risk.

11.2.8 Damaged and obsolete inventory

11.2.8.1

When an inventory item is considered to be obsolete, the CBM shall seek approval of the Executive Authority to write off the asset or disposal of the obsolete inventory item. The CBM shall in seeking this approval justify his/her decision that the items in question are obsolete.

11.2.8.2

A copy of the approval to write-off the obsolete inventory item shall be sent to the Auditor General and the Accountant General for information.

11.3 Management and accounting for receivables

11.3.1

Accounts Receivable means an asset of the State reflecting an amount owed to a department that has not been received; may include amounts due from individuals, private entities, local governments, and other Government units.

11.3.2

Receivables may include amounts due for delivered goods and services, reimbursement of expenditures, taxes, fees, fines, loans, and other miscellaneous circumstances where Government has rights to funds that have not yet been received.

11.3.3

Write off of receivable shall be authorized in line with Article 105 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations.

11.3.4

The following forms of accounts receivable are common in government:

- Loans to corporations;
- Advances to staff e.g car loans and salary advances;
- Outstanding fees from students;
- Funds in transit; and
- Receivables from sale of goods and services.

Accounting policy

11.3.5

As a general rule, the recognition of receivables is tied to the recognition of revenue. If payment is not received when the revenue recognition occurs (i.e. revenue is earned), then a receivable should be recorded.

11.3.6

Advances are recognized in the books of accounts at the time of disbursement and are recorded as accounts receivable.

Recording receivables

11.3.7

Maintain an accurate record of receivables transactions; automated systems should be utilized (e.g. IFMIS or any other accounting system in use) where practical to facilitate processing and reconciliation.

11.3.8

An aging of accounts receivable should be prepared monthly and reviewed by the Head of Finance and approved by the Chief Budget Manager.

11.3.9

Posting to the detail accounts receivable records should only be done from authorized source documents.

11.3.10

It is required that in the subsidiary ledger of receivables (accounts receivable module of the financial system), a ledger account is maintained for each accounts receivable.

11.3.11

The responsibilities for maintaining detailed accounts receivable records should be segregated from collections (if practicable).

11.3.12

Payments should be posted to the accounts receivable instantly upon receipt where practicable to ensure the accounts receivable records are kept up to date.

11.3.13

All adjustments to accounts receivable should be approved by the Head of Finance.

11.3.14

Active efforts must be made to collect all accounts that are long overdue. The Chief

Budget Manager may be required to provide documentary evidence of the effort made to collect overdue accounts.

Write off of accounts receivables

11.3.15

Write-offs of receivables should be carried out in line with Article 105 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations that allows the Chief Budget Manager to seek authority from the Executive Head of the central government entity or the Council in the case of a decentralized entity to write-off from their books of accounts long outstanding and irrecoverable assets and long outstanding liabilities.

11.3.16

The following guidelines should be followed while writing off accounts receivables (debts):

Consideration and submission of request for write off

11.3.17

Debts should be considered for write-off if any of the following conditions apply:

- i. The debtor has died leaving no known estate;
- ii. The debtor cannot be located;
- iii. The debtor is not resident in Rwanda and there are no means of collection or indication that the debtor has family or business ties that might encourage him to return to Rwanda;
- iv. The debtor has disputed liability and the success in collecting is unlikely;
- v. The debtor is a company that has ceased to operate and has no assets; or
- vi. The court has ruled in favour of the debtor to the effect that he/she does not owe the budget entity.

- vii. It has been proved that the cost of collecting the outstanding debt is more than the amount to be received;

11.3.18

Once the above has been considered, a submission to the Executive Head of the central government entity or the Council in the case of a decentralized entity for the write-off of debts should include the following information:

- i. Specific circumstances, including the dates, under which the debt arose and the way in which the debtor's liability was established;
- ii. A summary of collection actions taken and their results;
- iii. Details of legal action taken and legal opinions sought;
- iv. A list of directors, if the debtor is a corporation;
- v. Whether corrective action can be taken or has been taken to prevent recurrence of a similar failure of collection action; and,
- vi. An indication as to whether the debtor or individual(s) or organization and its principals as applicable has had debt owed to the Government which was previously written off.

Accounting treatment for write off of accounts receivables

11.3.19

The following accounting recognition will apply while writing off accounts receivable and payables:

Upon obtaining authorization to write off and the accounts receivable was recognized on an accrual basis as is the case with exchange revenue transactions.

Debit: Prior Year Adjustment	xxxx
Credit: Accounts receivables	xxxx

Note: No accounting entries are required where the accounts receivable was not accrued but appropriate memorandum records shall be maintained.

11.3.20

The necessary accounting adjustments or entries shall be effected after consultations with the Accountant General as required by Article 105 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations. Any such consultations shall be made in writing to which the Accountant General shall provide a written reply.

Provision for bad debts on accounts receivables

11.3.21

Provisioning for bad debts in government entities is not required. However, should the need arise, on a case by case basis, then appropriate guidance can be sought from the Accountant General.

Accounting for recovered bad debts written off

11.3.22

Where previously written off bad debts are recovered, the resultant receipt should be recorded as an income in the year of recovery as follows:

Upon receipt of previously written off bad debt

Debit: Bank Account	xxxx
Credit: Other miscellaneous Revenue	xxxx

12 Banking and cash management

12.1 Policy statement

12.1.1 Public entities shall ensure that cash and banks balances are properly authorized, safeguarded, classified and reported in the financial statements.

12.1.2 Public entities shall ensure that only minimum necessary numbers of bank accounts are maintained for ease of management and reconciling and also to minimize cost associated with maintaining bank accounts.

12.1.3 No person shall act as a signatory to a Government bank account without an appointment to that effect.

12.1.4 A public entity shall have bank account authorized signatories in sufficient numbers and categories to prevent possibility of operational paralysis due to absence of one or more signatories, without compromise to the internal controls over the financial resources of the entity.

12.1.5 Opening and closing bank accounts requires the authorization of the Accountant General.

12.1.6 Overdrawing of bank accounts is prohibited unless with the permission of the Minister.

12.1.7 The National Bank of Rwanda is the only authorized bank to process monetary transactions from the consolidated fund of the Central Government and decentralized entity.

12.1.8 Public entities shall maintain (in a manual or electronic form) and update a register for all bank accounts maintained by the entity.

12.1.9 Except with approval of PS/ST, the maximum level of petty cash shall be Frw 500,000 and all replenishments shall be based on properly approved reconciliations, supporting documents and accountabilities.

12.1.10 No person may use a government entity's bank account to conduct personal affairs.

12.1.11 Monthly bank reconciliations (see format under appendix viii) shall be carried out for each bank account maintained by a public entity and submitted as part of monthly financial statements submitted to MINECOFIN by the 15th day following the end of the month.

12.1.12 In no circumstances shall deposits and payments made by error by the bank, be recognized in the entity's books of accounts. Rather these should be reported to the bank in writing for resolution with a copy to the Accountant General and follow up action instituted.

12.2 Operation of bank accounts

12.2.1 The following guidelines apply to opening of bank accounts:

- i. In accordance with Article 62 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, opening of bank accounts shall require the authority of the Accountant General.
- ii. Opening of bank account outside country by a public entity and public institu-

tion shall also require prior approval of the Accountant General.

- iii. Any bank account opened on behalf of a government entity must be in the name of that entity and in no circumstances shall any person operate an account in personal names purporting it to belong to a government entity.
- iv. Public entities shall notify the Accountant General the details of the bank account once the account has been opened for purposes of maintaining a register of all bank accounts maintained by public entities. The details shall include the name, account number, bank and branch, names of signatories and effective date of new bank account.

12.2.2 The following guidelines apply to public entities while applying for opening of bank accounts:

- i. Examine the need to open a new bank account;
- ii. Check whether the entity already holds an account whose operations are related to the one to be opened;
- iii. Write to the MINECOFIN an official request to open a new bank account;
- iv. Attach to the request letter, the loan or grant agreement between the Republic of Rwanda and the donor for which the new bank account is required; the loan/grant's negotiation procedures must comply with the Government of Rwanda aid policy.⁴
- v. Attach to the request letter, the law or cabinet decision establishing the institution if it is new;

- vi. Complete the National Bank of Rwanda's form for opening a bank account. The form requires you to provide information such as source of funds, among other relevant information and requires bank account to have a minimum of three signatories. This form can be obtained from the National Bank of Rwanda.
- vii. With the exception of embassies and subsidiary entities, only revenue collection bank accounts of a public entity may be opened in a commercial bank.
- viii. While opening a bank account with commercial banks, the request should provide a justification for opening the account with the proposed commercial bank.

12.3 Closure of bank accounts

12.3.1 The following guidelines apply to the closure of bank accounts:

- i. Pursuant to Article 62 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations closure of any bank account requires prior written authorization of the Accountant General.
- ii. CBMs should ensure that for all closed development projects under the control of their entity, the associated bank accounts have also been closed;

12.3.2 A public entity should observe the following procedure while applying for the closure of bank accounts:

⁴ For more information about the Rwanda aid policy visit: <http://www.devpartners.gov.rw/>

- i. The request for the closure should mention the account to receive the remaining balance once the bank account is closed;
 - ii. In case of a project, the project loan/grant/financing agreement should guide on the transfer of remaining balance otherwise it is to be transferred to the Treasury Single Account;
 - iii. Where a project is closed, no bank account should remain open beyond 3 months of the project closure.
 - iv. Before the year end, the CBM should ensure that banks have complied with bank closure instruction provided by the entity by requesting a confirmation from the bank to the effect that the bank account has been closed;
 - v. If the bank account being closed had a negative balance, then the CBM should ensure that sufficient funds have been deposited to offset the negative balance noting that government bank accounts should not in the first place be allowed to overdraw; and
 - vi. The entity closing bank account should bear the associated cost of closure, if any, charged by the bank.
- v. The names of authorised account signatories and individual authority limits if applicable; and
 - vi. Copies of specimen signature for each of the signatory should be filed by the entity.

12.5 Procedures for Issuing Cheques

12.5.1 The following guidelines should be observed when government cheques are issued:

- i. A cheque should be issued in such a way as to minimize the possibility of making any subsequent changes in it in figures or words.
- ii. The amount of the cheque should be written in words and figures in a manner that these cannot be altered. This is meant to mitigate against forgeries and fraudulent alterations.
- iii. It is prohibited to sign any blank cheque leaves.
- iv. Unless a chequebook has been exhausted, a new one should not be used.
- v. All signed cheques should be sent or delivered to their beneficiaries as soon as possible.
- vi. All cheque stubs/counterfoil for issued cheques must be properly kept for audit purposes.

12.4 Register of bank accounts

12.4.1 Each public entity must maintain in a manual or electronic form, an updated register of bank accounts operated by the agency and its subsidiary entities. The register should contain information regarding:

- i. The name and number of the bank account;
- ii. The purpose of the account (e.g. operational, deposit, revenue collections account);
- iii. Date the account was opened;
- iv. The banker and the branch, if applicable;

12.6 Cancelled cheques

12.6.1 A cheque may be cancelled, say, upon making errors while writing the cheque. The following applies to cancelled cheque:

- i. Where a cheque is cancelled for any reason before being issued, the word "Cancelled" should be written clearly on the cheque and its counterfoil.

- ii. Cancelled cheques should be kept for audit purposes.
- iii. Where the transaction related to the cancelled cheque had been recorded in the cashbook, such transaction should also reflect the change in cheque references.

12.7 Procedure for stopping Cheque Payment

12.7.1 After the issuance of a cheque to the beneficiary, the cheque may be stopped for various reasons, say, upon realizing errors were made while drawing the cheque, cheque has been reported as lost, cheque has expired. The following shall apply to stopped cheques:

- i. The right to stop payment of a cheque will be limited to the Head of Finance or his/her delegate.
- ii. A cheque should be stopped immediately upon receiving a notification from the beneficiary that the cheque has been lost, stolen or damaged after he has received it.
- iii. A cheque will be considered cancelled immediately after obtaining a confirmation from the bank that the cheque will not be paid, and after the bank has taken all the necessary procedures to cancel it.
- iv. A replacement cheque may be issued if it is proved that the beneficiary has not collected the cheque amount during its validity period, after obtaining confirmation from the bank to the effect that the beneficiary has not cashed the cheque.
- v. The public entity shall issue a replacement cheque after getting confirmation from the bank that the cheque has not been paid upon the submission of the “stop payment notification”.
- vi. Where a cheque has expired⁵, the issuing entity should issue instructions to the bank to stop the cheque.

12.7.2 Where a cheque is cancelled or stopped after recording in the cashbook, the following accounting entry shall apply:

Debit: Bank	xxxx
Credit: Supplier	xxxx
Being reversal of a payment due to a stopped cheque	

12.8 Register of cheques

12.8.1 For purposes of enhancing traceability and accountability of cheques, public entities shall maintain a cheque register, in a manual or electronic form, for each bank account held by the entity in the format provided under appendix ix containing the following information:

- i. The cheque number (should follow the series sequence of the cheque and should include cancelled cheques),
- ii. Date of issue,
- iii. Amount,
- iv. The person to whom it was issued (payee),
- v. The persons who signed it (authorised signatories),
- vi. If hand delivered, the person to whom it was handed; and
- vii. The date of delivery.

12.9 General provisions regarding overseas payments

12.9.1 Pursuant to Article 38 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, all international payments by public entities shall be made through the National Bank of Rwanda or a commercial bank but subject to approval by the Secretary to the Treasury.

⁵ Pursuant to Article 113 of the law governing negotiable instruments, Cheques are valid for a period of 60 days from the issue date.

12.9.2 Payments to overseas suppliers can be made through letter of credit, guarantee or promissory note. The letter of credit is the most commonly used means of payment to suppliers outside Rwanda with exception of Embassies.

12.9.3 A letter of credit is a written undertaking by the bank (the issuing bank) given to the supplier (the beneficiary) upon a request from the purchaser (the applicant) and according to his/her instructions to pay a specified amount of money on an agreed fixed date or on the delivery of certain documents. Such documents may include the documents required for official, commercial, insurance and transport purposes (such as invoice, certificate of origin, insurance policy and bill of lading).

12.9.4 Pursuant to Article 38 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the Minister and the Secretary to the Treasury are the sole authority to instruct National Bank of Rwanda to undertake the letter of credit, guarantee or promissory note.

12.9.5 Article 38 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations further requires entities wishing to transact through a letter of credit, guarantee or promissory note to, first consult the Ministry before committing to transact.

12.9.6 The following procedures shall apply to payments to overseas suppliers:

- i. The request for overseas payment shall be supported by a commitment such as Purchase Order processed through the IFMIS to ensure availability of a budget provision.
- ii. A request for overseas payment will be approved by the management of the entity through the issue of a payment order. The Payment Order and application shall be sent to the Treasury at Ministry of Finance alongside the supporting documents.

iii. The request will indicate the amount applied for and its equivalent in Rwanda Francs, the parties involved, date of intended transaction and relevant supporting documents.

iv. The Treasury will review the request for overseas payment and the supporting documents to ensure that the procedures, details and documents supporting payment are complete and correct. The Treasury will endorse or reject, with reasons, the request for overseas payment. Once verified correct, the request shall be submitted to BNR for further processing.

v. The National Bank of Rwanda will then complete the procedures required for issuing payment instruments and deducting the amount from the government account specified in the application.

vi. The Treasury will receive from the bank the required payment instrument or the shipping documents and the deduction notice. Then it will:

- Check the bank's deduction notice against the overseas payment application;
- Stamp the documents with the "PAID" stamp;
- Register the details of the overseas payments including associated costs in the IFMIS System against the budget of the beneficiary/requesting entity.
- Send the payment instrument or the shipping documents and any other relevant documents to the requesting entity and whose budget was utilized.

vii. The requesting entity will receive the required materials or services and will then ensure it has obtained the payment support documentation from Treasury and will keep these documents according to the periods specified in this manual.

12.10 Overdrawing bank accounts

12.10.1 Pursuant to Article 63 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, a public entity's bank accounts shall not be overdrawn nor any temporary advance obtained from the bank without the prior permission of the Minister.

12.10.2 The CBM shall establish mechanisms to enforce this requirement and the following are some examples of mechanisms for preventing overdrafts on government accounts:

- i) Ensuring that the bank account has sufficient funds to cover all payment orders or cheques issued and expected direct debits.
- ii) Regular reconciliation of the bank accounts at short intervals.
- iii) Minimising the number of bank accounts to ease close monitoring and reconciliation.
- iv) For entities using IFMIS, the system automatically restricts overdrawing of an account.

12.11 Bank account signatories

12.11.1 Pursuant to Article 68 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, a public entity should have bank account authorised signatories in sufficient numbers and categories to prevent possibility of operational paralysis due to absence of one or more signatories.

12.11.2 The following procedures apply to bank account signatories:

- i. No person shall act as a signatory to a government bank account without an appointment letter to that effect.
- ii. The Accountant General, on behalf of the Minister, appoints the account signatories upon recommendation of the relevant

Chief Budget Manager.

- iii. For decentralized entities, the Executive Secretary with the approval of the Executive Committee, shall recommend account signatories for appointment by the Accountant General.
- iv. Payment order/cheque must be signed by at least two authorised signatories and all cheques shall be non-negotiable.
- v. The letter appointing a signatory should specify his/her role, responsibility, monetary limit and any conditions of appointment.
- vi. Before signing the payment order/cheque, the bank account signatory is required to ensure that the supporting payment order has been properly signed by the persons vested with the authority to sign it.
- vii. The signatory must further satisfy himself/herself that the payment order/cheque is correctly drawn and that the payee and the amount correspond with the details of the supporting payment voucher.
- viii. It should be noted that splitting payments into smaller Payment Orders or cheques to circumvent the established signing limits is not allowed.
- ix. Unlike, authority over expenditure (payment voucher authorisation), bank signatory authority CANNOT be delegated. This means that any bank account should have more than two signatories so that while a signatory is temporarily unavailable, there is no need to appoint a new (yet temporary) signatory.

12.11.3 The following table sets out the government policy guideline regarding categorisation of signatories and alternative joint signing arrangements.

	Public entity	Category A 1st Signatory	Category B 2nd Signatory	Limits
1	Central government public entities	Chief Budget Manager Head of Corporate	Services /Division Managers/ Head of Finance/ Other Head of Department or unit	Unlimited
		Head of Corporate Services/Division Managers	Head of Finance/ Other Heads of Department	Frw 50,000,000
		Head of Finance Other Heads of	Department or unit	Frw 5,000,000
2	Local government district & Kigali City	Executive Secretary/Head of Corporate Services/ Division Managers	Head of Finance/ Other Head of Department or unit	Unlimited
		Head of Finance	Other Heads of Department or unit	Frw 5,000,000
3	Development Projects	Chief Budget Manager	Project Coordinator	Unlimited
		Project Coordinator	Head of Finance	Unlimited
		Head of Finance	Other Head of Department or unit	Frw 5,000,000
4	Treasury (OTR – Main account and payments originating from Public Entities)	PS, ST / Deputy Accountant General, Treasury	Chief Budget Manager / Head of Corporate Services of entity originating OP	Unlimited
5	Treasury (Other OTR and sub-accounts payments)	Permanent Secretary and Secretary to the Treasury	Deputy Accountant General _ Treasury / Head of department , Division and unit in MINECOFIN	Unlimited
		Deputy Accountant General	Head of department, Head of Division or Unit in MINECOFIN	Unlimited
6	Subsidiary Entities	Head of Subsidiary Entities	Head of Finance / Other heads of unit / Accountant	Unlimited
		Head of Finance	Head of other unit/ Accountant	Frw 1,000,000

12.11.4 The application of the authority limits provided under paragraph 12.11.3 shall be subject to the approval of the Chief Budget Manager and may be revised accordingly with the approval of the Secretary to the Treasury.

12.11.5 The authority limits provided under paragraph 12.11.3 may also be revised from time to time by the Secretary to the Treasury.

12.11.6 As a matter of Hierarchy, the chief Budget Manager shall always sign with Head of Corporate Services (if this position exist) or head of finance or project coordinator. Head of corporate services will also sign with the head of finance or project coordinator. In no case, the Chief Budget Manager shall sign with the Head of Finance or head of any other unit or department while the Head of Corporate Services is available. This also applies for the Head of Corporate Services who shall not sign with the head of any other unit while the second signatory is available unless it is part of delegated responsibilities and limit.

12.12 Interbank transfers

12.12.1 Inter-bank transfers refers to transfers between bank accounts maintained by a public entity.

12.12.2 Inter-bank transfers are processed through appropriate journals and require the authorization of the CBM or the delegated person

12.12.3 The accounting entries relating to inter-bank transfers shall be as follows:

Upon transfer from one bank account to another

Debit: Destination bank account

xxx

Credit: Source bank account

xxx

(Being recording of inter-bank transfer)

12.13 Use of ATM, credit or debit cards

12.13.1 With the prior approval of the Secretary to the Treasury, Public entities including foreign missions and embassies may effect payments for goods and services using credit or debit cards under the following conditions relating to documents required to support the transactions;

- a) The Chief Budget Manager shall designate an entity staff as the credit or debit card holder who shall ensure that the conditions of use as set out in the "Card Agreement" with the bank are fully complied with.
- b) All credit or debit card statements shall be approved by the Chief Budget Manager
- c) Credit or debit card expenditure shall be signed by the card holder and supported by the appropriate documentation which must be submitted for reconciliation with the account bank statement.
- d) The cardholder shall ensure that a satisfactory description of the goods purchased is on the sale/tax invoice.
- e) The card shall not be used for:-
 - i. Cash withdrawals;
 - ii. Non work related expenditure;
 - iii. Items of equipment that must be recorded in the asset register (unless approved by the Chief Budget Manager);
 - iv. Internet transactions; and
 - v. Dangerous goods and hazardous substances
- f) Personal expenditure charged by a cardholder will be treated as a serious breach of government financial procedures and the officer responsible shall be surcharged accordingly. Disciplinary action may include, but not limited to formal warning, admin-

- istrative action in the form of cost recovery, Police report and/or criminal proceedings.
- g) The cardholder shall not permit use of the card by another person except for work related expenses incurred with prior approval.
- h) Where the card is lost or stolen, the cardholder must immediately report to the Bank for cancellation.
- i) The cardholder must return the card should be or she cease to be a staff of the entity and
- j) Reconciliation of the card statements as may be appropriate must be completed by the 10th day of each month.
- iii. Match each cheque/OP payment to the cashbook and bank statement.
- iv. Cheques that have not been cashed by the payee within two months of the date appearing on the cheque must be written back in the cash book as they will be declined by the bank. Be satisfied from a scrutiny of subsequent bank statements that all cheques outstanding at the close of the period were accounted for in the bank reconciliation (listed under outstanding cheques);
- v. Match each deposit to the cashbook and the bank statement;

12.14 Bank account reconciliation

12.14.1 Pursuant to Article 72 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the CBM is responsible for ensuring that bank reconciliation statements are prepared.

12.14.2 The bank reconciliation should be prepared by the accountant who shall not be the cashier for purposes of internal control.

12.14.3 The reconciliation should be prepared within 10 days after the end of each month to allow time for review by Head of Finance and timely preparation and submission of monthly financial statements to MINECOFIN.

Procedure for reconciling bank accounts

12.14.4 The following procedure shall be followed in carrying out bank reconciliations:

- i. Obtain the official bank statement from all banks where the public entity has opened bank accounts;
- ii. Access the cashbook for each of the bank account in the accounting system maintained by the public entity;
- viii. If the credit cannot be identified it is posted to the unidentified receipts code per the SCoA until information is available that will necessitate reclassification to an appropriate code.
- ix. Print the summary reconciliation statement and accompanying schedules.
- x. Details of the outstanding deposits and payments can be provided on the face of the reconciliation statement or provided

as annexes. If provided as annexes, all pages of the annexes must be signed by the above signatories.

- xi. If all entries were correctly posted, the balance as per the reconciliation statement will match the balances on the bank statement. No “unidentified difference” or other balancing items must be shown on the bank reconciliation.
- xii. If the balances do not match repeat the process to detect the error. Differences must be corrected immediately and not left as unresolved difference unless clear timelines for resolving the differences have been agreed with the bank.
- xiii. Present for signature and approval by the HoF and CBM or his/her representative once satisfied that the reconciliation process has been completed.
- xiv. File and safeguard, alongside the accompanying financial statement, the approved reconciliation in a special file labelled “Bank Reconciliation for the Month of xxx”.

Automatic bank reconciliation

12.14.5 For entities using IFMIS, the system has inbuilt automatic bank reconciliation functionality. This is particularly suitable for entities whose bank accounts have significant transactions. The functionality may also be available to other accounting systems.

12.14.6 This functionality requires that the entity obtains a soft copy of the bank statement and uploads it into the system for automatic reconciliation with the cashbook.

12.14.7 Entity wishing to use the automatic reconciliation functionality should seek guidance from the system user manual.

Reconciling differences and how to treat them

12.14.8 A bank reconciliation is prepared to make sure that the bank’s records agree with the cash books bank balance as recorded in the entity’s general ledger. The two amounts may have differences due to the following:

- i. **Un-presented cheques:** - at the end of a particular month, the suppliers may have delayed to deposit the cheques to the bank. The cheque will therefore not have been recorded in the bank statement even though it has been recorded in the cashbook therefore causing a difference and are referred to as “un-presented cheques”. Cheques that remain outstanding for more than one month should be followed up and evidence of such follow up should be documented.

In accordance with Article 113 of law governing negotiable instruments, un-presented cheques should be reversed after 60 days following date of issue. For Payment orders (OP) issued by Treasury, using IFMIS these shall remain valid during the twelve months period after its issuance.

“**Cheques**” in line with Article 110 “definition of a cheque” of law governing negotiable instruments, are defined as an unconditional order in writing that is addressed by its signatory to one bank or one financial institution, and requires to pay on demand a sum certain in money to the drawer or to a specified person or to the bearer. The name of the bank or the financial institution on which the cheque is drawn shall be clearly indicated. For purposes of this procedure, payment orders (OPs) issued by BNR are considered as cheques.

- ii. **Un-Credited amounts:** - there are instances where a customer may deposit

funds into a public entity bank account without notifying the public entity. This will therefore cause a difference between the cashbook balance and bank statement since the deposits appear in the bank statement but have not been captured in the cashbook.

Effort should be made in obtaining the source documents that include writing to the banks to request for information necessary in identifying the deposits.

The following entries shall apply in recording uncredited amounts:

Where the deposits are identified to their source and nature

Debit: Bank xxx
Credit: Appropriate revenue code xxx
(Being recording of deposits recorded in the bank statements but are not yet recorded in the cashbook.)

Where the deposits cannot be identified

Following entries shall be passed as the investigations continue to identify the nature and source of the deposit:

Debit: Bank xxx
Credit: Returned payment / Transit Fund (liability item) xxx

(Being recording of deposits recorded in the bank statements but that are not yet recorded in the cashbook.)

- During the year, when the source and nature of the deposits are identified, the Un-identified receipt (liability) will be cleared by debiting the appropriate revenue account as follows:

Debit: Returned payment / Transit fund (liability item) xxx
Credit: Appropriate revenue code xxx
Being re-allocation of revenue whose source has been identified within the same year.)

iii. **Bank errors:** - Banks can make errors on the bank account by recording amounts different from the real transaction hence causing a difference. These errors can only be discovered through a bank reconciliation process. The following should be noted regarding bank errors:

- The Head of Finance should through the CBM officially notify the bank in writing of such errors that have been discovered and follow up made to ensure the errors are corrected.
- No entries are required to be made in the cashbook with regards to errors

made by the bank.

- Failure by the bank to correct errors after 30 days following notification to the bank, the matter should be escalated to the Minister in writing where the account is held with BNR and to the Governor of BNR in case of accounts held with commercial banks for the necessary action.

iv. **Bank charges and commissions:** - Bank normally charges a fee for transactions and for maintaining the bank account. The charges should be debited to the bank account when the transaction occurs or at the end of the month for account maintenance fee. Since the entity may not be aware of these charges, the cashbook may not reflect them and hence a cause of difference. Appropriate journal entries should be passed to record the bank charges by passing the following entries:

Debit: Expenditure – bank charges xxx
Credit: Appropriate bank accounts xxx
(Being recognition of bank charges)

v. **Foreign exchange transaction gains and loss:** - Entities may transact in foreign currency using the local currency account and vice versa. The reconciliation process will reveal instances where the amount recorded in the cashbook is different from the actual amounts paid. In this case, accounts should confirm the exchange rate used and account for the associated gains and losses in line with chapter 10 “Accounting for foreign exchange differences”.

vi. Appropriate journal entries should be passed to record the bank charges by passing the following entries:

Debit: Expenditure – bank charges xxx
Credit: Appropriate bank accounts xxx
(Being recognition of bank charges)

12.15 Write back of OPs by Treasury

12.15.1 Treasury settles OPs on behalf of public entities through the direct payments or cash transfers. This settlement is effected through the TSA account (also known as OTR). It is a common occurrence for OPs that have been signed as paid to remain un-paid for various reasons and therefore remain outstanding in the GL of Treasury.

12.15.2 Un-cleared OPs issued by Treasury should be written back after 12 months. This does not result into cancellation of the associated expenditure transaction rather it consists of writing back of OPs.

12.15.3 The following procedure should be followed while writing back OPs:

- i. Obtain a list of outstanding OPs in the system and extract a list of those outstanding for more than twelve months. These are considered to be long outstanding;
- ii. Ascertain whether the long outstanding OPs have been replaced by other OPs in which case they should be cancelled;
- iii. Treasury should inform BNR in writing of the intention to write back the OPs. This is done to ensure that these OPs are not honored in the future;
- iv. Should it be ascertained that a written back OP has been paid by BNR, then an adjusting journal entry should be passed to rectify the write back.
- v. Treasury should recognize the write back of OPs as a liability which shall be extinguished when it is claimed or two years after recognition and recorded as revenue as follows:

Upon write back of OP

Debit: Bank	xxx
Credit: Third party funds - State Cheques/OPs (liability item) (Being recording of Cheques/OPs written back upon the expiry of 12 months)	xxx

Upon extinguishing of liability when claimed

Debit: Third party funds - State Cheques/OPs (liability item)	xxx
Credit: Bank (Being recognition of claimed funds which had earlier been written back)	xxx

Recognition of unclaimed funds after allowed duration has expired

Debit: Third party funds - State Cheques/OPs (liability item)	xxx
Credit: Other revenue as appropriate (Being recognition of unclaimed funds in respect of state cheques/OPs following expiration of one year after the write-back of OPs)	xxx

12.16 Management of petty cash imprest and special imprest

12.16.1 The purpose of the Petty Cash is to provide entity with ready cash for the payment of small incidental expenditures when it is impractical to use the normal OP and cheques payment process whereas a special imprest is issued to a senior officer of the administration for a specific purpose and time, for example, for the duration of a project, official function or visit.

12.16.2 Public entities are responsible for adequate security and control of their Petty Cash whereas the security of special imprest lies with the holder of imprest.

12.16.3 All expenditure from the petty cash imprest and special imprest must go through the commitment control.

12.16.4 Where authorized, a petty cash imprest and special imprest can take the form of a debit card particularly in the case of embassies.

12.16.5 Public entities shall maintain a petty cashbook for the petty cash imprest whereas a specific ledger shall be maintained for each special imprest in the name of the imprest holder.

12.16.6 Petty Cash Imprest

a) Establishment of petty cash imprest

12.16.6.1

In accordance to Article 42 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, public entities may maintain Petty Cash imprest for the payment of small incidental expenditures.

12.16.6.2

A petty cash float is maintained at a specific amount and is replenished at regular intervals on the basis of vouchers showing the payments which have been made.

12.16.6.3

Article 42 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, limits the petty cash to a maximum level of Frw 500,000. Entities wishing to have a larger float can apply to the Secretary to the Treasury for consideration.

12.16.6.4

Following procedures apply while establishing the petty cash imprest:

- i. The accountant in charge of petty cash should make an application for the Petty Cash which upon approval by the Head of Finance and Chief Budget Manager, a cheque or electronic payment instruction (EFT/internet banking) is prepared and funds withdrawn from the operational bank account.
- ii. Where the public entity has more than one accountant, the Chief Budget Manager should designate one accountant to handle petty cash.

12.16.6.5

The following accounting entries apply while drawing funds from main account to establish or replenish the petty cash fund:

Illustration:

drawing funds from main account to petty cash

Accounting entries for drawing funds from main account for purpose of petty cash

Debit: Petty cash account	xxxxx
Credit: Operational Bank Account	xxxxx
<i>(Being transfer of cash from operational bank account to establish a petty cash imprest)</i>	

(b) Payment from petty cash

12.16.6.6

The following procedures apply while making payment from the petty cash fund:

- i. Article 42 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, provides that no single expenditure shall be made out of petty cash exceeding Frw 50,000. A higher limit may be considered and approved by the Secretary to the Treasury.
- ii. Splitting of the payments with the intention to circumvent the Frw 50,000 limit per payment is prohibited.
- iii. For any expenditure from the petty cash fund, the accountant in charge of the petty cash must fill a Petty Cash Payment Voucher (see appendix v) of this manual, which must be properly authorised.
- iv. Upon receipt of cash, the beneficiary shall acknowledge receipt by signing Petty Cash Payment Voucher.
- v. Any payment made out of petty cash shall be supported by adequate supporting documents which shall be attached to the Petty Cash Voucher. The accountant entrusted with the petty cash fund shall keep a file containing all documentation relating to the petty cash disbursements, filed in chronological order of Petty Cash Payment Vouchers.

12.16.6.7

The following entries shall apply for payments processed out of petty cash imprest

Upon processing petty cash payments

Debit: Appropriate expenditure

Credit: Petty cash account

(Being recognition of petty cash payment transaction)

XXXXX

XXXXX

(c) Replenishment of Fund

When the Petty Cash Fund is reduced to a balance that can no longer support its purpose, a replenishment of the fund should be made.

12.16.6.8

Replenishment of petty cash fund is subject to satisfactory accountability of the previous petty cash advances. The accountability must include the detailed supporting documents for the expenditure without which the accountant should be required to refund the unsupported payments.

12.16.6.9

This reconciliation, along with a Petty Cash Replenishment Request form (see appendix vi) should be submitted to the Head of Finance and Chief Budget Manager for review and approval.

(d) Restrictions on Use of Petty Cash

12.16.6.10

The Petty Cash imprest cannot be used for the following:

- i) Payments for personnel services that would be considered wages, personal loans, salary advances or payments to independent contractors. Such payments should be paid either through the payroll system as wages or through the normal cheque and OP payments procedure; and
- ii) Staff should not be allowed to cash personal cheques or borrow from petty cash.

(e) Custody of the petty cash fund

12.16.6.11

The following procedure shall apply to custody of petty cash fund:

- i. The petty cash fund should be kept in the office cash safe under lock and key at all times.
- ii. The Head of Finance should carry out regular surprise cash counts on the petty cash fund.
- iii. The Head of Finance or his /her delegate shall conduct periodic cash counts and reconcile with petty cash records the results of which should be documented in a petty cash certificate.
- iv. At a minimum, the petty cash count should be carried out once at the end of every month. A petty cash count form shall be used for this purpose (see appendix iv).
- v. The Head of Finance should report any variance to the Chief Budget Manager in writing who shall cause the necessary remedial action.

12.16.7 Special Imprests

12.16.7.1

Special Imprests are issued in accordance with Article 41 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations to a senior officer of the administration for a specific purpose and time, for example, for the duration of a project, official function or visit.

12.16.7.2

Any special imprest arrangement shall require the approval of the Secretary to the Treasury in writing.

12.16.7.3

The imprest holder shall be responsible for the full amount of the imprest until it has

been properly accounted and retired.

12.16.7.4

Any payment from the imprest must be made against approved activity budget and supported with adequate documents and receipts as required by the Organic Law and these instructions.

12.16.7.5

The imprest holder shall be personally accountable for the imprest and must take all reasonable steps to secure its safe custody.

12.16.7.6

On retirement of the imprest, the imprest holder shall give full accountability on the use of the imprest in writing supported by adequate documents and receipts as required by the Organic Law and these instructions to the Head of Finance

12.16.7.7

Any balances arising from the above shall be surrendered and banked by the due date of retirement and a receipt issued in the name of the imprest holder.

12.16.7.8

Any imprest holder who does not retire any imprest or fails to bank any unspent balances by the due dates shall be surcharged and shall not be paid a new imprest until the previous imprest has been accounted for to the satisfaction of the Chief Budget Manager and any balances thereof re-banked.

12.16.7.9

The following accounting transactions shall apply to special imprests:

Upon processing special imprests

Debit: Special Imprest account (Receivable account in the name of imprest holder)	xxxx
Credit: Bank account (Being recognition of issue of special imprest)	xxxx

Upon retirement of special imprests

Debit: Appropriate expenditure	xxxx
Credit: Special Imprest A/c (Receivable account in the name of imprest holder) (Being retirement of special imprest)	xxxx

12.16.8 Frais de representation

12.16.8.1

“FRAIS DE REPRESENTATION” constitutes payments for entertainment allowances for designated offices and this shall in general be handled as a special imprest in line with the procedures outlined under paragraph 12.16.7. More specifically, the following guidelines shall also apply;

- (a) The specified allowances shall be paid to the administrative assistant to the beneficiary public officer (or any other designated staff) upon presentation of the following:
 - Memo requesting the imprest payment duly approved by the relevant authority; and
 - A utilization/accountability report for the amount advanced previously with all the relevant supporting documents.
- (b) In cases where the beneficiary public officer incurs any expenses relating to the entertainment allowance outside the office (e.g. in a hotel), an invoice approved by him or her shall be paid out of “FRAIS DE REPRESENTATION” by the finance department/unit provided the invoice amount does not exceed the authorized limit.

12.17 Exchange of foreign currency at Forex Bureaux

12.17.1

A foreign operation such as an embassy may exchange foreign currency at a forex bureau only with the prior approval of the Secretary to the treasury subject to the following principles.

- a) Request is made in writing with adequate justification provided by the requesting

Chief Budget Manager.

- b) The Forex Bureau is selected upon the recommendation of the Internal Tender Committee;
- c) A contract is signed with the selected forex bureau;
- d) At least two staff are involved in exchanging the foreign currency;
- e) Adequate supporting documents for the foreign currency transaction are properly kept including
 - i) a copy of withdrawal cheque
 - ii) bank withdrawal slip
 - iii) Exchange receipt clearly indicating the amount converted, rate used, date of conversion; stamp and signature of the forex bureau
 - iv) deposit slip of converted local currency verified by the two staff involved in the transaction;
- f) Amount does not exceed limits as may be prescribed by the Secretary to Treasury
- g) Amount exchanged should immediately be transferred to the entity official bank account denominated in the exchanged currency;
- h) The foreign operation must ensure full compliance with local regulations regarding exchange of foreign currency.

12.18 Internal controls on bank and cash management

12.18.1 The following internal controls shall apply to management of cash and bank within public entities:

- a) Cash must be deposited daily.

- b) Cash receipts must be properly safeguarded prior to deposit through the use of adequate physical security (e.g. safes, locking cabinets, etc.).
- c) Access to cash receipts should be limited and restricted to only designate employees.
- d) Copies of the bank deposit slips should be maintained for all bank deposits.
- e) Upon suspicion of fraud or theft relating to bank or cash, staff should immediately notify the appropriate personnel (i.e. management and law enforcement).
- f) All safes and cash-boxes must be obtained through the Head of Finance who shall keep a register of Safes and Cash-boxes clearly showing the location of each and the officer responsible. The register should also indicate number of keys (includes duplicates), per safe or cash-box and their deposits and withdrawals.
- g) An officer holding the key to a safe or cash-box is personally responsible for its safe custody.
- h) Where an officer holding the key to an entity's safe or cash-box hands over the key to another officer, the contents of the safe, a cash count shall be carried out as part of hand over procedure.
- i) It is the responsibility of the officer handing over a key to ensure that his or her successor is informed of the identity of any other key-holders and the location of the duplicate key.
- j) The loss of the key of any safe, strong-room or cash-box, or any other equipment, shall be reported immediately to the Head of Finance and Head of Internal Audit and the officer's immediate superior with a full explanation of the loss and any other key holders must also be informed immediately.
- k) The duplicate key shall be obtained only to

open the safe or cash-box for removal and verification of the contents and the container may not thereafter be used until the lock has been altered and new keys provided.

- l) Transfer of safes and cash-boxes between departments and other locations shall be approved by the Chief Budget Manager.
- m) It is not allowed to keep private money or effects in entity's safes or cash-boxes.
- n) Every officer in charge of a safe or cash-box should check the contents daily and report any discrepancy to the Head of Finance and the Internal Audit.
- o) Petty cash imprest should not exceed the allowed limit of Frw 500,000 unless otherwise authorized.
- p) All bank accounts shall be reconciled on a monthly basis and approved by the Head of Finance who shall ensure that any differences arising during the reconciliation procedures are followed up and resolved.
- q) There should be adequate segregation of duties between the staff handling reconciliation process and those signing cheques.
- r) There should be segregation of duties between the staff responsible for custody of cheques and signing the cheques.
- s) These monthly reconciliations should be filed alongside the associated financial statements for audit purposes.
- t) Cash counts shall be carried out on a monthly basis and shall be approved by the Head of Finance.
- u) The cash on hand as indicated on the cash count certificate should agree with the petty cashbook balance.

occurrence of an event outside the control of the reporting entity.

Accounting and recognition for contingent assets

12.19.2 Contingent assets shall not be recognized nor disclosed in the financial statements of public entities.

12.19.3 Upon migration to accrual basis IP-SAS, contingent assets shall be recognized, measured and disclosed in accordance to IP-SAS 19 Provisions, Contingent Liabilities and Contingent Assets.

12.19 Contingent Assets

12.19.1 A contingent asset is a probable asset whose occurrence depends on uncertain future

13 Government investments and dividend policy

13.1 Government investments

13.1.1 This chapter aims at providing some of the key ideals of good corporate governance in the effective management of government investments. For the details, the laws establishing the individual commercial public institutions and any policy guidelines issued by the Minister should be referred to.

13.1.2 Government of Rwanda investments comprise the following:

- a) **Wholly owned (100%) or significantly (more than 50% controlling interest) owned by GoR** – In a number of cases these entities may have subsidiaries under them.
- b) **Subsidiary of entity wholly owned (100%) or significantly (more than 50% controlling interest) owned by GoR** - Some statutory entities set up by the GoR target several sectors or provision of several goods and services and for operational efficiency, the entities may operate through subsidiary entities.
- c) **Joint ventures** – A joint venture arises when two or more entities pool their resources together to deliver a product or service. In any such arrangement, three things need to be identified i.e.
 - The legal form of the separate vehicle;
 - The terms of the binding arrangement; and
 - When relevant, other facts and circumstances such as rights to assets, obligations for liabilities, allocation of revenues and expenses or share in the surplus or deficit and guaranties given to third parties in re-

lation to the joint arrangement.

- d) **Associates** – This relates to entities) in which the GoR has ‘significant influence’ rather than exercise ‘control’. Significant influence is the power to participate in the financial and operating policy decisions of another entity but not to control or joint control of those policies. Significant influence is presumed where the investor holds 20% or more of the voting power of the investee. The existence of significant influence by an investor is evidenced by: representation on the governing body, participation in policy-making, interchange of managerial personnel and provision of essential technical information among other factors.

13.1.3 For any reference, the list of government investments may be obtained from the office of the Accountant General.

13.2 Boards of Directors for government investments

13.2.1 The specific legislations establishing the individual public institution empower cabinet or any relevant authority to appoint a Board of Directors for a specific commercial public institution following the recommendation of the Government Minister under whose jurisdiction the specified commercial public institution falls. The duties and responsibilities of the Board of Directors are specified in detail in the legislation establishing a specific institution. For ease of reference and in line with the organic law No 001/2016/OL of 26/04/2016

establishing the general provisions of governing public institutions, the main duties and responsibilities of the Board of Directors may be prescribed as follows.

- a) To oversee the functioning of the Executive Organ of a public institution and to provide strategic guidance to be followed by the Executive Organ in fulfilment of its mandate;
- b) To approve long term strategic plans and action plans of the institution and related reports;
- c) To conclude a performance contract with the supervising authority of the public institution;
- d) To approve the procedures manual and internal rules and regulations of the public institution;
- e) To approve the draft budget proposal of the public institution and to monitor the use of budget and its execution;
- f) To take decisions on all critical matters under the mission of the public institution.

13.2.2 Pursuant to paragraph 13.2.1 above, each public enterprise shall align its corporate governance statements to best practice. These statements shall capture risk appetite, business planning and strategy, and board committee charters and terms of reference among others. Other key controls shall include:

- a) Annual reviews of corporate governance statements by the Board of Directors.
- b) Performance evaluation of the directors on an annual basis.
- c) Ensuring strong recruitment controls at the levels of Director and senior management.
- d) Ensuring sufficient Board Committees covered by appropriate charters and terms of reference. This provision shall be driven by business size and complexity.
- e) The Board of Directors shall review the per-

formance of public enterprises through Board meetings and ensure submission of returns to regulatory agencies, including the line Ministries and MINECOFIN.

13.2.3 The Board of Directors are ordinarily obliged to submit the financial statements of a public institution to the Minister in charge of Finance and Government Minister under whose jurisdiction the specific institution falls.

On the other hand, like any shareholder Government is entitled to receive a copy of the audited financial statements of any private sector enterprise or intergovernmental entity in which it has an equity stake. Ordinarily, those copies shall be handed to the individuals who represent government on the boards of those enterprises/entities.

13.3 Performance review of government investments

13.3.1 In addition to the work of the Boards of Directors above oversight arrangements, the Director of the government portfolio unit under MINECOFIN is dedicated to the performance review of the government investment 'portfolio'. The review shall entail the following duties:

- 1° To obtain on a regular basis the financial statements from each entity in which government has invested. It is irrelevant whether the financial statements have been handed to the government representatives on the boards of those entities – a copy should be reserved for the office of the Accountant General in the capacity of "portfolio manager". As much as possible, the routine shall be to obtain at least quarterly financial statements.
- 2° To regularly and promptly review those financial statements with the view of identifying the financial performance of government investments and early

warnings for eventual collapse where particular investments perform poorly. Financial statements analysis is a broad area depending on the user needs. For GoR, the review shall focus on the following matters:

- i) **Executive commentary:** usually the financial statements would be accompanied by a commentary by senior management highlighting the major achievements and challenges of the entity, as well as the planned strategies for the future. This commentary is most likely to provide an indication of the entity's general performance and its future direction.
- ii) **Corporate Governance:** the analysis shall assess whether the corporate governance of the company that include the existence of the board of directors and audit committees which are effective and meet regularly; existence of internal audit function and risks assessment and its management; regularity in undergoing the external audit, cleanness of financial reports as evidenced by unqualified audit opinion; existence of planning documents such as strategic plan, annual action plan and annual budget, qualified technical staff; etc..
- iii) **Profitability:** this is the entity's ability to generate additional wealth. As a minimum the following operational ratios should be analysed:
 - a) Year-to-year percentage growth in turnover (gross sales) – usually well performing enterprises show an increasing growth curve and a declining curve should be an early warning for poor performance.

- b) **Return on Investment (net assets)** – which is net operating profit expressed as a percentage of net assets. Notwithstanding cost reduction strategies, a persistent low return should be an early warning to dispose of the investment. It is common for analysts to use the cost of borrowing as a benchmark.

- iv) **Liquidity:** this is the entity's ability to have cash on hand to meet its demands for payments as they fall due. The following should be analysed as a minimum:

- a) **Cash cycle:** Generally, government investments are in the services sector and for this reason a cash cycle of a service provider should be considered. The cash cycle is the aggregate of the period it takes to convert an entity's debtors into cash and the period it takes to settle its creditors. In general, the shorter the cash cycle the better. Let us take an example such as RwandAir and assume that its retail clients book air tickets with cash deposit 7 days in advance of the intended flight, while corporate clients pay for their tickets 30 days after flight. On the other hand, its suppliers generally offer credit terms of about 15 days. The entity's cash cycle would be 8 days calculated as follows:

Debtors' payment period:	30 days
Less: Supplier's credit period	(15 days)
Less: Retail clients' deposit period	(7 days)
Result	8 days

For simplicity, the debtors' and suppliers' credit periods would be calculated from the amounts reflected in the financial statements as follows:

Debtor's**payment period:** $(\text{debtors balance} \div \text{credit sales}) \times 360$ **Creditors'****credit period:** $(\text{creditors balance} \div \text{services consumed}) \times 360$

- b) **Current ratio:** broadly, this is an indicator of an entity's short-term financial position and is expressed as the ratio of short-term resources (current assets) to short-term commitments (current liabilities). Generally, an entity with a current ratio greater than one (current assets more than current liabilities) is regarded as financially sound and the reverse means that its liquidity position is weak.

To be able to settle its current liabilities as they fall due, an entity with a weak liquidity position would need to immediately "liquidate" some of its non-current assets, which may be difficult, or to borrow which would expose it to further debt, or probably be forced into "bankruptcy" by the creditors who cannot be paid, or require additional central government subsidy and therefore an extra demand on the national budget. Besides, such entity would have difficulty to pay a dividend to the national Treasury even if it may have accumulated net operating profits.

However, it should be noted that there no generally accepted current ratio. It depends on various factors including the nature of business, quality of current assets, imminence of current liabilities and volatility of working capital requirements. Therefore, it is more prudent to consider the trend of the ratio for the entity to determine a "normal ratio" for the entity. A consistent decline below the normal ratio would be a signal for

weakening liquidity and therefore a call for remedial action, or at the extreme, divestiture.

- (v) **Solvency:** this is simply "liquidity" looked at beyond the short-term. This needs to analyse the entity's cash flow management and therefore a look at the trends reflected by the entity's statements of cash flows. Thus, for a "solvent" entity, its cash flow statements should reflect more cash inflows than cash outflows over the period of analysis. The analysis should be extended into the cash flow forecasts by the entity's senior management. In terms of dividend expectations, an entity's "solvency" is an important indicator of the entity's ability to pay a dividend to the Treasury.

13.4 Dividend policy and administration

13.4.1 Dividends represent a return on government's equity investment in wholly or partially owned by government and are payable from the net profits (net of profit tax if applicable) earned by those enterprises.

13.4.2 The standard benchmark for dividends payable by the wholly owned public enterprises, or those in which government owns a controlling interest, is 50% of the annual net profit. An enterprise may declare a higher dividend pay out if its board of directors considered it appropriate. In considering an appropriate annual dividend, the board should have regard to government's preference for cash dividend rather than retention as additional equity. It is therefore expected that the boards of the public enterprises should target a dividend pay out in excess of the standard benchmark, especially if after tax profit is not required for capital adequacy or if additional value adding investment

opportunities are unavailable. Whilst there is no set benchmark for the enterprises in which government owns less than a controlling interest, reasonable justification would be needed to support continued ownership of government stake in any enterprise which persistently does not pay dividends to government.

13.4.3 A Public Enterprise shall make consideration as to the appropriate dividend distribution arrangement during the Strategic Plan review process. Minister for Finance and Economic Planning will analyse the Strategic Plans, including capital programs, capital structure, profitability and earnings volatility and in consultation with each Public Enterprise and its portfolio minister and provide advice on whether, for the period of the Strategic Plan, the standard dividend distribution benchmark for calculating the annual dividend is satisfactory (ie dividend distribution target of at least 50 per cent of after tax profit) or whether an alternative arrangement should be considered. The dividend preferences of the Executive Authority for the period of the Strategic Plan will also be considered when examining an appropriate dividend distribution arrangement for each Public Enterprise.

13.4.4 The declaration and payment of annual dividends shall follow the following procedures;

- a) At least sixty (60) days before the end of each financial year, an enterprise's board shall recommend to the Minister of Economic Planning and Finance that the enterprise and its subsidiaries pay a specified dividend, or not pay a dividend, for the financial year.
- b) The recommendation shall be accompanied by:
 - The board's estimate of the enterprise's profits (the estimated profits) for the financial year, after provision has been made for income tax or its equivalent;

and

- If the board has made any adjustment to the estimated profits in making the recommendation, a statement of the amount of, and reason for, each adjustment.
- c) Before the end of the financial year, the Minister of Economic Planning and Finance shall either:
 - Approve the recommendation; or
 - Direct the payment of a specified dividend or a different specified dividend, as the case may be.
 - d) The dividend for a financial year shall be subject to the provisions of any existing and applicable legislation.
 - e) The dividend shall be paid within 30 days after the approval by the Board of Directors.

13.4.5 Besides the annual dividend, government may seek a special dividend from a public enterprise which is payable from accumulated profits/reserves. The special dividend would represent a return to government (owner) of excess reserves and is unrelated to current year profits. The special dividend shall be determined by the Minister on the advice of the Secretary to the Treasury (ST) and communicated to the enterprise with due consideration that the enterprise would have sufficient liquid assets to meet its contingent and financial needs after it pays the special dividend. The minister shall determine the timing for the payment of the special dividend.

13.4.6 Government may also seek an interim dividend from any public enterprise payable from the profits of the enterprise for the first six months of a financial year, after provision is made for any tax equivalents payable in respect of that period. At any time after the completion of the first six months of the financial year, the Minister for Finance and Economic Planning and Portfolio Minister, jointly, may require a Board by notice provided to it, to make a rec-

ommendation for the payment of an interim dividend on account of the dividend that may become payable for that financial year. Within 30 days after receiving notice, the Board must make a recommendation for the payment of an interim dividend to the Treasury.

13.5 Accounting and financial reporting of government investments

13.5.1 The accounting and financial reporting of government assets including investments shall be done in accordance with the policies and procedures issued under chapter 14 and 15 of this manual.

13.5.2 For the avoidance of doubt and pursuant to Article 67 of Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, the government consolidated accounts shall include a statement of the Government investment portfolio with the following disclosures:

- a) Investments in domestic and international institutions;
- b) Summarised financial information of controlled entities either individually or in groups including the amounts of total assets, total liabilities, revenues, surplus or deficit and government's share of the entity's net worth;
- c) The reporting date of the financial statements of a controlled entity when such financial statements are used to prepare the statement for the disclosure of government investments in the consolidated accounts and are as of a reporting date or for a period that is different from that of the Government of Rwanda, and the reason for using a different reporting date or period;
- d) The nature and extent of any significant restrictions (e.g. resulting from borrowing ar-

rangements or regulatory requirements) on the ability of controlled entities to transfer funds to the GoR in the form of cash dividends, or similar distributions, or to repay loans or advances;

- e) Summarised financial information of associates and joint ventures, including the aggregated amounts of assets, liabilities, revenues, surplus or deficit and the fair value of the share of the government investment; and
- f) The nature of, and risks associated with GoR's interests in associates and joint ventures;

13.6 Audit of government investments

13.6.1 In accordance with the Constitution of the Republic of Rwanda, the Auditor General has the responsibility to annually audit government finances and property. Prima facie, the scope of this responsibility covers the financial affairs of the wholly public enterprises as well as government investments, especially those controlled by government. Also pursuant to Law No. 79/2013 of 11/09/2013 determining the mission, organization and functioning of the office Auditor General of state finances and under article 6(f), the Auditor General is empowered to undertake or to cause an audit of the financial affairs of any entity in which the state holds shares.

13.6.2 Consequently, the entities referred to in the above paragraph are obliged to regularly submit their financial statements to the Auditor General who then audits them and issues an audit opinion thereof to parliament annually.

13.6.3 In the case of the entities in which government ownership is below 20%; the Auditor General is required to obtain the entities' audited financial statements, to perform a review

thereof and make appropriate comments to parliament.

13.6.4 The Auditor General shall have exclusive prerogative to authorize other appropriately qualified persons or an audit firm to conduct audit on his/her behalf to assist in an examination and audit of accounts of any public enterprise. In these circumstances, the Auditor General shall still have the responsibility of issuing the audit opinion on the accounts of the audited entity after completion of the audit.

14 Management of Non-Current Assets

14.1 Introduction

This chapter provides for the policies and procedures for the management of non-current assets and gives guidance on the accounting and recording of noncurrent assets. Reference shall be made to the Non-current assets policy framework for the asset management policies relating to other processes of asset management.

Non-current assets refers to assets that cannot be converted into cash within twelve months from the reporting date. Such assets are not expected to be consumed or sold within the normal operations of the entity. Non-current assets are also referred to as public property and include moveable and immovable assets that are held primarily to generate income and are treated as investment property.

For the management of government owned and rented buildings and equipment standards within these buildings, further reference should also be made to the National Housing Policy and Strategy for Management of Government Buildings and Office Equipment.

14.1.1 Applicable definitions

The following definitions relate to the management of government assets as derived from the framework of applicable laws, regulations and standards:

Asset- An asset is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity (IPSAS 1; Para 7)

The following factors must exist for an item to qualify to be recognized as an asset:

- the entity must control the asset;
- there was a past transaction or event which gave rise to the control; and
- there must be future economic benefits expected to flow to the agency.

Asset classes -A grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Asset register - A record of public property containing the following information: date of acquisition, description, code, quantity, location, and cost for acquisition and disposal.

Asset tagging - Labelling or marking an asset with a unique identification number.

Asset Management - The process of decision-making, planning and control over the acquisition, use, safeguarding and disposal of assets to maximize their service delivery potential and benefits, and to minimize their related risks and costs over their entire life.

Carrying amount - The amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

Depreciation - The wearing out or loss of value of an asset whether arising from use, passing time or obsolescence through technological and market changes. This is also the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount - The cost of an asset, or other amount substituted for cost, less its residual value.

Disposal - Selling, exchange, granting or destruction of property.

Economic life - The period over which an asset is expected to yield economic benefits or service potential to one or more users.

Expropriation - The taking of private property in the public interest aimed at development, social welfare, security and the territorial integrity.

Fair value - The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance lease - A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Immovable assets - Any noncurrent tangible assets (property) that cannot be moved from one place to another. This mainly refers to land, building and infrastructure.

Lease - An agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

Lessor - The owner of a noncurrent asset that is leased under an agreement to the lessee. The lessee makes one-time or periodic payments to the lessor in return for the use of the noncurrent asset and the lease agreement is binding on both the lessor and the lessee, and spells out the rights and obligations of both parties.

Lessee - This refers to a person/entity that rents a leased asset or property under a lease agreement. The Lessee is also referred to as a tenant.

Leasehold Improvement - These are improvements performed on a leased property, such

as additions, alterations, re-modelling, or renovations. Examples include partitions, paint works, changing the flooring and customising the lighting system, etc.

Lifecycle -The cycle of activities that an asset goes through – including planning and design, initial acquisition and construction, cycles of operation and maintenance and capital renewal, and finally disposal.

Market value- is the price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and are not under any pressure to transact.

Movable property -Noncurrent tangible assets that can be moved from one location to another.

Maintenance - The actions required for an asset to achieve its expected useful life. Maintenance can be planned or unplanned. Planned Maintenance includes measures to prevent known failure modes and can be time or condition based. Repairs are a form of unplanned maintenance to restore an asset to its previous condition after failure or damage.

Operating lease- lease other than a finance lease.

Owner occupied property- Property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services, or for administrative purposes.

Rehabilitation - Works to rebuild or replace parts of an asset to restore it to the original capacity and performance, and materially extend its useful life.

Refurbishment - Means maintenance that affects the structure of a building e.g. modification of the size of the room, removal of walls and removal of the roof.

Useful life - The period over which an asset

is expected to be available for use by an entity.

14.1.2 Applicable laws, regulations, guidelines, standards

The policies and procedures for the management of the non-currents assets of Government have been founded on the following laws, regulations, guidelines and standards:

- Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, especially Article 14 of the Organic Law that requires the Minister of Finance to set up appropriate procedures to manage, monitor and report on public property.
- Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations, especially Articles 73 to 82 which deal with management of state property
- Law N° 87/2013 of 11/09/2013 determining the organisation and functioning of decentralized administrative entities; in Article 132, the Mayor of the district is charged with the responsibility of protecting and preserving public property of the district.
- Law N°62/2018 Modifying and completing the N°62/2018 of 25/08/201 governing public procurement.
- Law N°40/2010 of 25/11/2010 establishing the Rwanda Housing Authority (RHA) and determining its responsibilities, organisation and functioning
- Organic Law N° 03/2013/OL of 16/06/2013 repealing organic law N° 08/2005 of 14/07/2005 determining the use and management of land in Rwanda
- Law No. 43/2013 Governing Land in Rwanda which stipulates that land belonging to public institutions may be transferred from the public to the private domain in Article 16 and 55.

- Law N° 18/2007 of 19/04/2007 relating to expropriation in the public interest.
- The Fleet policy of government of Rwanda (June 2013) that provides guidance on development of a fleet management system, government vehicle usage.
- Law N° 50/2008 of 09/09/2008 - determining the procedure for disposal of state private assets.
- Ministerial order N° 007/2009 of 01/12/2009 determining the organisation and functioning of the asset disposal evaluation committee to set value for state private assets to be sold, exchanged, donated or completely destroyed.
- Law N°86/2013 of 11/09/2013 establishing the General Statutes For Public Service which requires public to preserve public property.
- Ministry of infrastructure guidelines for rehabilitation and maintenance of public buildings;
- Guidelines for Public Buildings minor and major rehabilitation & maintenance (issued by RHA on 9 February 2011);
- Building maintenance manual (2011), MININFRA/RHA.

14.1.3 Guiding principles to asset management

The guiding principles for the management of government assets include:

14.1.3.1 Service delivery needs

Service delivery is regarded as the basis of all asset management decisions. An asset should be acquired to meet a service delivery need which includes social, environmental and economic needs.

14.1.3.2 Integrated approach

An integrated approach should be used in asset management and service delivery, across all assets and all public entities and public enterprises. This means looking beyond individual assets, and examining the total asset base during decision making.

14.1.3.3 Life cycle approach to asset management

This approach evaluates an asset through its life cycle which includes considering all requirements under planning, acquisition, operating and maintenance and disposal of an asset. The planning process should consider other alternatives outside acquiring an asset and the cost of operating, maintaining and disposing the asset.

14.1.3.4 Accountability and transparency

Accountability should be emphasized in asset investment and decision-making. Also to be emphasized is the transparency in planning, acquisition, operating, maintaining and disposing assets and setting requirements for quality reporting on assets.

14.1.4 Categories of non-current assets covered by this manual.

The policies and procedures for the management of non-current assets cover public property which is defined under Article 3 of the Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property as moveable and immovable assets of a public entity. The categories of assets are detailed in appendix xxv and include:

- a) Land
- b) Buildings and structures
- c) Infrastructure
- d) Transport equipment
- e) Office equipment, furniture and fittings
- f) ICT Equipment, Software and Other ICT Assets

- g) Other Machinery and Equipment
- h) Heritage and cultural assets
- (i) Intangible assets

14.1.5 Institutions covered by the asset policies and procedures

Notwithstanding the provisions of section 1.3 of this manual, the asset policies and procedures under this chapter shall apply to all public entities under the Central Government (Ministries and Agencies) and Local Government/Decentralized Entities. The policies shall also apply to Public Enterprises under the Government Business Portfolio where the government has 100% ownership, to the extent that they are not inconsistent with any policies and procedures that may be issued by a competent authority.

14.1.6 Accounting Policies for non-current assets

The policies cover public property which is defined under Article 3 of the Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property as moveable and immovable assets of a public institution. The categories of assets covered by the policies are provided in Appendix xxv:

Article 99 of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to Financial Regulations, provides that:

- 1) Central Government and decentralized entities shall follow the International Public Sector Accounting Standards (IP-SAS) details of which will be provided by the Accountant General.
- 2) Public institutions shall follow the International Financial Reporting Standards (IFRS), unless prescribed otherwise by the Minister upon advice by the Accountant General.

However, during this interim period and in accordance with paragraph 3.2.1,

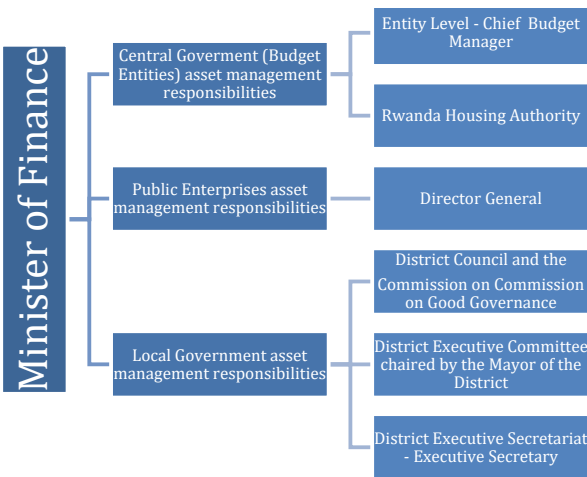
general government entities excluding subsidiary entities affiliated to decentralised entities, shall maintain their books of account on an accrual basis of accounting except for the transactions that have been specified under the section for treatment on a cash basis (Modified accrual basis of accounting).

Accordingly, section 14.3 provides guidance on accounting and recording aspects for non-current assets under the current accounting framework (modified accrual basis of accounting) and IFRS.

14.2 Administration of non-current assets

14.2.1 Responsibilities for managing non-current assets

The following are the different roles and responsibilities for asset management as stipulated in the relevant laws;



14.2.1.1 The Minister of Finance

As demonstrated in the diagram above and in accordance with the Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, the overall responsibility for the management of government assets/public property lies with the Minister of Finance.

In line with Article 13 of Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, the responsibility of the Minister of Finance is to coordinate, supervise and monitor the management of Government financial and physical assets. Article 14 provides the Minister of Finance with the power to set up appropriate procedures to manage, monitor and report on public property in order for the Minister to perform his/her responsibilities as provided for in Article 13 of this Organic Law.

Article 2 of Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property and Article 73 of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations defines public property as movable and immoveable assets of a public institution. Public property consists of both tangible or physical and intangible assets.

The minister is mandated to issue policies and procedures to ensure all public property are safeguarded, recorded, accounted for and reported on as stipulated under of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations.

The asset policies and procedures set out the arrangements to manage, monitor and report on public property within the powers provided to the Minister of Finance by Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property which relates to public financial management of Central Government, local admin-

istration, public institutions and parastatal organizations.

14.2.1.2 Chief Budget Manager

Under Article 19 of Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, the Chief Budget Manager is responsible for ensuring compliance with all the provisions of the Organic Law, regulations issued by the Minister and other laws relating to public finance.

Consistent with the OBL and Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations, the responsibilities of the Chief Budget Manager with regard to asset management are mainly to prepare and submit a report on assets (See appendix xxix for format) under the control of the public institution as required by the organic law, the regulations, ministerial orders and instructions, and the ministry.

Article 73 Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations stipulate that every Chief Budget Manager of a public institution shall have full responsibility for acquisition, use, maintenance, and disposal of public property under his/her control in accordance with the Organic Law, the Regulations and other relevant laws and regulations.

The Chief Budget Manager shall also ensure public property under his/her control is properly safeguarded against theft, wastage, misuse or any other loss in line with Article 73 of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations.

Under Article 74 of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations the Chief Budget Manager shall ensure the following regarding the custody of assets:

- a) ensure that items of public property are properly recorded in an asset register

in a format prescribed by the Minister containing the following: date of acquisition, description, code, quantity, location, and cost for acquisition and disposals;

- b) ensure that the custodial responsibility for each asset acquired is assigned to the officer primarily responsible for its use and that there is a central record of the names of the custodians and the locations of the assets assigned to them;
- c) ensure adequate maintenance of the assets by including in annual budget submissions all estimated maintenance and running costs of such public property;
- d) conduct periodic physical verification of public property against asset registers at least annually and included in the financial statements (see appendix xvii for format of verification form);
- e) ensure other items acquired but not required for immediate use or consumption shall form part of inventories for which proper records shall be maintained;
- f) retain information and records on all public property in accordance with rules on archiving of national records; and
- g) comply with Ministerial orders, policies and instructions regarding management of such assets.
- h) Ensure that disposals of public property are carried out in accordance with applicable laws, regulations, policies and instructions.

14.2.1.3 Rwanda Housing Authority

In addition to the provisions of Organic Law on State Finances and property, Law N°40/2010 of 25/11/2010 establishing the Rwanda Housing Authority (RHA) and determining its responsibilities, organisation

and functioning defines the responsibilities for RHA as follows:

- serve as overall project manager on behalf of the State for all projects related to housing and construction (presumably state projects);
- maintain and update a database of all moveable and immoveable assets;
- to design and supervise the construction of all public buildings;
- to develop a maintenance programme for public buildings and ensure its implementation;
- to prepare the budget for the construction and maintenance of public buildings;
- to advise Government on the identification and sale of movable and immovable assets and monitor the implementation of procedures relating thereto; and
- to oversee the valuation of government buildings by an independent valuer and approve the valuation report.

The RHA is mandated to maintain and update a database of all moveable and immoveable assets. In line with this mandate, RHA has the authority to request all concerned entities to submit required information to enable RHA update the database of moveable and immoveable assets.

RHA shall maintain a database of immoveable assets centrally. The database will be updated through requesting all entities to provide any information that may be required in order to maintain the consolidated data base. Data on immoveable assets such as buildings and assets under construction will be reported annually.

Due to the large number of moveable assets, the data for moveable assets will be main-

tained in the asset registers at entity level but RHA has the authority to request entities to submit any required data on movable assets. Once the asset management module of IFMIS is implemented, data will be captured at the level of the individual entities with final approval for data captured being provided by RHA.

14.2.1.4 District

In addition to the provisions of Organic Law on State Finances and Property, the following are the responsibilities set out in Law N° 87/2013 of 11/09/2013 determining the organisation and functioning of decentralized administrative entities.

(i) Responsibilities of the District Council

In Article 125, the District Council is responsible for decision taking, policies and giving instructions on the following:

- to control the management of the property of the District and its activities; and
- to approve the sale of the immovable property of the District in accordance with relevant laws.
- Under Article 101, the District Council shall approve the budget including forecasts of revenues and expenditures.

All the forecasts of expenditure including the cost of maintaining the assets shall be detailed in the annual budget following the order of priorities as determined by the Council.

(ii) The Commission on Good Governance

Under article 49, the Commission on Good Governance shall be responsible for advising the Council, on ensuring security of people and property.

(iii) Responsibilities of the District Executive Committee

Executive Committee has the following responsibilities:

- i) Article 100, prepare the budget proposal including activities to be carried out and related costs. The budget proposal shall be submitted to the Council for approval after consideration and amendments where necessary.
- ii) Article 130, promote land use and organization and to allotment plots in the District and ensuring maintenance and rehabilitation of the roads in the District.
- iii) Article 149, set up the modalities for maintenance of infrastructure and other assets of the districts and following up on the capital investments.

(iv) Responsibilities of the Mayor of the District

In accordance with Article 132, the District Mayor will ensure security of the people and property in the District in collaboration with relevant organs.

(v) Responsibilities of the Executive Secretary

Article 135, the Executive Secretary shall manage the finances and assets of the District, execute the District budget and prepare a report thereof to be submitted to the District Executive Committee and lead activities meant for making an inventory of immovable assets and determining their value.

14.2.1.5 *All users of government assets - Law N°86/2013 of 11/09/2013 establishing the General Statutes For Public Service which requires public to preserve public property.*

According to Article 71 of Law N°86/2013 of 11/09/2013 establishing the General Statutes for Public Service a public servant

is required to preserve public property and under Article 72 preserve public property during and after working hours by contributing to its good management and protection against any destruction and theft.

14.2.2 Asset life-cycle management.

Asset management involves the planning and acquisition of the most appropriate assets to meet current and future service delivery demands. This requires informed decisions about which assets are needed, where and in what numbers.

Good asset management results in achieving best value from the total asset costs over their life cycles, including the cost of delivering services using these assets.

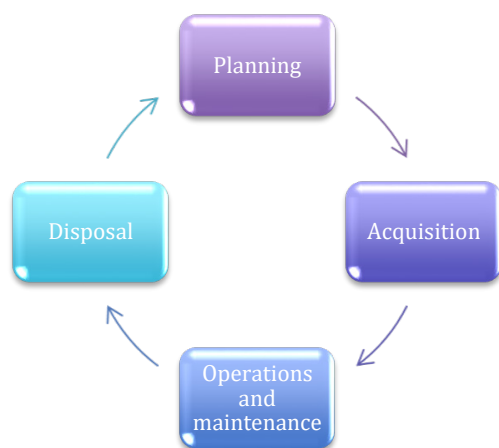
Adopting a life cycle approach to planning asset investment and management decisions is a key part of optimal asset management. An asset life-cycle covers all phases of an asset's life starting with planning, through its acquisition, operation, maintenance and eventual disposal. Management of these phases should be aligned to the entity's planning, budgeting, monitoring and reporting processes.

Public entities and enterprises shall use a life cycle approach in the management of government assets. Under this approach, an asset will undergo a number of sequential phases during its life cycle as below:-

- **Planning** - the planning phase shall deal with the planning for service delivery that shall drive the need for assets. This phase will provide input into the asset management plans. Various acquisition options should be considered during this phase.
- **Acquisition** - the acquisition phase deals with the purchase or construction of new assets

- **Operation and maintenance** - the operation and maintenance phase deals with the operation of the assets, maintenance/refurbishment, enhancement/rehabilitation, depreciation and impairment. This phase includes activities of a capital and current nature
- **Disposal** - the disposal phase deals with the timing of and disposal of the assets including the disposal costs and specific requirements for the assets, for instance, dismantling costs, legal requirements, environmental requirements, and other relevant costs. Disposal shall be guided by the Law N° 50/2008 of 09/09/2008 determining the procedure for disposal of state private assets.

Figure 1: Asset Life Cycle



If there is still continuous need for the asset, it is then replaced and the life cycle is repeated.

The significant decisions in an asset life cycle are addressed in the next sub-paragraphs 14.2.2.1 - 14.2.2.4

14.2.2.1 Non-current asset planning process

(a) Overview

The government non-current asset planning process shall aim at linking service delivery strategies with non-current assets and shall encompass the consideration of current and future service delivery strategies and what the implications of these strategies are for the non-current asset portfolio.

Non-current asset management strategies have long-term implications and must be based on reliable management information and the full impact of cost over the lifespan of an asset. It must consider that -

- Non-current assets have lengthy acquisition periods, are costly to create and complex to manage and maintain;
- Timely maintenance of non-current assets will prevent diminishing lifespan and premature loss of value of assets; and
- A balance should be established between reactive maintenance, preventative maintenance and renovations.

The planning process influences all the components of the asset management life cycle, namely, the asset acquisition plan, the asset operations and maintenance plan and the asset disposal plan. It identifies the gap between existing non-current assets and those required to meet service delivery requirements. It includes the analysis of the current portfolio of non-current assets with a view to determining -

- The need for additional non-current assets to efficiently address increases in the demand for services or to replace inadequate existing assets;
- Those assets that are currently used and which are to be efficiently kept operational to function in the manner in which they were originally, or subse-

quently, intended to function; and

- Those assets, that are redundant due to a decrease in the demand for services.

(b) Asset management strategy and plans.

Planning for assets shall be guided by an asset management strategies and annual plans which shall be prepared and approved as follows;

- Institution managing government buildings for Central Government
- Board of Directors for Public Enterprises
- District Council for the case of decentralised entities
- Public entity or agency responsible for the management of a government asset for central government entities and in case of government buildings this shall be RHA.

The asset management strategies shall be valid for the coming 5 years and updated every year. The objectives of an asset management strategy shall be;

- Enable service provision to the general public in an economically optimal way and maintaining the expected level of service;
- Document the nature, extent, age, utilisation, condition, performance and value of the government assets;
- Identify existing and proposed levels of service and demand for public service as well as the expected changes in demand;
- Outline the strategies of how the gap in the levels of service will be met through a combination of demand management (non – asset solutions) and asset lifecycle management (development, renewal, operations and maintenance and any disposal) over the planning period;
- Meet the legislative requirements with

regard to service delivery;

- Introduce a risk management process in the management of government assets;
- Assess the capital investment plan and operational budget needs and funding implications;
- Assess the prevailing asset management practice and identify improvements;
- Provide oversight of the asset management; and to
- Support the vision of the public entity or institution.

(c) Planning and budgeting for non-current assets within the Medium Term Expenditure Framework (MTEF)

The planning process shall be conducted within the planning and budgeting process as described under chapter 4 of this manual and in line with the planning and budget calendar that involves the issuance of the First Budget Call Circular (BCC) in October and the 2nd Budget Call Circular issued in early December. Once an entity determines the additional asset needs, it will need to budget for these needs in line with the available budget. Budget entities should ensure their plans are within their strategic priorities and the national MTEF that is communicated to them in the Budget Call Circulars (BCC).

For the decentralized entities, the budget for assets shall be within the final resource envelopes agreed at Districts' Joint Action Forum and transfers from Central Government communicated by the Ministry of Finance and Economic Planning.

The budget for assets shall include both the cost of acquiring new assets and the cost of operating and maintaining both new and existing assets.

The budget for existing assets will be prepared using the template in appendix xx – Annual

Operations and Maintenance Plan for Existing Assets. An estimated budget should be provided for all relevant costs associated with each asset including operation costs, maintenance cost, administration costs and rehabilitation costs. The related receipts from either income earned from assets (such as rental income) or proceeds from disposal of assets should also be included.

The budget for new assets shall be prepared using the template in appendix xxi – Annual Operations and Maintenance Plan for New Assets. This will include the project cost of the asset, maintenance approach and projected cost of operating, maintaining, administering and rehabilitating the asset over its lifecycle. Asset related receipts should also be incorporated.

14.2.2.2 Acquisition of non-current assets

(a) Options for acquiring assets

Each public institution or entity shall consider all options available to address the identified asset needs and/or improvements. The options considered shall include:

- To purchase (and therefore to own) new assets.
- To lease (and therefore not to own) new assets.
- To construct new immovable assets.
- To involve private sector through the various forms of public private partnerships (PPPs) to provide new assets.
- To adapt, extend or refurbish existing assets.

(b) Identifying needs and procuring assets

In procuring assets, all public entities and institutions shall comply with Law N°62/2018 of 25/08/2018 governing public procurement. The procedure for procuring assets commences with identifying needs and budgeting for the needs within the available budget for the in-

stitution/entity. Once the budget is approved, procurement is conducted in line with the procurement plan by the procurement unit.

(c) Receipt and allocation of non-current assets

The process for receipt and allocation of assets shall involve the following steps;

- **Receipt of assets** - assets shall be received by a team of at least three personnel involving the Logistics and Maintenance Officer (or any designated person), Procurement Officer and Accountant. In case of computer hardware and software an additional staff from the ICT unit/department will be required.
- **Inspection of the assets and recording in the inventory/asset registers** - once the asset is inspected and found satisfactory, it will be taken to the store and recorded in the stores register by the logistics and maintenance officer. If the asset is to be issued immediately, it should be tagged/coded and updated in the asset register and allocated to the user upon approval of the asset request form.
- **Acknowledging delivery and receipt of assets** - The logistics and maintenance officer shall sign off the goods received note/certificate of work done to acknowledge receipt of the asset.
- **Request for the asset by the user department/unit** - asset request from under appendix xv to be completed by the user department/unit for the allocation and release of the asset from the store. The request form must be approved by the Head of Department/Unit.
- **Submission of the requisition** - The asset request form is submitted to the logistics and maintenance officer who shall review the requisition before the final approval of the Director of Finance

to enable the release of the asset to the user department/unit.

- **Tagging of assets** – The logistics and maintenance officer shall engrave the asset with a tag/code and update the asset in the asset register. The tag number shall at least reflect the entity, asset type and asset number.
- **Delivery of asset to the user department/unit** – The asset is delivered to the user department/unit and the asset register is updated with the details indicated in appendix xxvi.
- **User acknowledges receipt of asset** – by signing the asset request form in appendix xv.
- **Notification of allocation of asset** - The Logistics and Maintenance Officer files the signed asset requisition form and notifies the DAF and Chief Budget Manager /Director General of the allocation via email.

(d) Acquiring motor vehicles and buildings

Motor vehicles will be acquired in line with the Fleet Policy of the Government of Rwanda (2013). If there is an identified need for a new vehicle, the Government Fleet Management Team will collect information regarding the needs of each Government institution and make arrangements for new vehicle acquisition considering the key criteria outlined in the Fleet Policy of Government of Rwanda.

Acquisition of buildings shall be in line with the asset management strategy and the approved available resources/budget. The general procedure of acquisition shall contain the following steps:

- Identification of need by user / occupant institution
- Approval of need by;

- o Institution managing government buildings for Central Government
- o Board of Directors for Public Enterprises
- o District Council for the case of decentralised entities.

- Budgeting and procurement planning.

Where a building is to be acquired, a technical inspection shall be carried out by a team comprised of engineers who shall provide a comprehensive report on the condition of the structure and envelope of the building and provide recommendations. The following conditions have to be fulfilled before the recommendation for acquisition can be given:

- Existence of occupancy permit
- Fire fighting system and fire safety equipment
- Elevator and escape route for multi-storey buildings (G+3 and higher)
- Accessibility of the main uses and a sanitary room for people with disabilities
- Optical fiber connection
- Number of sanitary facilities in accordance with prescribed occupancy numbers and standards
- Waste water treatment system, or sewage connection
- Parking space according to prescribed occupancy numbers and visitor's frequency, and standards

In addition, valuation of land and buildings shall be by an independent registered valuer. The report shall be approved by RHA after a transparent technical assessment.

(e) Leasing assets

Public entities have an option of leasing (or renting) assets so that they can secure the use

of these assets without having to incur the initial cost of buying the asset outright. All leases shall be classified at inception as either finance or operating leases. Lease classification is based on the substance of the transaction, not on its legal form.

For an operating lease, a public entity shall acquire the right to use the asset for an agreed period of time in return for a series of payments. The payments might be spread monthly, quarterly or yearly depending on the availability of the type of asset, the demand for the asset and the length of the lease period. At the end of the lease period the public entity (lease) does not acquire any title to the asset, and the ownership remains with the lessor.

A lease is classified as a finance lease/hire purchase if it transfers substantially all the risks and rewards incidental to ownership from the lessor to the lessee. Assets acquired under a finance lease will follow the normal procurement procedures shall be managed in the same way as the other assets purchased on cash.

(f) Construction

The Government of Rwanda may decide to construct a new immovable government asset, alter or to demolish an existing immovable government asset. Procurement of contractors to carry out the construction will follow Law N°62/2018 of 25/08/2018 governing public procurement.

(g) Involving private sector through the various forms of public private partnerships (PPPs) to provide new assets

The government may also acquire non-current assets through partnerships with the private sector via a PPP agreements. See also section 9.13

(h) Assets acquired through expropriation.

The Government may in the public interest ac-

quire assets as provided for in Law N° 18/2007 of 19/04/2007 relating to expropriation in the public interest. Expropriation as provided for in this law shall be carried out only in the public interest and with prior and just compensation.

(i) To adapt, extend or refurbish existing assets

Assets may be adapted or modified or refurbished to extend their useful life.

14.2.2.3 Operation and maintenance

(a) Classification of assets

Government assets shall be categorised into the following classes:-

- Land
- Buildings and structures
- Infrastructure
- Transport equipment
- Office equipment, furniture and fittings
- ICT Equipment, Software and Other ICT Assets
- Other Machinery and Equipment
- Heritage and cultural assets
- Intangible assets

Appendix xxv provides detailed examples of assets forming each class of assets.

The Secretary to the Treasury may review and update the above classification as he or she may consider necessary.

(b) Assets register

Pursuant to article 74 of the Ministerial Order N°001/16/10/TC of 26/01/2016 relating to Financial Regulations, a public entity shall whether manual, electronic or both, maintain an asset register that shall contain the follow-

ing details:

- Date of purchase of the asset;
- The supplier details to facilitate subsequent after sales maintenance;
- The type and description of each individual asset;
- The asset code number engraved on the asset (for land - land registration number, for buildings - land registration number and block number, for vehicles - the vehicle registration number)
- The acquisition cost of the asset;
- Estimated useful life (to assist in determining time of replacement);
- The physical location of the asset;
- User of the asset/ the person allocated (to determine the accountable person at any one time);
- Condition of the asset;
- Date of disposal (as applicable); and
- Disposal proceeds (as applicable).

The Logistics Officers shall be responsible for maintaining a register of assets under their control or possession and the register shall take the format prescribed in appendix vi.

For land and buildings, the following specific information shall also be provided by the responsible authority in any format that may be appropriate:-

- Description of the asset i.e. Type of asset, name of asset and property details;
- Ownership details i.e. Government private and Government public;
- Survey/ registration information i.e. Plot No, No of blocks, Plot size and Folio;
- Current use information:-i.e. UPI, No of permanent buildings, level of encroachment, major use and other users;

- Valuation information i.e. % of built up land, date of valuation, zoning(urban/rural),current structure ;value, land value, market value and replacement value;
- Condition of the asset; and
- Installations.

(c) Asset tagging

All assets shall be tagged according to a tagging convention/method that should as much as possible reflect the exact location of an asset item and should at a minimum show the entity, asset type and asset number.

(d) Physical verification of non-current assets

A physical verification of all assets will be conducted on an annual basis. The verification shall be undertaken to:

- Ensure the existence and condition of assets;
- Confirm the presence of tag numbers on each asset; and
- Ensure the correctness and completeness of the assets register.

This task shall include matching the recorded assets with physical existence and any anomalies shall be promptly reported in writing to the Chief Budget Manager/Director General of the Public Entity, with a copy to the Accountant General.

The physical asset count and verification shall be done by an internal team which is not involved in asset management.

In instances where a public institution or entity has a large number of assets, the institution or entity may hire a consultant to conduct the asset verification.

Documentary evidence of the physical count and the subsequent reconciliation shall be dated, signed by the staff members who con-

ducted the count, and initialled on every page. The format of the physical verification form is provided in appendix xviii.

Documentation related to the count shall be retained on file for review by the internal auditor and/or Auditor General, if requested.

(e) Handover of assets

Where users are leaving an institution (for instance where they are leaving the employment of the institution or have been transferred to another institution) or where staff are transferred to another unit/department within the same institution, they must complete the asset handover form in appendix xvi clearly indicating the following information:

- Asset Description
- Asset code
- Unit
- Location
- Comments on the condition of the asset

The assets will be handed over to the immediate supervisor and the Logistics and Maintenance Officer must inspect the condition of the assets. Thereafter, the asset handover form in appendix xvi shall be signed and dated by the person handing over the asset, the immediate supervisor and the Logistics and Maintenance Officer.

In case the assets are required by the unit for the replacement staff, the assets should be left under the care of the immediate supervisor. If the assets are no longer required, they should be returned to the store for reallocation to another user.

(f) Issue of shared ICT and other equipment

Where ICT and other equipment such as projectors, laptops, printers, video cameras and other similar assets are maintained centrally and issued to different units/departments

for use for a specific activity and returned after the activity, the requesting unit should complete the form for shared ICT and other equipment under appendix xvii. The following information must be completed and this form must be signed by the Receiving Staff, and the Logistics and Maintenance Officer.

- Type, name or description of asset, for instance, projector;
- Code of asset;
- Serial number (if an ICT equipment);
- From (this is the current location of the equipment), for instance, ICT department;
- To (this is the location the equipment is being transferred), for instance, location of the activity
- Reason why the equipment is required, for instance, nature of activity being conducted with the equipment;
- Return date (this is the expected date of return of the equipment which should be amended if it is different from the actual date)

(g) Maintenance and repairs of non-current assets

(i) Repairs and maintenance of assets

The Chief Budget Manager/Director General of a public entity or enterprise has the overall responsibility of ensuring that all warranty and guarantee terms are honoured, and for making suitable arrangements for the maintenance and repair of all movable assets within the institution or entity.

An employee of a public institution or entity who uses, or is in custody of an asset is responsible for monitoring the condition and performance of each item and for reporting any problems to the Logistics Officer as appropriate.

All assets with a value higher than Rwf 100,000

shall be included in the annual maintenance plan to ensure that assets that are capitalised and hence with an expected useful life of more than one year are well maintained over their useful life.

The Director of Finance and Logistics and the Logistics Officer with the approval of the Chief Budget Manager/Director General shall be required for conducting an analysis of projected costs for maintenance of the assets of the institution or entity.

The analysis conducted by the Director of Finance and Logistics will aid in the preparation of an annual maintenance plan which should be submitted to MINECOFIN to inform budget allocations.

In some instances scheduled assets maintenance may be covered under warranty or guarantee. The Logistics Officer shall be responsible for ensuring that all scheduled maintenance for items under warranty is carried out as required. The Logistics Officer must arrange to have assets inspected periodically, and to have routine cleaning and preventive maintenance performed as appropriate and as agreed with the supplier of the asset.

Every effort shall be made to ensure that all maintenance contracts are entered into with reputable suppliers in order to maximise the quality and efficiency of maintenance contracts.

- Despite the preventive measures provided by routine maintenance, assets will still occasionally break down or be damaged. On such occasions, the Logistics Officer shall be responsible for arranging necessary repairs as quickly and economically as possible.

(ii) Annual Operations and Maintenance Plan

Each public institution and entity shall prepare an annual operations and maintenance plan

(**appendix xx**) for its existing assets. In addition, each asset institution or entity shall prepare an annual operations and maintenance plan (**appendix xxi**) for planned asset acquisitions.

The plan will contain the following information as a minimum:-

- Name of the Asset/Infrastructure
- Projected total asset value
- Maintenance approach (Preventive or Corrective)
- Expenditure Item (Operation, Maintenance, Administration, Rehabilitation and Asset Related Receipts)
- Budget

(h) Motor vehicle maintenance

Motor vehicle management and maintenance will be guided by the Fleet Policy of Government of Rwanda dated June 2013 which provides guidance on development an appropriate fleet management system and vehicle hiring in order to ensure efficiency, productivity and cost effectiveness in fleet management. This policy also guides on vehicle loan schemes, insurance coverage, replacement of vehicles in case of breakdown, accidents and other mechanical failure, vehicle running costs, depreciation, project vehicle fleet policy, mission and local car hires and vehicle leasing.

(i) Managing asset losses and insurance of assets

Loss of an asset due to theft, damage, fire, or any other incidence that results in a loss or damage shall follow the procedures outlined in Article 78 of the Ministerial Order N°001/16/10/TC of 26/01/2016 relating to Financial Regulations.

All losses or damage of public property shall be noted in the asset register and reported in the financial reports.

Procedures for reporting asset losses

(i) Reporting by the employee;

When an employee has reason to believe that a loss of a government asset has occurred, he or she shall immediately notify their supervisor in writing.

Where the supervisor is suspected of causing a loss or committing an offense, the employee shall inform a more senior supervisor.

The supervisor shall immediately notify the Logistics Officer who shall then notify the Director of Finance and Logistics who shall notify the Chief Budget Manager of a public entity and in case of a public enterprise, the Director General.

(ii) Reporting by the department/unit;

When a head of a department/unit within a public entity or institution has reason to believe that a loss of an asset has occurred, he or she shall immediately notify the Logistics Officer and the Director of Finance and Logistics in writing with a copy to the Chief Budget Manager/Director General within 10 days of the detection of the loss of the following:-

- How the loss was detected;
- The cause and description of the loss; and,
- The dates of detection and occurrence of the loss or offense.

Within 10 days of receipt of the notification of the detection of the loss, the Logistics Officer shall report in writing to the Director of Finance and Logistics and the Chief Budget Manager/Director General any enhancements made to the departmental internal controls in order to prevent repetition of the loss. The Director of Finance and Logistics may extend the time beyond 10 days if the Logistics Officer requests an extension in writing justifying such extension.

Audit investigation

At the request of the Chief Budget Manager/Director General, the Internal Audit department shall conduct an audit investigation to determine the nature and extent of the loss. The employee who reported the loss or the head of the department/unit sustaining the loss shall assist in the investigation.

As soon as the investigation is completed a final written report indicating the amount of loss or damage by the internal auditor must be made to the following:-

- Head of the department/unit sustaining the loss;
- The logistics officer;
- The Director of Finance and Logistics ; and
- Chief Budget Manager of the public institution or the Director General of the public enterprise.

Recovery action

(i) Non -insurance recovery;

Upon the completion of the audit investigation and the loss cannot be recovered from the insurance company, the following actions shall be taken:-

- Losses or damages suffered by a public entity because of an act committed or omitted by an official, must be recovered from such an official if that official is liable in law. The Chief Budget Manager/Director General must request in writing that official pays the amount within 30 days or in reasonable instalments.
- If the official fails to comply with the request, the matter must be handed to the State Attorney for the recovery of the loss or damage.
- When it appears that the government

has suffered losses or damages through criminal acts or possible criminal acts or omissions, the matter must be reported, in writing, to the Chief Budget Manager/Director General and the Rwanda Police Service for investigation.

- In the case of omissions, the matter must be reported, in writing, to the Chief Budget Manager/Director General. Whether or not the person is still in the employment of the state, the Chief Budget Manager must recover the value of the loss or damage from the person responsible.

(ii) Insurance recovery;

When notified of a loss, the Chief Budget Manager/Director General shall act immediately to comply with the terms and conditions of the Government Insurance Contract, including, if required, informing the Insurers of the loss. The Director of Finance and Logistics shall notify the Chief Budget Manager/ Director General of the relevant rights and responsibilities of the parties to the Insurance Contract. The Director of Finance and Logistics shall review, and if necessary investigate, negotiate and settle all insurable claims regardless of policy deductible amounts. Any non-insurable claims may be referred to Legal Department, for further action as necessary. The Director of Finance and Logistics will ensure that employees cooperate with the Insurance Company during the process of negotiation and settlement of claims.

Write off of non-current assets

Write-offs of non-current assets shall be carried out in line with Article 105 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations that requires the final approval of the Executive Head of the central government entity or the Council in the case of a decentralized entity to write-off any assets and liabilities. The Chief Budget Manager/Director General and with the approval of the relevant authority may write off losses

or damages arising from criminal acts or omissions if, after a thorough investigation, it is found that the loss or damage is irrecoverable. When assets are written off, this shall be noted and updated in the asset register upon consultations with the Accountant General (see also paragraph 11.3.20)

Insurance of assets

Managing asset losses and insurance claims will be conducted in line with Article 79 of the Ministerial Order N°001/16/10/TC of 26/01/2016 relating to Financial Regulations which stipulates that public property shall be insured in accordance with government policies and guidelines and the selection of an insurance provider shall be undertaken in accordance with the procurement laws. In addition, in the event of an insurable loss, a public entity shall take the necessary steps to seek compensation promptly.

The Chief Budget Managers of public institutions and Director Generals of public enterprises may if deemed economical and based on a risk assessment, ensure movable assets whose value exceed Rwandan Francs 1.5 million. The insurance should cover as a minimum the risk of loss against fire and theft.

RHA will have the responsibility of insuring all central government buildings including hospitals and educational institutions. Government buildings under the control of local government (districts) will be insured by the respective districts as they are financially autonomous.

The insurance cover for buildings should cover loss against fire, earthquake and floods.

(j) Income generated from government assets

Government assets may be used to generate income, such as parking fees, museum entry fees, park entry fees, public library fines, rental

fees for machinery and equipment, laboratory service fees, etc.

Government assets may also be rented to non-governmental and private entities.

The income generated from government assets, and including gains from their sale, shall be re-invested in new and existing government assets and their management or be used in course of entity's operations after being appropriated in the annual budget.

(k) Reporting

In line with article 107 of the Ministerial Order N°001/16/10/TC of 26/01/2016 relating to Financial Regulations and pursuant to sub-paragraph 14.2.1.2 the financial statements prepared by public entities shall include a summary of physical assets extracted and reconciled to the asset register.

The summary report on the physical assets shall follow the format in appendix xxix and shall include the following information:

- Category of the asset
- Cost of the asset
- Accumulated depreciation
- Net book value for the current year
- Net book value for the previous year

The summary of physical assets shall also be included as a note to the annual financial statements.

14.2.2.4 Transfer and disposal of assets

(a) Transfer of assets within a public entity/institution

(i) Transfer of assets within the departments/units of a public entity or institution

Transfer of assets within a department/unit of a public entity or institution must be approved by the head of the transferring unit and the Di-

rector of Finance and Administration. The process shall involve the following steps:

- When assets are transferred from one user to another within the public institution or entity the current user of the asset shall complete an asset transfer form attached on appendix xxii with the details of the asset being transferred and the reason for the transfer.
- The request for asset transfer shall be reviewed and approved by the head of department/unit. Before approval, the head of department/unit shall assess whether the request for transfer is justified.
- Where the transfer is rejected, the head of department/unit shall indicate in the asset transfer forms the reason for the rejection and shall return the form to the user.
- If the request is within the authorization level of the head of department/unit, the head of the department/unit shall approve the transfer. If it is not within his or her authorization limit, it shall be forwarded to the Director of Administration and Finance for approval.
- If the transfer is justified, it will be approved and the request will be forwarded to the Director of Finance and Administration. The Director of Finance and Administration shall review the reasons for the transfer and determine whether these are justified and valid. Thereafter, the Director of Finance and Administration shall approve the request for transfer upon which the approved form shall be forwarded to the Logistics and Maintenance Officer.
- The Logistics and Maintenance Officer shall initiate the transfer and update the assets register. The details in the asset transfer form shall be used to update the

details in the asset register. It is important that the new user and new location/department/unit of the asset is captured in the asset register.

- The Logistics and Maintenance Officer shall inform the new user of the transfer with the new user signing the asset transfer form to acknowledge the asset.
- The asset allocation form should then be filed by the Logistics and Maintenance Officer. This can be done manually or electronically.

(ii) **Transfers of assets between departments/units of a public entity or institution.**

This is where the process of transfer of assets involves two departments/units, mainly the transferring unit and the receiving unit. The transferring unit must approve the transfer and the receiving unit must confirm receipt of the transferred asset under the following procedures:

- The current user shall complete the request for asset transfer form in appendix xxii with details of the asset to be transferred, the tag number, location and the condition of the asset.
- The Head of Department/unit shall review the request for transfer of the asset and assess the reasons for the transfer and determine whether these are valid and justified. If not valid or justified, he or she shall reject the transfer and inform the user.
- if the request for transfer is within his/her authority the head of department/unit shall authorize the request and if not, he or she shall send it to the DAF for the necessary authorization..
- The DAF shall review the request for transfer and if the reasons for the transfer are valid and justified, he or she shall authorize the transfer and if not the re-

quest shall be forwarded the Chief Budget Manager/Director General for final approval.

- The Chief Budget Manager/Director General shall review the transfer and the reasons for the transfer and determine if these are valid. If they are not valid, he or she shall reject the transfer. If valid, the transfer request shall be approved and returned to the DAF for the necessary action.
- Upon approval, the Logistics and Maintenance Officer shall initiate the transfer and updates the assets register. The head of the receiving department/unit and the head of the issuing department/unit shall both receive notification of approval of the transfer.

(iii) **Transfer of assets between public entities and institutions;**

When assets of a public entity are transferred to another public entity or other institution in terms of legislation or following a reorganization of government functions, the Chief Budget Manager/Director General for the transferring public entity or institution shall be required to prepare an inventory of the assets to be transferred.

This shall entail preparing a detailed listing of the assets that are being transferred using the format in appendix xxiii clearly indicating the nature of the asset, tag number, current location and condition. This list shall be prepared by the Logistics and Maintenance Officer, reviewed by the DAF and approved by the Chief Budget Manager/Director General.

Both the Chief Budget Manager/Director General for the transferring public entity or institution and the Chief Budget Manager/Director General of the receiving public entity or other institution shall sign the inventory of transferred assets in appendix xxiii when the transfer takes place.

When the receiving entity or institution receives the assets, it must inspect the assets to verify the type of asset, quantity received and condition of each asset. Once this verification takes place, the form in appendix xxiii shall be signed by the receiving entity/institution to confirm receipt of each asset and the condition of the asset.

The signed inventory of transferred assets shall be used by both the receiving and issuing entity/ institution to update the asset register. The issuing entity/ institution shall remove these assets from their asset register while the receiving entity/institution shall tag each asset with new codes and the asset register updated accordingly. For purposes of the audit trail, the old codes may be retained in the records/systems and linked to the new ones.

The received assets shall be allocated/ reallocated to users of the receiving entity in accordance with the procedures outlined in sub - paragraph 14.2.2.2 (c).

(iv) Transfer of assets in cases of merge public entities or institutions

(Also see paragraph 15.8.7)

In instances where two public entities or institutions are merged into one public entity/ institution, a consolidated assets register shall be prepared for the merged entity.

Thereafter, a physical asset count shall be conducted for the consolidated merged assets in line with the physical verification procedures described in sub – paragraph 14.2.2.3 (d).

During the physical asset verification, it is recommended that the merged entity/institution considers assigning new tags to each asset in order to have a consolidated tagging/coding system.

This physical verification shall clearly identify the condition of each asset in order to determine the assets that should be disposed.

Once the physical verification is conducted,

the assets should be allocated to users of the merged entity accordingly.

(b) Disposal of Assets

The disposal process of the assets for public entities shall be guided by the provisions of Law N° 50/2008 of 09/09/2008 determining the procedure for disposal of state private assets. This law provides the procedures to be followed by public institutions and entities in instances where they want to dispose their assets.

Subject to the provisions of Law N° 50/2008 of 09/09/2008 determining the procedure for disposal of state private assets, Chief Budget Managers of centralized entities shall be required to adhere to the following policy guidelines:

- Any disposal of government assets must be conducted in a manner that achieves the best return to government. As much as possible, government assets should be disposed by centralized open public tender/auction.
- Following a comprehensive physical verification of non-current assets, the Chief Budget Manager has the responsibility to identify and recommend assets for disposal.
- No disposal of any real property (land and buildings) can be conducted without the prior authorization of Minister responsible for Infrastructure. This also applies for disposing off vehicles;
- Non-current assets are disposed in accordance with Rwanda Public Procurement Authority regulations.
- The ministry of ICT or any its agencies shall provide guidance for the disposal of IT based assets.

For the decentralised entities, the disposal of assets shall be determined by the framework determining the organization and functioning

of the decentralized administrative entities, with;

- Decisions for auctioning of immovable assets to be made by the district council.
- Decisions for auctioning movable property to be made by the executive committee.
- Purchase and sale of the property to be monitored by the tender committee.

In general, the key processes for the disposal of government assets shall involve:

- The Logistics and Maintenance Officer carries out an inspection of the assets to assess their condition. This verification should be done with the internal auditor. Through this verification the Logistics and Maintenance Officer identifies damaged assets, stolen assets or lost assets or assets that are no longer required. This process can be combined with the annual physical verification of assets for efficiency.
- Logistics and Maintenance Officer prepares a list of the assets that require disposal or write off using the template in appendix xxiv. The details of each asset are drawn from the asset register if an annual physical verification of assets was recently conducted and reconciled to the asset register and the Logistics and Maintenance Officer indicates the current condition of each asset as well as verifies if the other asset details are accurately captured. This list is submitted to the DAF for review and approval.
- The DAF assesses the condition of each asset and determines if the disposal is justified. If the disposal is not justified, it is rejected and the Logistics and Maintenance Officer is notified. If it is justified, the DAF approves the disposal within the authority limit of the DAF. The approved list of assets for disposal

is forwarded to the Logistics and Maintenance Officer. If the approval is outside the authority limits of the DAF, the Chief Budget Manager/Director General reviews and approves the asset disposal list.

- The Logistics and Maintenance Officer forwards the approved list of assets for disposal to the Procurement unit which carries out disposal of the assets in line with Law N° 50/2008 of 09/09/2008 determining the procedure for disposal of state private assets. Once the assets are disposed, the Procurement Unit notifies the Logistics and Maintenance Officer of the disposal.
- The Logistics and Maintenance Officer updates the assets register and notifies the Accountant in order to update accounting records and write off the assets from the books of account. In this interim period and under the current accounting framework, the process ends when the assets register is updated and the Accountant only recognises proceeds from disposal of assets.

14.3 Accounting and Recording

14.3.1 Overview of the Accounting Framework

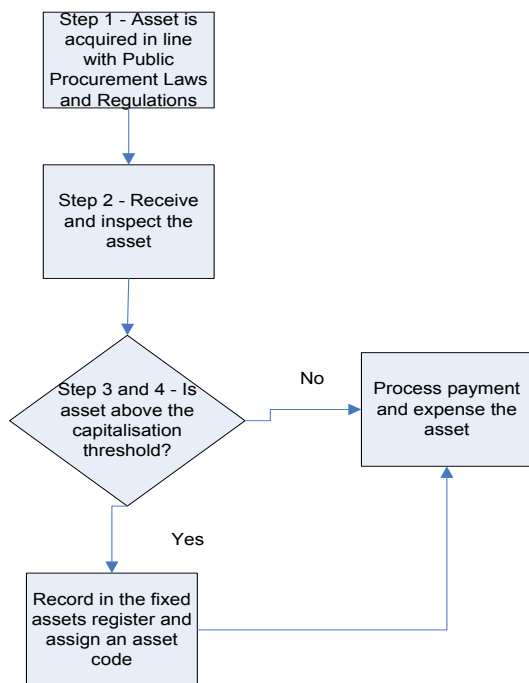
14.3.1.1 Overview of this section

This section covers the accounting and recording aspects of asset management over the life cycle of an asset. The section provides guidance for accounting for assets under the current framework as well as deal with any aspects that may assist the government to transit to the accruals basis IPSAS. In addition, it covers the requirements of the IFRS adopted by the Public Enterprises.

14.3.1.2 Current accounting framework

As prescribed under chapter 3 of this manual, Government of Rwanda recognises that whilst the accruals basis is the ideal basis of accounting, it will require a transition period to adopt this basis of accounting. Consequently, the Government shall apply an accrual basis accounting framework with some modifications where some transactions will be treated on a cash basis until such a time when Government shall fully transit to the accrual basis IPSAS.

With the current accounting framework and in line with paragraph 3.2.2 (iv), expenditure on acquisition of non-current assets shall not be capitalised. Thus noncurrent assets are written off on acquisition and the wear and tear (depreciation) of those assets is not recorded in the books of account. Hence, accounting and recording of assets will follow the process below during each stage of the asset life cycle:



When an asset is acquired, the following accounting entries shall be made:

Debit: Expenditure
Credit: Bank/Cash

When the asset is disposed, it is removed from the assets register and the disposal proceeds are recognized as income. The following accounting entries are recorded:

Debit: Bank/Cash
Credit: Proceeds from disposal of assets

Illustration

For instance, an office desk was purchased for Frw 500,000. After the end of its useful life (five years), the office desk was disposed for Frw 150,000. The following accounting entries are therefore recognized in the books of accounts:

On acquisition

Debit: Expenditure Frw 500,000
Credit: Bank/Cash Frw 500,000

The office desk is then assigned a tag number or code and assigned to a user. Upon disposal, the following entry is recorded in the books of account and the office desk is removed from the asset register:

On disposal

Debit: Bank/Cash Frw 150,000
Credit: Property income/disposal of assets Frw 150,000

14.3.1.3 IPSAS and IFRS requirements

As mentioned in the previous sections and subsequent to section 3.4 of this manual, the Government of Rwanda plans transitioning to accruals basis IPSAS in future. Under this basis of accounting, both Central Government entities and decentralized entities will be required to follow accruals basis IPSAS.

In line with the policy guidelines on management of Government Business Portfolio, Public institutions follow IFRS.

This section provides guidance on accounting and recording in line with IFRS requirements. Guidance on the accounting and recording based on the accrual basis IPSAS shall be provided once the government transits to the IPSAS accrual basis of accounting. This notwithstanding, this section provides guidelines on several aspects that will enable the government to fully transit to the accrual IPSAS.

14.3.1.4 Application of IFRS

Public enterprises will apply IFRS requirements and the standards that are relevant to recognition, measurement and reporting of assets include:

1. IAS 16 – Property, plant and equipment
2. IAS 17 – Leases
3. IAS 36 – Impairment of assets
4. IAS 38 – Intangible assets
5. IAS 40– Investment property
6. IAS 41 – Agriculture

14.3.1.5 Main differences between IPSAS and IFRS

The main differences between IPSAS and the corresponding IAS are listed at the end

of each IPSAS. The differences often originate in different terminology and definition but there are other material differences. These differences in the two accounting frameworks have been summarized in appendix xxvii.

14.3.1.6 Application of the current accounting framework, IPSAS and IFRS in the asset life cycle

In this section 14.3 on accounting and recording, IPSAS and IFRS requirements have been applied to the asset life cycle. This is divided into the following sections:

Area	Paragraph	Overview of the section
Recognition	Paragraph 14.3.2	This section provides guidance on the criteria for recognizing an item as a noncurrent tangible or intangible asset.
Measurement	Paragraph 0	This section provides guidance on the valuation of noncurrent assets including the element that constitute the value at initial recognition and after initial recognition.
Capitalisation	Paragraph 14.3.4	This section provides guidance on the threshold for capitalising assets and how to capitalise asset components and complex assets.
Subsequent cost to capitalization	Paragraph 14.3.5	This section provides guidance on the accounting treatment of asset transactions occurring after initial recognition such repairs, replacements and improvements.
Depreciation of assets	Paragraph 14.3.6	This section provides guidance on the useful lives and depreciation and amortization of noncurrent assets tangible or intangible asset.
Impairment of assets	Paragraph 14.3.7	This section provides guidance on how to test for impairment and the accounting treatment for the same.
Disposal and write off of assets	Paragraph 14.3.8	This section provides guidance on the accounting treatment for disposal of assets.

14.3.2 Recognition

14.3.2.1 Recognition criteria for tangible noncurrent assets

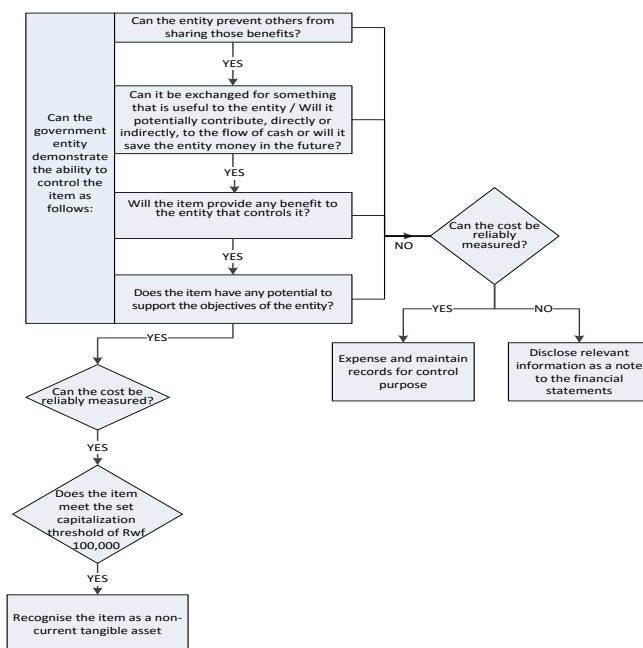
A public institution shall recognise an asset if and only if the following conditions are met:

- The public institution controls the economic benefits or service potential associated with the asset;
- It is probable that the future economic benefits or service potential will flow to the public institution;
- The value is equal or exceeds the Frw 100,000 threshold; and

- The cost or fair value of the asset to the public institution can be measured reliably.
- The useful life of the asset is estimated to be equal or above one year;

If the above conditions are met, the public institution shall recognize and record the asset in its fixed asset register, regardless of whether the entity had originally provided the funding to acquire the item. The following decision tree summarizes the tangible assets recognition criteria that can be followed for an item to be recognised as non current tangible asset so that it can be included in the asset register.

Recognition criteria for non-current tangible assets



14.3.2.2 Recognition criteria for Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets can either be acquired from third parties or generated internally.

For internally generated intangible assets, the future economic benefits or service potential must actively be demonstrated (this is assumed for externally acquired intangibles, thus no demonstration is required).

Additional recognition criteria therefore apply:

- only costs incurred in the development phase of an asset and which meet strict criteria are capitalised and therefore to be recorded in the asset register; and
- costs incurred in the research phase (prior to achieving the development phase) as well as in the maintenance phase (after the development is completed) must be expensed and not recorded in the asset register .

Items initially recognized as an expense under the IPSAS and IFRS framework cannot be reinstated (i.e. capitalised) as part of the cost of an intangible asset at a later date.

Intangible assets could be grouped together by Public Enterprises into the following classes that are of a similar nature and use in a public institution's operations. Examples of intangible assets that could be reported as separate classes (of intangible assets) are:

- a) Website costs
- b) Licenses and franchises;
- c) Computer software;
- d) Copyrights, patents and other industrial property rights; and
- e) Intangible assets under development.

14.3.2.3 Measurement of Intangible Assets at Initial Recognition

Once an asset meets the recognition criteria prescribed in sub-paragraph 14.3.2.2 then it will be initially valued at cost.

The process of valuing an intangible asset depends on whether the asset is purchased or internally developed.

(d) Purchased intangible assets

The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (excluding recoverable amount

from the taxing authorities), and any directly attributable expenditure like professional fees for legal services etc. on making the asset ready for its intended use. Any trade discounts and rebates are deducted in arriving at the cost.

(e) Internally developed intangible assets

Where the asset meets the criteria for recognition, its cost will comprise all expenditure that can be directly attributed or allocated on a reasonable and consistent basis to create the asset/software for its intended use. The cost of the asset will comprise:

- Development costs
- Salaries, wages and other employment related costs of personnel directly engaged in developing the asset; and
- Any other expenditure that is directly attributable to generating the asset.

However, the cost should exclude

- Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to making the asset ready for use;
- Clearly identified inefficiencies and initial operating losses; and
- Expenditure on training the staff to operate the asset.

Development costs must meet the following criteria to be eligible for capitalization:

- Technical feasibility of completing the asset;
- Intention to complete the asset and use or sell it
- Ability to sell or use the asset;
- Manner in which the asset will generate probable future economic benefits or service potential;
- Availability of adequate technical, financial or other resources to complete the

development and to use or sell the asset;

- Ability to measure the cost of the asset

Illustration: Website costs

A public enterprise may incur internal expenditure on the development of an Agricultural Monitoring System known as E-Soko which serves as a medium of promoting agriculture and creating awareness of the prices of agricultural products.

The stages of developing a website are as follows:

1. Planning (Frw 30,000,000) —includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives, and selecting preferences.
2. Application and Infrastructure Development (Frw 50,000,000) —includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications, and stress testing.
3. Graphical Design Development (Frw 20,000,000) —includes designing the appearance of web pages.
4. Content Development (Frw 40,000,000) —includes creating, purchasing, preparing, and uploading information, either textual or graphical in nature, on the website before the completion of the website's development. Out of this, the cost of producing digital photographs was Frw 5,000,000.
5. Once development of the website has been completed, the operating stage begins. During this stage, The public enterprise maintains and enhances the applications, infrastructure, graphical design, and content of the website. The total cost at this stage is Frw 15,000,000.

Accounting treatment

Current Accounting Framework – Modified Accrual Basis

All costs relating to intangible assets are expensed

The public enterprise shall follow IAS 38 requirements for the accounting treatment for Intangible Assets as follows:

- a) Expenditure incurred at the planning stage (Frw 30,000,000) is recognized as an expense when it is incurred.
- b) The Application and Infrastructure Development stage, the Graphical Design stage, and the Content Development stage, to the extent that content is developed for purposes other than to advertise and promote an entity's own services and products, will be included in the cost of a website recognized as an intangible asset when the expenditure can be directly attributed and is necessary to creating, producing or preparing the website for it to be capable of operating in the manner intended by management. In this case, the cost will be Frw 55,000,000 (Frw 20,000,000 + Frw 40,000,000 – Frw 5,000,000).
- c) Expenditure incurred in the Content Development stage, to the extent that content is developed to advertise and promote an entity's own services and products (e.g., digital photographs of products), is recognized as an expense when incurred. In this case Frw 5,000,000.
- d) The Operating stage begins once development of a website is complete. Expenditure incurred in this stage (Frw 15,000,000) is recognized as an expense when it is incurred.

The website will be valued at a total cost of Frw 55,000,000.

For the general government entities, all costs relating to the intangible assets shall be expensed under the current accounting framework and will not be capitalized and therefore not included in the asset register. This is because once intangible assets are expensed they cannot be capitalized later on.

reliably during its development

14.3.2.4 Assets acquired under Lease Arrangement

There are two types of leases; a finance lease (hire purchase) and an operating lease.

A public institution shall review each lease to determine whether the lease should be classified as an operating lease or a finance lease (hire purchase). The criteria used to make this distinction, is whether the benefits and risks of ownership are transferred from the lessor to the lessee.

The purpose of the criteria is to establish the substance of the transaction and determine whether the lease is merely an extended rental agreement or actually an instalment.

An asset held under a finance lease, shall be recognized as an asset, as the public institution has control over such an asset even though it does not own the asset. If a lease is classified as a finance lease, the asset will be recorded in the asset register and the corresponding liability for the lease payments will be recorded in memorandum records of the lessee.

The key differences between a finance lease and an operating lease are as summarized in the following table:

Fundamental elements	Finance Lease / Hire Purchase	Operating Lease
Ownership	Ownership of the asset might be transferred to the lessee at the end of the lease term.	An extended rental agreement where ownership is retained by the lessor during and after the lease term.
Lease criteria - Bargain Purchase Option	The lease has an option to buy the leased asset at the end of the lease term. It is priced in such a way that it is reasonably certain at inception that the lease will exercise the option.	The lease cannot contain a bargain purchase option.
Term	The lease term equals or exceeds 75% of the asset's estimated useful life	The lease term is less than 75 percent of the estimated economic life of the equipment
Present Value of lease payments	The present value of the lease payments equals or exceeds 90% of the total original cost of the equipment.	The present value of lease payments is less than 90 percent of the equipment's fair market value
Risks and Benefits	Risks and benefits are transferred to lessee. Lessee pays maintenance, insurance and taxes.	Right to use only. Risk and benefits remain with lessor. Lessee pays maintenance costs
Accounting	Lease is considered as asset (leased asset) and liability (lease payments). Payments are shown in Balance sheet/Statement of Financial Position.	No risk of ownership. Payments are considered as operating expenses and shown in Profit and Loss statement/Revenue and Expenditure statement
Depreciation and direct expenses	Lessee is considered to be the owner of the equipment and therefore claims depreciation expense and interest expense	Lessee is considered to be renting the equipment and therefore the lease payment is considered to be a rental expense

Leasehold improvements should be recorded in the asset register and the cost amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

14.3.2.5 Accounting treatment for Finance Lease (Hire Purchase)

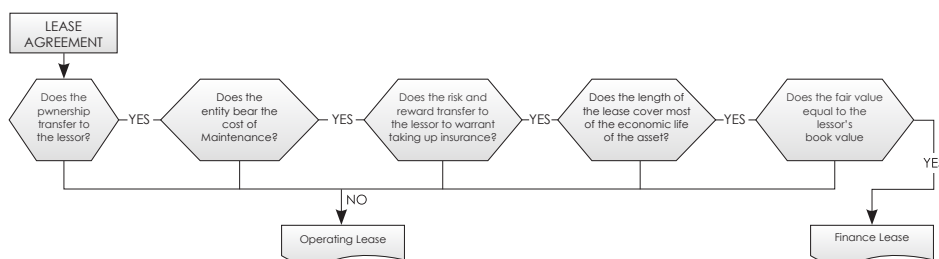
Finance Lease / Hire Purchase shall be treated as follows:

- The purchase price shall be recorded in the asset register as the cost of noncurrent asset
- Hire Purchase (HP) installments shall be apportioned between the finance charge

and the reduction of the principal outstanding. The reduction of the principal amount outstanding will be debited to the appropriate expense account for the asset item and the finance charge debited to the interest cost expense account.

- The depreciation policy for assets purchased under HP shall be consistent with that for owned assets.

Distinction between finance lease and an operating lease



Illustration

The University of Rwanda (NUR) has been financed by Bank of Kigali to purchase a bus for the institution at a cost of Frw 30,000,000 and the total interest at the end of the 36 months (finance lease period) is Frw 9,000,000. The terms of the finance lease agreement state that the principal and interest shall be payable in monthly instalments of Frw 1,083,333.

The accounting entries shall be as follows:

At initial recognition

Capitalise the Motor vehicle in the asset register at Frw 30,000,000
 Record : Deferred interest in Memorandum Records of Frw 9,000,000
 Record: Finance Lease Obligation in Memorandum Records of Frw 39,000,000 (a/w Frw 9,000,000 relates to the deferred interest)

To record the cost of the bus and the full finance lease obligation in the asset register and memorandum records accordingly. No accounting entries are to be passed in the books of account in this case.

Repayment of monthly lease instalments

Debit: Motor Vehicle expense A/C	Frw 833,333
Credit: interest expense A/C	Frw 250,000
Credit: Bank	Frw 1,083,333

Being the monthly lease repayments

Additional considerations for finance leases:

- The ownership of the motor vehicle shall transfer to NUR at the end of the lease term (at the end of 36 months).
- The risk transfers to NUR and therefore NUR undertakes the responsibility of insuring and maintaining the motor vehicle.
- NUR has exclusive rights and control on the usage of the motor vehicle.
- The leased asset (the bus) is specialised and only NUR can use it without major modifications.
- NUR shall record the asset in the asset register and depreciate it over its useful life as a memorandum record; The depreciation will not be recognised in the financial statements but will be computed and tracked in the asset register as a memorandum record.

14.3.2.6 Accounting treatment for Operating Lease – Lessor

Where a public institution is the lessor, assets subject to operating lease shall be recognized and presented in the statements of financial position according to the nature of the asset. These assets follow the same rules as the other assets of the public institution of the same nature.

Lease revenue from operating leases is recognized as revenue on a straight-line basis over the lease term, unless there is another systematic basis that is more representative which can be used with the concurrence of the Accountant General or the Board of Directors in case of the Public Enterprises.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease revenue.

14.3.2.7 Accounting treatment for Operating Lease – Lessee

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the user's benefit.

Illustration

The University of Rwanda (NUR) has entered into a lease agreement with Akagera Motors for leasing a bus for three years. The cost of the bus is Frw 30,000,000. The lease rentals shall be payable in monthly instalments of Frw 500,000.

The accounting entries shall be as follows:

At initial recognition

- The asset is not capitalised in the asset register
- The asset is not recognised in the financial records

Repayment of monthly lease rentals

Debit: Lease rentals/motor vehicle rental expenses Frw 500,000

Credit: Bank Frw 500,000

Being the monthly lease rentals payments

14.3.2.8

Notwithstanding the criteria above relating to recognition criteria for tangible and intangible non current assets, there are specialised entities with assets that may require additional considerations before they are treated non current assets or not. Such considerations may include the test of materiality (the extent to which the exclusion of a specific asset can affect decision making within an entity) and nature of the business of the entity (entities engaged in training, research and hospitality with items and tools that may not meet the threshold criteria but are judged to be recognised as assets).

14.3.3 Measurement

14.3.3.1 Valuation of tangible and intangible assets at recognition

An item that meets the recognition criteria for noncurrent tangible asset should be measured at cost or fair value where details about the cost are not available for initial recognition.

(a) Cost

The cost of an asset comprise of:

- Its purchase price, net of discounts and rebates, but including any import duties and non-refundable purchase taxes;
- Any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (measured at present value if the effect of discounting is material), to the extent that there is an obligation to incur these costs.

Examples of directly attributable costs include:

- Costs of site preparation;
- Initial delivery and handling costs;
- Installation and assembly costs;
- Costs of testing whether the asset is functioning properly;
- Borrowing costs that are directly attributable to acquisition, construction and production of assets;
- Professional fees such as legal fees for processing sale and transfer agreements; and
- Costs of employee benefits arising directly from the construction or acquisition of the item of PP&E;
- Costs that are excluded from capitalization as an asset, and therefore not recorded in the asset register, include:
- Costs of opening a new facility such as opening and completion ceremonies;
- Costs of introducing a new product or service (including costs of advertising); and
- Administration and other general overhead costs such as internal labour incurred on construction.

Illustration

During the physical verification conducted on 30 June 2014 at MINECOFIN, a photocopy machine is identified but has never been entered into the asset register. The invoice for the machine is traced and the following information is collected:

Date of purchase: 1 July 2010
Price: Frw 900,000

The policy of GoR is to depreciate ICT and other equipment over a 5 year period. MINECOFIN has used modified cash accounting and will, in 2014, ensure that all non current assets are included in its asset register. The transaction will be updated in the asset register as follows:

(i) Cost of Photocopy machine	Frw 900,000
(ii) Accumulated depreciation	Frw 720,000
(iii) Net Book Value	Frw 180,000

The asset register will, apart from the other information required, include as above both the cost, the accumulated depreciation information and the net book value of the asset.

(b) Fair Value

Fair value should be used in the following circumstances if and only if cost cannot be reliably measured:

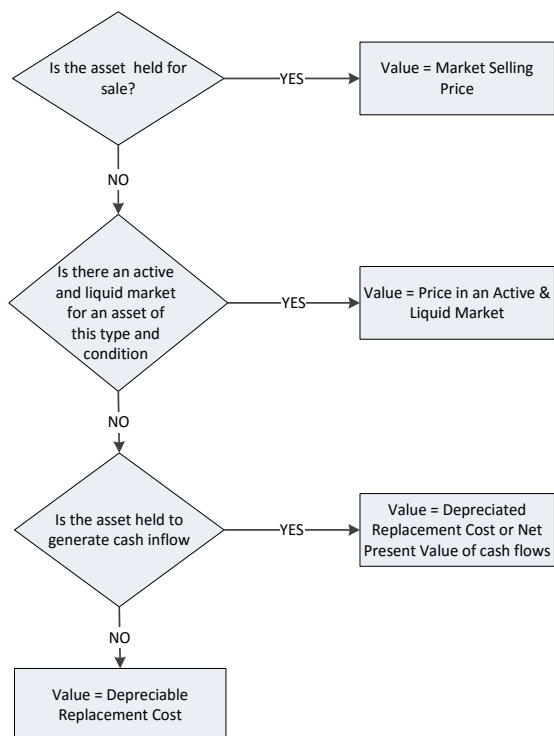
- i. Assets that have an active market with quoted prices, for example, land, building motor vehicle and other movable assets.
- ii. Assets that were acquired at no cost (capital grants) or at nominal cost and whose fair value can be reliably measured.
- iii. Previously unreported assets whose cost details cannot be obtained and these need to be included in the asset register.

Fair value will be determined in the following three ways:

- i. Open market value- where there is an active and liquid market for assets similar in type and condition, or
- ii. Depreciated replacement cost- which takes into account changes in technology and any major differences between actual asset and a similar new asset, or
- iii. Net present value of cash flows – applicable only to public sector agencies that operate on a commercial basis.

Note: Under the current accounting framework (Modified accrual basis of accounting), the above transaction would not be recorded because it was initially recorded when the machine was purchased by debiting the appropriate asset expense account with the total cost.

Determination of fair value



14.3.3.2 Measurement of noncurrent tangible assets after initial recognition

Assets shall be measured using the two valuation models for noncurrent assets as per the IPSAS and IFRS reporting frameworks:

- The Cost Model; and
- The Revaluation Model

Cost Model requires that after recognition as an asset, an asset shall be carried at cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation Model: the valuation of assets

is continually reviewed to reflect the fair market value as much as possible. After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Current Accounting Framework – Modified Accrual Basis of Accounting

All assets are expensed and depreciation is not charged but shall be computed and recorded in the asset register.

The recommended valuation model for noncurrent assets for purposes of updating the asset register, is that:

- Assets should be valued at initial (historical) cost paid to acquire them;
- Depreciation should be charged periodically to reflect the written down value of the asset;
- Revaluation would be permitted, with some restrictions.

14.3.3.3 Ongoing valuation considerations

Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

In practice, if the market is volatile, revaluations should be made every year. If changes in fair value are insignificant, assets may only be valued every ten years.

If an item of Property Plant and Equipment is revalued, the entire class of Property Plant and Equipment to which that asset belongs should be revalued and the asset register updated accordingly.

Under the current accounting policies, no accounting entries are to be raised for revaluations

Independent professionally qualified experts should be used to undertake revaluation of land and building. However, for movable assets, in-house revaluations may be undertaken with guidance provided in sub-paragraph 14.3.3.4 on fair value.

Illustration: Accounting treatment for Revaluation

Assume that a building is purchased for Frw 400,000,000 on 1 July 2010 and depreciated at a rate of 2% (Frw 8,000,000) per year. On 1 July 2013 RHA values the building at a gross replacement cost of Frw 500,000,000. The carrying value as at 1 July 2013 will be Frw 384,000,000 (Frw 400,000,000 – Frw 16,000,000 [two years depreciation charge]). The asset register will be updated as follows:

Step 1: Restate the cost to the gross revalued amount

Add to the Value of the Building Frw 100,000,000
Being restatement of cost to gross revalued amount by the amount of the revaluation

Step 2: Restatement of accumulated depreciation

Add to the Accumulated depreciation by Frw 4,000,000
Being restatement of accumulated depreciation
(2% x 2 years x [500,000,000 – 400,000,000])

The carrying amount of the building in the asset register after revaluation will be as follows:-

Revalued cost	(a) Frw 500,000,000
Less: Adjusted Accumulated depreciation	(b) Frw 20,000,000
Adjusted carrying value	Frw 480,000,000
Notes Revalued cost (a) = gross revalued replacement cost Adjusted Accumulated depreciation (b), Frw 20,000,000 = Accumulated Depreciation before revaluation (16,000,000) + Restated Accumulated Depreciation (4,000,000)	

14.3.3.4 The valuation process

There shall be an internal valuation team which shall comprise of the technical officers in charge of operating and managing the assets, the procurement officer who is conversant with the market prices and the accountants.

The team will be formed to value assets that have never been assigned values and donations that do not have historical costs.

In conducting the valuation process, the team shall use the following criteria:

- Historical cost basis (as explained in sub-paragraph 14.3.3.1(a))
- Open market values (as explained in sub-paragraph 14.3.3.1 (b))
- Depreciated Replacement Cost (as explained in sub-paragraph 14.3.3.1 (b))
- Net Present Value of Cash Flows (as explained in sub-paragraph 14.3.3.1 (b))

Where the internal team is not in a position to carry out the valuation, for example, in the case of complex assets, an external valuation can be carried out with the use of a qualified external valuer.

14.3.3.5 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset and as result included in the asset register.

A qualifying asset is an asset that necessarily takes a substantial period of time to get commissioned for its intended use or sale. A time period of 12 months is a substantial period of time.

In case any borrowing costs, for example, interest on loan etc. can be identified with the asset, they should be capitalised. The general test for determining whether borrowing costs can be identified with an asset is to ask the question, "Would these borrowing costs have been avoided if the costs on the qualifying asset had not been incurred?"

As per IPSAS 5 / IAS 23 guidelines, the capitalization of borrowing costs should commence when:

- costs for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress

Capitalization of borrowing costs should be suspended during extended periods in which active development is interrupted, and expensed. Capitalization of borrowing costs should cease when substantially all activities necessary to prepare the asset for its intended use or sale are complete.

The capitalization of interest cost shall be applicable only for new assets being devel-

oped / constructed by a public institution. This principle should not be applied for valuation of existing assets for the purpose of updating the asset register.

Illustration

EWSA has taken a loan from Bank of Kigali for the construction of a water dam which will take three years to complete. The total interest on loan at the end of the three years is Frw 20 million spread across the three years. The total cost of constructing the dam (labour and material) is estimated to be Frw 300 million.

Initial recognition: The total cost of the dam will be arrived at by adding the borrowing costs of Frw 20 million to the construction costs of 300 million; hence the dam will be measured at Frw 320 million which shall constitute the carrying amount in the asset register and balance sheet of EWSA. If the institution is a general government entity, that amount would be expensed accordingly but also capitalized and included in the asset register inclusive of the borrowing costs.

14.3.3.6 Assets constructed by public entities

Entities may construct some of their assets (e.g. infrastructure assets) themselves. The cost of a self-constructed asset is determined using the same principles as for an acquired asset. The cost of a constructed asset shall comprise of the following:

- i. Labour and material
- ii. Detailed design costs (except for feasibility analysis)
- iii. Installation and commissioning costs
- iv. Use of own assets in construction (limited to depreciation over duration of use),
- v. Freight
- vi. Legal fees
- vii Warehousing costs (for construction material)
- viii. Initial consumables (e.g. initial set of tyres for a vehicle)
- ix. All other costs required to bring that asset to its proper working condition and location for intended use (excluding training on use of the new asset, should this be required).

In short, all direct and indirect construction costs should be capitalised and included in the asset register. Overheads should not be included in the cost of a self-constructed asset, unless they are incremental.

Illustration

In a case where a public institution constructs the asset itself (school building, primary health clinic, etc.), the cost of construction of that building and other costs which are directly attributable should be taken into consideration in arriving at the value of the building. This means that all the material costs of construction, payments made to the various contractors, etc., should be included.

For example, EWSA completed the construction of a water dam and incurred the following expenditure:

Expenditure	Supplier	Frw
Excavation costs	BB Earth Movers	1,850,000
Survey costs	Sitecom surveyors Limited	2,800,000
Consultancy fees	Antony Brown	2,750,000
Salaries and wages	Construction workers	6,000,000
Concrete and ballast	Quarry Kigali	34,000,000
Supply of pumps	Davies & Shirtliff	25,000,000
Total		72,400,000

Accounting treatment

Supplier	Frw	Frw
Debit: Water dam	72,400,000	
Credit: ABB Earth Movers		1,850,000
Credit: Sitecom surveyors Limited		2,800,000
Credit: Antony Brown		2,750,000
Credit: Construction workers		6,000,000
Credit: Quarry Kigali		34,000,000
Credit: Davies & Shirtliff		25,000,000

Being capitalisation of costs incurred on the construction of the water dam.

Where the construction of the Water dam is undertaken by a general government entity, the above costs incurred would be expensed and also capitalized and included in the asset register.

14.3.3.7 Assets acquired under exchange

There are cases where a public institution may acquire some assets in exchange for some other assets like in the event of a "trade in" transaction. This can happen for instance, when old medical equipment is exchanged for a newer model. Where the assets exchanged are similar, the net book value of the asset (the medical equipment) which is exchanged should be taken, and to it the extra amount that is paid, if any, is added. If instead of an extra payment, a refund is involved, the necessary adjustment will have to be made.

In case of dissimilar assets, the assets acquired should be recognized at its fair value.

Such information would include the condition of the asset, historical cost, number of years in use and the estimated useful lives of the assets being exchanged.

It is of significance to note that this use of Fair Market Value does not invalidate the Historical Cost Concept as it merely determines what would have been the historical cost paid for the asset, but for the exchange transaction.

Scenario 1: Treatment of the exchange transaction under the current accounting framework for the general government entities

RDB gives an old truck (Frw 10,000,000 cost, Frw 7,500,000 accumulated depreciation) for a boat (Frw 10,000,000 cost, Frw 6,500,000 accumulated depreciation). RDB will consider the fair value of the old truck to be Frw 3,500,000 (which is also deemed to be the fair value of the boat). Note that RDB is ready to give up a lorry with a net book value of Frw 2,500,000 in exchange for a boat with a net book value of Frw 3,500,000 which is the consideration that RDB gets in return for this exchange.

The asset register will be updated as follows;

(i) Remove the old truck from the register

Clear the Accumulated depreciation (truck)	Frw 7,500,000
Add exchange value of the Equipment (boat – fair value)	Frw 3,500,000
Clear: Cost of (old truck)	Frw 10,000,000
Record: Gain on exchange and removal of old truck from register	Frw 1,000,000

(ii) Concurrently, the register is updated with the fair value of the boat

Frw 3,500,000

Being the cost of the boat recognised in exchange of the old truck

Note: In the books of account of RDB, no accounting entries are to be passed since no payments or refunds were involved. The gain recognised in the asset register is a memorandum record only for purposes of closing and removing the old truck from the register.

Scenario 2: The exchange transaction may result into a loss

RDB gives an old truck (Frw 10,000,000 cost, Frw 7,500,000 accumulated depreciation) for a boat (Frw 10,000,000 cost, Frw 8,500,000 accumulated depreciation). RDB will consider the fair value of the old truck to be Frw 1,500,000 (which is also deemed to be the fair value of the boat). Note that RDB is ready to give up a lorry with a net book value of Frw 1,500,000 in exchange for a boat with a net book value of Frw 3,500,000 which is the consideration that RDB gets in return for this exchange.

The only difference from scenario 1 is the recognition of the loss of Frw 1,000,000 in the asset register to close and remove the old truck from the register. No accounting entries are passed by the entity.

14.3.3.8 Assets under construction

If an asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after the work-in-progress shall be appropriately capitalised as an asset.

It is best practice to maintain a non-depreciable group in the assets register labelled “work-in-progress” to record all the costs associated with the construction and a separate file where the certificates of completion that have been obtained from the contractor are filed for verification. Progressive costs incurred should be recorded until the assets are complete and ready for use.

Maintaining detailed records for capital projects is vital for traceability of costs and ease of initial valuation.

In most cases, government entities undertake significant capital projects that result in different assets being constructed concurrently. Such assets resulting from complex capital projects may need to be recognised separately in the assets register, for example building a stadium with many assets including roads, building and electrical assets.

Illustration

A piece of land is bought for the development of an administration block for the University of Rwanda. The project starts on 1 July 2010 and is completed on the 30 June 2013. During this time payments were made for the land at Frw 100,000,000, professional fees at Frw 5,000,000 and building materials totalling Frw 300,000,000 spread over the three years. An elevator system was installed in the building at a cost of Frw 80,000,000 while the air conditioning system installed cost Frw 20,000,000.

The above transactions were accounted for during the project by crediting the bank and debiting work in progress as follows (note that this is a summary of all the transactions that were carried out over a period of three years that involve the individual payments to suppliers and contractors):

Debit: appropriate expenditure item	Frw 505,000,000
Credit: Bank	Frw 505,000,000

(Being cash paid to individual suppliers for supply of material and services. All payments being recorded in the asset register as work in progress)

At the end of the project, the work-in-progress amounts to Frw 505,000,000 and the completed asset is distributed into the individual asset items in the asset register from work in progress are as follows:

(i) Land	Frw 100,000,000
(ii) Office building	Frw 305,000,000
(iii) Elevator system	Frw 80,000,000
(iv) Air conditioning system	Frw 20,000,000

(Being transfer of completed works from work in progress to completed assets in the asset register)

In the asset register, the completed asset should be captured in the same categories as those above, with the elevator system and air conditioning forming components of the building. Land should be recorded separately, but linked to the building built on it.

Land is not depreciated. Depreciation on the building and its components will only start on the 1 July 2013 in accordance with the useful lives, as per the depreciation policy of the GoR. During

the period of construction, no depreciation will be calculated on the work in progress. As payments are made, the cost for each component should be noted and accumulated under work in progress for the eventual transfer to the appropriate asset class in the asset register.

14.3.3.9 Donated Assets/Assets arising from Non-Exchange Transactions

Donated assets are assets arising from a non-exchange transaction and they shall be recognised when a public institution gains control of an asset that meets the definition of an asset and satisfy the recognition criteria as specified in sub-paragraph 14.3.2.1.

Donated assets should be valued at current market prices. If market prices are not available then the value should be the explicit costs incurred in providing the resources or the amounts that would be received if the resources were sold. In some cases, the donor and the recipient may view the value quite differently. In this case, the valuation from the viewpoint of the donor should be used.

In case a public institution does not have similar assets, the assets acquired should be recognized at its market value.

The market value of items of assets will be determined from market based research and appraisal. However, government entities have assets for which it may be difficult to establish market value because of the absence of market for these assets. In such cases, the fair value of the item may be established by reference to other items with similar characteristics, in similar circumstances and location.

In the absence of market value the historical cost of donated / gifted assets is NIL and should therefore be valued based on the information received from the donors. Public entities must request for valuation details from the donors prior to receiving any asset.

Accounting treatment for a donated asset valued at Frw 100,000

Current accounting framework – Modified accrual Basis: The accounting entries passed for donations in kind are as follows:

Debit: Appropriate Expenditure Item Frw 100,000
Credit: Appropriate Revenue Item Frw 100,000

(To recognise an asset received as a donation in kind)

Concurrently, the asset shall also be recorded in the asset register.

14.3.3.10 Accounting for expropriated assets

Where an asset has been expropriated it shall be measured at fair value as per the guidelines provided in sub – paragraph 14.3.3.1 (b).

Accounting for expropriated assets shall be determined by whether;

- i. The compensation is awarded in monetary terms; or
- ii. An alternative land/building is given by the government to the determination of monetary compensation

Scenario 1: Compensation is awarded in monetary terms

Suppose RDB agrees with Linksoft Limited to pay him Frw 20,000,000 based on an independent valuation as a just compensation of land in Remera, this transaction will be entered in the asset register and will also be accounted for as follows:

Debit: Land _Expense account Frw 20,000,000
Credit: Bank Frw 20,000,000

(Being compensation paid in cash to Linksoft Limited in exchange of land)

Scenario 2: An exchange of alternative land for expropriated land

Suppose that in scenario 1, RDB reached at an agreement with Linksoft Limited that Linksoft Limited be compensated with an alternative land in Gisozi which has been recorded in the assets register with a net book value of Frw 10,000,000 (cost: Frw 12,000,000 and accumulated depreciation: Frw 2,000,000); No accounting entries shall be raised but the transaction will be updated in the asset register as follows:

(i) Remove the Land (Gisozi) from the register by;
 Clear: Accumulated depreciation – Land (Gisozi) Frw 2,000,000
 Clear: Cost of Land (Gisozi) Frw 12,000,000
 Record: Gain on Land (Gisozi) Frw 10,000,000

(ii) Record the Land (Remera) in the asset register Frw 20,000,000
 (Being in respect of the compensation (Gisozi land) exchanged for expropriated land in Remera)

14.3.3.11 Heritage Assets

Heritage Assets are generally to be valued in the same manner as other Assets. However, they are to be disclosed separately under the Head 'Heritage Assets'. The purpose is to distinguish the assets for their

historical, cultural and / or religious significance and to recognize the restrictions on their use or sale.

Heritage assets include stadia, national archives, reserves, botanical gardens, parks, sports grounds, playing fields, Genocide memorials, historic buildings, archaeological sites, monuments, statues, military and scientific equipment of historic importance, museum and gallery collections and works of art.

Common characteristics of heritage assets include:

- a) they are valued in cultural, environmental, educational or historical terms that is not reflected in a market price;
- b) restrictions on disposal;
- c) their irreplaceable character;
- d) they have a value that often increases over time and;
- e) a very long useful life that is difficult to estimate.

The Government shall not recognise its heritage assets on the statement of financial position but shall record them in the asset register and also disclose in its financial statements (or in another document that is made publicly available) its policy for the acquisition, preservation, management and disposal of heritage assets.

14.3.4 Capitalization Threshold

Public Enterprises should apply materiality in establishing the capitalization threshold for tangible and intangible assets. The threshold shall be approved by the Director General and authorised for use by the Board of Directors. The factors considered in determining the threshold include:

- i. The size of the public institution

- ii. The characteristics of the sector and the nature of operations
- iii. The legislative framework governing the public institution
- iv. The different classes of assets applied by the public institution

Entities in the Central Government and Decentralised Entities shall apply a capitalisation threshold for tangible assets of Frw100,000 which is based on the principle of materiality and shall be applied on the historical cost of the asset (not the depreciated value).

Hence, any asset whose original cost is estimated to be below the capitalisation threshold should be:

- a. treated as an expense i.e. charged to Income & Expenditure account but not included in the asset register since it is not capitalized; and
- b. omitted from the opening Balance Sheet when the entity transitions to the accrual basis accounting.

For the avoidance of doubt, intangible assets shall as much as possible be capitalized by Central Government and Decentralized entities and all costs in respect of intangible assets that meet the capitalization threshold shall also be included in the asset register.

The above provisions notwithstanding all tangible assets below the capitalisation threshold should be recorded in an inventory listing as prescribed in sub-paragraph 14.3.4.1 below.

14.3.4.1 Small and attractive (sensitive) assets

The recording and reporting of capital assets for financial reporting purposes is different from management's responsibility to safeguard noncurrent assets. Government entities should maintain Inventory control over noncurrent assets that do not meet the capitalization thresholds but are sensitive

in nature.

Each public institution should identify those assets that are particularly at risk or vulnerable to loss. Assets so identified that fall below the capitalization policy are considered small and attractive (sensitive) assets. Each entity should develop written internal policies for managing small and attractive (sensitive) assets.

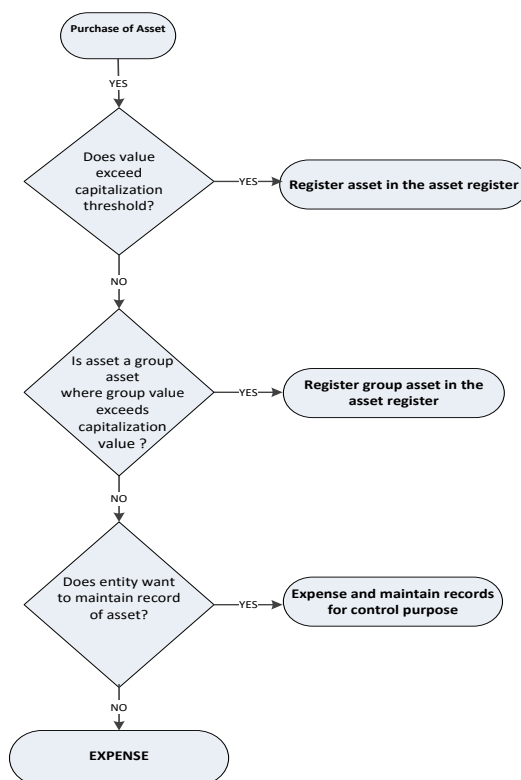
Sensitive Controlled assets: Assets with a value less than the Capitalization Threshold but with important nature. These assets to be recorded (registered) in a listing different from an asset register e.g an office register and their value will not be reflected in the financial statement. This means that

their value is expensed. (Examples include calculators, tape players, telephones, and audio-visual equipment.)

Insensitive Controlled assets: Assets with a value less than the Capitalization Threshold but with no important nature. The value of these assets to be expensed and the assets may not be registered in the office register.

The alternative listing kept to track the sensitive items may be much simpler in design than a standard capital asset listing since it would be focused on description and location instead of cost, useful life or depreciation expense.

Decision Tree for Capitalization Threshold



14.3.4.2 Capitalizing Complex Assets using the Component Approach

A component is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset.

The Component Approach shall be applied where complex assets can be split into significant parts for recording.

Component accounting requires that each such part should be separately accounted for and maintained in the asset register and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts.

Complex assets have major components with significantly different expected useful lives which require replacement at different intervals throughout the life of the system.

It is important to link a component to the main asset in the assets register for the purpose of reporting the value of the main asset (including the components used).

14.3.4.3 Key consideration in determining component of an asset

To satisfy the definition of a significant component of a complex asset, the component must meet all of the following criteria. The component must:

- be separately identifiable and measurable and able to be separated from the complex asset; and
- require replacement at regular intervals during the life of the complex asset to which it relates i.e., its life differs in duration from another component of the complex asset; and
- exceed the asset recognition threshold for the entity; and
- have a significant value in relation to the total cost of the complex asset; and
- have a different estimated useful life

from the complex asset so that failure to depreciate it separately would result in a material difference in the annual depreciation expense for that asset.

(a) Significant Cost

The decision on what is to be treated as a separately depreciable part (component) will depend on the judgement of the entity in terms of materiality and management practices. This policy prescribes that any difference between the value of the part of an asset and the total cost of the complex asset that is greater than 10% shall be considered as material.

(b) Considerable difference in depreciation/useful life

If the value of a part of the asset has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

For example: A Mercedes prime mover truck is made up of a towing engine that costs Frw 45,000,000 and a semi-trailer that costs Frw 20,000,000. The life of the towing engine is about 10 years while the life of the semi-trailer is 20 years. Therefore the semi-trailer should be recognised as a separately depreciable part over its useful life of 20 years while the towing machine should be depreciated over a useful life of 10 years. The two components have a material difference in cost and useful life hence should be depreciated separately.

Examples of complex assets

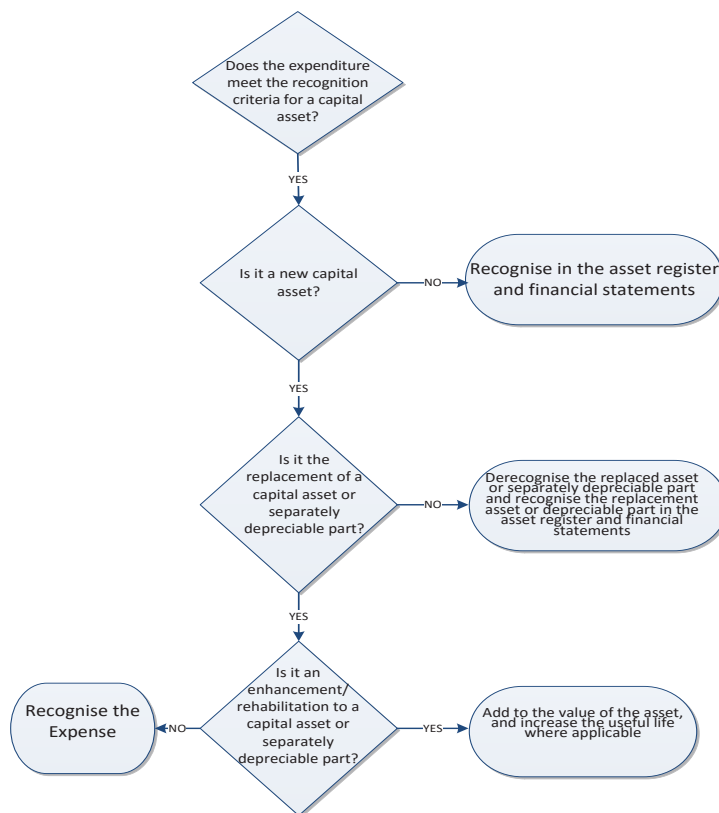
- 1) Specialized motor vehicle: Most vehicles will not have separately depreciable parts. However, for some vehicles, e.g. an ambulance and fire brigades, it is common to split the vehicle from its medical equipment and the water storage/pumps respectively and depreciate the parts separately.
- 2) Land: Land is not depreciated, but each land parcel is treated as an individual asset.
- 3) Buildings: Each freestanding building should be treated as an individual asset. A complex comprising a number of buildings may need to be split according to the individual buildings. Some special purpose buildings that are integrated into the infrastructure should be treated as part of that infrastructure. An office building should be split into separately depreciable components, such as air conditioning units and lifts (elevator systems) as they have considerably different useful lives from the main structure. A building should also be linked to the land parcel on which it is built, even though the assets are reported on separately.
- 4) Infrastructure Assets: An infrastructure network should be broken down into "separately depreciable parts", e.g. segment of road seal, length of pipe, or civil component of a pumping station.
- 5) Water Distribution Network: The components of this type of network may include water reservoirs (dams), water treatment works, major delivery pipes and water distribution systems.
- 6) Aircraft: The aircraft body, the interiors such as seats and galleys and engines of the aircraft would be components of the aircraft.

14.3.5 Subsequent Costs to Capitalization

After the asset has been acquired, certain costs are incurred during its lifetime for maintenance, repair and improvement. The treatment of these expenses often cause confusion as some of them may merit capitalization i.e.

addition to the value of noncurrent assets with the asset register updated accordingly. This section provides guidance on the treatment of such expenses and when the asset register is to be updated.

Accounting for Subsequent Costs



14.3.5.1 Maintenance and repairs

The terms 'maintenance' and 'repairs' generally are used interchangeably. However, they are slightly different.

Maintenance is defined as 'the keeping of property in operable condition'

Repair is defined as 'the restoration of a capital asset to its full productive capacity, or a contribution thereto, after damage, accident, or prolonged use, without increase

in the asset's previously estimated service life or productive capacity'.

Expenses incurred in the maintenance or reinstatement of an asset shall be considered as operating expenses incurred, in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised and therefore not recognised in the asset register, irrespective of the quantum of the expenses concerned.

14.3.5.2 Extraordinary Repairs

Extraordinary repairs are repairs that are incurred infrequently, involve relatively large amounts of money, and tend to increase the economic useful life of the asset in the future. Such repairs result in either greater efficiency or longer life, or both and are represented by major overhauls, complete reconditioning, and major replacements and betterments.

Costs incurred for extraordinary repairs shall be capitalised and accordingly recorded in the asset register because they increase the future economic usefulness of an asset and result in future benefits from the use of the asset.

Note; Under the current accounting framework, the repair cost will be expensed directly as is the case with any non current asset.

Illustration – Repair of a school bus involving the replacement of the engine

The cost of a new engine that is put into the school bus is an extraordinary repair and a major overhaul. This cost should be added to the cost of the bus and should be recorded in the asset register as an addition to the bus.

For example, University of Rwanda (NUR) bought a bus six years ago at a cost of Frw 35,000,000 and the accumulated depreciation as at 30 June 2014 was Frw 21,000,000 (net book value Frw 14,000,000 with a useful life of ten years). The engine of the bus has broken down and the cost of replacing the engine is Frw 8,000,000.

The cost of the bus should be adjusted upward and the asset register updated with the cost of the new engine to Frw 43,000,000 and be depreciated over the remaining useful life as follows:

Cost as at 30 June 2014	Frw 35,000,000
Addition; engine	Frw 8,000,000
Adjusted cost	Frw 43,000,000
Accumulated depreciation as at 30 June 2014	Frw 21,000,000
Depreciation charge after repair (43,000,000/4)	Frw 10,750,000
Accumulated depreciation as at 30 June 2015	Frw 31,750,000
Net Book Value as at 30 June 2015 (43,000,000 – 31,750,000)	Frw 11,250,000

14.3.5.3 Replacements and Improvements

Replacement is defined as the substitution of one noncurrent asset for another, particularly of a new asset for an old, or of a new part for an old part.

An improvement (or betterment) is an expenditure having the effect of extending the useful life of an existing noncurrent

asset, increasing its normal rate of output, lowering its operating cost, increasing rather than merely maintaining efficiency or otherwise adding to the worth of benefits it can yield.

The accounting for replacement, improvement and addition of all the three is substantially the same. Any addition to or improvement to the noncurrent asset that results in increasing the utility or useful life of the asset shall be capitalised and included in the cost of the noncurrent asset in the asset register.

The cost of existing assets that are replaced, together with their related accumulated depreciation accounts, are required to be eliminated from the asset register.

Illustration 1 – Upgrade of the Airport Road from 4 km to 6 km

This is an 'improvement' and would need to be capitalised. However, when the 6 km road is capitalised the existing book value of the 4 km road would need to be eliminated from the asset register. No accounting entries are required under the current accounting framework for the elimination of the existing book value of the 4 km road.

Illustration 2 – Spares that can be used many times over, provided they are rehabilitated after each use, for example bus engines, electrical generators, and pumps. For example, replacement of an old engine (A) with a new engine (B)

These should be treated as capital assets and the asset register updated accordingly. The asset will be depreciated over its extended useful life, whereas the rehabilitated part will be depreciated over its expected duration of use. Thus, the engine taken out (A) of the asset should be fully depreciated in the asset register at the point of removal. The cost of the rehabilitation of the replacement (B) will be depreciated over the duration of use. The replaced engine (A) will be rehabilitated and then be ready to be rotated. The only accounting entries that will be required in this case will be the rehabilitation costs that are expensed as they are incurred.

14.3.5.4 Rehabilitation

Costs incurred to rehabilitate buildings or equipment purchased in a poor/run-down condition with the intention of using them should be capitalised. Normally the acquisition price of a run-down asset is less than that of a comparable new asset, and the rehabilitation expenditures results in future economic benefit. Such costs should therefore be capitalised and included in the asset

register in the same way as extraordinary repairs.

14.3.5.5 Demolition Costs

The cost of demolishing an asset may be categorized as capital or as expense, depending on the facts. If an asset is demolished to clear the site for a new asset to be built in the immediate future, then the expenditure is capitalised as part of the cost of the new asset in the asset register.

If an asset is demolished because it is old and/or useless (and may represent a hazard, nuisance or liability because of its age and condition) and there is no intention to construct or erect a specific new asset on the site of the demolished asset, then policy requires that the demolition is categorized as expense.

Exception: If the cleared area itself becomes a new asset and generates new productive benefit to the entity (for example; new yard space utilized by a tenant), then the demolition expenditure shall be capitalised as a cost of the new asset. If, however, the cleared area does not generate new productive benefit, then the demolition is categorized as expense.

Illustration

RHA buys land that has an old warehouse built therein and incurs Frw 1,500,000 as the cost of demolishing the old warehouse in order to put up a parking yard whose contract price is Frw 35,000,000, then the amount of Frw 1,500,000 shall be capitalised as part of the cost of the parking yard. The parking yard shall therefore be valued and recorded in the asset register at a value of Frw 36,500,000.

Demolition should be carried out in such a way that maximises the salvage value of the item that has been demolished. Sale of items arising out of demolition shall be accounted for as other income and credited to the Statement of financial performance.

14.3.6 Asset Lives and Depreciation of Assets

14.3.6.1 Useful life

The useful life of an asset is defined in terms of the asset's expected utility to the entity. The useful life of an asset may be shorter than its economic life. And the estimation of the useful life of the asset is a matter of

judgement based on the experience of the entity with similar assets and is dependent on:

- Period over which an asset is expected to be available for use by a public institution; or
- The number of production or similar units expected to be obtained from the asset by a public institution.

Factors used to determine the useful life of a tangible asset are:

- Expected use of the asset which is assessed by reference to the asset's expected capacity or physical output;
- Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle;
- Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset; and
- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

The prescribed useful lives for each category of assets are as shown in appendix xxv. In case there are official industry specific rates or prescribed useful rates or items which are depreciated depending to hours of usage, such treatment shall take preference to prescribed useful lives.

Public Enterprises that already have useful lives determined for financial reporting shall continue to apply those useful lives. A change in the useful lives will be a change of estimate requiring prospective adjustment and must be disclosed in accordance

with the requirements of IPSAS 3 and IAS 8 Accounting policies, changes in accounting estimates and errors.

Useful lives for accounting purposes may not necessarily be the same as capital allowances prescribed by the tax laws and the difference between accounting rates and the tax rates result in deferred tax which must be accounted for in line with IAS 12.

14.3.6.2 Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciation charge reflects the consumption of economic benefits and service potential embodied in an asset.

Depreciation is normally charged to expenses. However, when the asset is used to produce other assets, it is included in the cost of those assets produced (e.g. depreciation of manufacturing plant and equipment used in a production process is included in the costs of self-constructed assets or inventories).

Under the current accounting framework, the Central Government which excludes Public Enterprises does not depreciate assets rather the cost is expensed; however, this section demonstrates the appropriate treatment for depreciation to enable the central government and decentralised entities to depreciate the non-current assets for purposes of updating the asset register with the depreciation and accumulated depreciation amounts of the assets. This shall enable the Central Government and Decentralised entities to report on the net book values (NBVs) of their assets directly form the asset register, a step that will be useful in the implementation of the road map for the introduction of the accrual basis IPSAS by the government.

As per IPSAS 17 guidance paragraph 71 and IAS 16 paragraph 55, depreciation of an asset shall begin when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Illustration

MINECOFIN bought a photocopying machine in June 20X2. The machine was delivered 1 December 20X2. However, it was not installed and operational until 1 July 20X3. It is therefore considered to be available for use from 1 July 20X3. If the machine had been ready and available for use when it was delivered, it would have been depreciated from December 20X2 even if it was not actually used until 1 July 20X3. In this case depreciation will commence on 1 December 20X2.

Depreciation of an asset shall cease when the asset is derecognized and removed from the asset register. Therefore, depreciation shall not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

In the case of an idle asset, a public institution should continue to depreciate the asset so long as that asset is available for use. For example, if a public institution stops using a machine because there is a temporary lack of a market for a product made with that machine, it should continue to depreciate the machine.

Depreciation for self-constructed assets should commence only when the asset is completed and brought into service.

Accordingly, an asset should be depreciated over its useful life, regardless of any increase in its fair value or recoverable amount

Illustration

A building that was constructed in the year 1980 at a cost of Frw 150,000,000 is revalued on the 31 December 2010 to a market value of Frw 800,000,000 while the useful life of buildings is fifty years (appendix xv), then the depreciation charge for the year ended 31 December 2011 will be computed as follows:

Useful life of the asset – 50 years	
Years in use of the building – 30 years (2010 – 1980)	
Remaining useful life as at 31 December 2010 is 20 years (50-30)	
Depreciation charge per year before revaluation was	Frw 3,000,000 (150,000,000/50)

Depreciation charge per year after revaluation will be Frw 40,000,000 (800,000,000/20)
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Note: By 31 December 2010, the building has already been depreciated for 30 years and hence it has a remaining useful life of 20 years over which it will be depreciated irrespective of the increase in its fair value.

14.3.6.3 Amount to be depreciated/amortised

The basis for depreciation/amortisation is the depreciable amount. It is the difference between the asset's original cost or revalued amount and its residual value. The depreciable/amortised amount is depreciated over the asset's useful life on a systematic basis.

The residual value of an asset is the estimated amount that the GoR would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and condition expected at the end of its useful life.

In practice, the residual value of an asset is often insignificant, and immaterial in the calculation of the depreciable amount and therefore ignored (guidance provided in IPSAS 17, paragraph 69 and IAS 16, paragraph 53)

In straight line depreciation method, depreciation is charged uniformly over the life of an asset. First, subtract residual value of the asset from its cost to obtain the depreciable amount.

The depreciable amount is then divided by the useful life of the asset in number of accounting periods to obtain depreciation expense per accounting period.

Illustration 1

On 1 July 2010 MINISANTE purchased a vehicle costing Frw 15,000,000. It is expected to have a value of Frw 2,000,000 at the end of 5 years. The depreciation charge in the asset register on the vehicle for the year ended 30 June 2011 will be computed as follows.

Solution:

We will first find the depreciable amount which is Frw 13,000,000 (Frw 15,000,000 cost minus Frw 2,000,000 residual value). Then we divide the depreciable amount by the 5 which is the useful life of the vehicle. This will give a figure of Frw 2,600,000 for the yearly depreciation.

Or by using the formula

Depreciation = Frw 15,000,000 – Frw 2,000,000) / 5 = Frw 2,600,000

Illustration 2

On 22 February 2011 MINISANTE purchased a vehicle costing Frw 15,000,000. It is expected to have a value of Frw 2,000,000 at the end of 5 years. The depreciation charge in the asset register on the vehicle for the year ended 30 June 2011 will be computed as follows.

Solution:

Step 1 - Find the depreciable amount which is Frw 13,000,000 (Frw 15,000,000 cost minus Frw 2,000,000 residual value).

Step 2 - Divide the depreciable amount by the 5 which is the useful life of the vehicle. This will give a figure of Frw 2,600,000 for the yearly depreciation.

Step 3 - Prorate the depreciation charge for the year over the number of days that the asset has been in use (131 days in this case) as follows: $131/365 \times 2,600,000 = \text{Frw } 936,000$

14.3.6.4 Depreciation method

Assets shall be depreciated using the Straight Line Method (SLM) where an equal amount of depreciation will be allocated to each year over an asset's useful life. The assumption of the straight-line method is that the asset is used equally in each year of use.

However under special circumstances and with adequate justification, the Accountant General/Board of Directors can consider and approve an alternative method of depreciation.

Any change in the calculation of depreciation e.g. useful life, residual value, will accordingly require adjusting the depreciation charge of the asset in the asset register.

14.3.6.5 Amortization of intangible assets

In the case of an intangible asset, the term 'amortization' is generally used instead of depreciation. Both terms have the same meaning.

The period of amortization for internally developed intangible assets shall be ten years being the average life of intangible assets. However, in case of items like software

where technological advances will result in a quicker obsolescence, a time frame of five years shall be used or any other period that may be approved by the Board of Directors in the case of Public Enterprises.

The capitalized and amortized amounts of intangible assets shall as much as possible be included in the asset register.

14.3.6.6 Finance Lease/Hire Purchase

A finance lease gives rise to depreciation expense for depreciable assets as well as a finance expense (interest on finance lease) for each reporting period.

The policy for depreciable leased assets is to be consistent with the normal depreciation policy of the public institution for similar assets and depreciation is to be calculated in accordance with sub – paragraph 14.3.6.2, where the asset is held on the books of a public enterprise or recorded in the asset register in the case of Central Government and Decentralised entities.

14.3.6.7 Leasehold Improvements

Where improvements are made to a leasehold property, these improvements must be allocated progressively over the unexpired portion of the lease or the useful lives of the improvements to the agency, whichever is the shorter. The unexpired period of the lease should include any options to extend the lease term when the exercise of the option is reasonably certain.

Illustration

EWSA has leased office space for a period of five years and has put up office partitions that cost Frw 12,000,000. The office partitions shall be recognised as leasehold improvements because they have been put on an office space that has been leased. In addition, the office partitions have a useful life of ten years.

These leasehold improvements (Office partitions) shall therefore be depreciated over five years (unexpired lease period) being the shorter period as compared to the useful life of the office partitions.

14.3.6.8 Assets not depreciated or amortized

The following assets shall not be subject to depreciation or amortization.

- Land; it has unlimited useful life with some exceptions, such as quarries and sites used for landfill (refer to IAS 16 paragraph 56 / IPSAS 17 paragraph 74).
- Noncurrent assets classified as held for sale or while they are part of a disposal group classified as held for sale (refer to IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations, paragraph 25).
- Items held under an operating lease where the operating lease payments are treated as an expense because the title of the asset does not eventually transfer to the lessee (refer IAS 17 Leases, paragraph 33 / IPSAS 13, paragraph 42).
- Intangible assets with indefinite useful life such as patents and copyrights since they have indefinite useful lives (refer IAS 38 paragraph 107 / IPSAS 31, paragraph 106). For Central Government and Decentralised entities, no intangible assets shall be amortized since they are not to be capitalized under the current accounting framework.
- Investment property which are accounted for under the fair value model (refer IAS 40 Investment Property paragraphs 33 and 35 / IPSAS 16, paragraph 42-64).
- Heritage and cultural assets with indefinite lives i.e. where their service potential is not expected to diminish with time or use.
- Biological assets comprising of plants and animals; they are measured at fair value (refer to IAS 41 / IPSAS 27)
- Assets under construction, as depreciation only begins when an asset is available for use i.e. in the location and

condition necessary for it to be capable of operating in the manner intended by management (refer IAS 16, paragraph 55 / IPSAS 17, paragraph 71).

14.3.6.9 Indefinite useful life

There are cases where an asset can have indefinite useful life. These are cases where there is no foreseeable end to the period over which future economic benefits are expected to be utilised from the asset. Such an asset is expected to be maintained indefinitely in close approximation to its present value.

Land and some heritage assets are normally considered to have indefinite useful lives while buildings normally have a finite useful life.

14.3.7 Impairment of Assets

Impairment is defined as a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Assets shall not be overstated in the asset register. Consequently, an asset's carrying amount in the register shall not exceed its recoverable (service) amount. If the systematic reduction in the asset's value through depreciation is not enough to bring the asset's value down to its recoverable (service) amount, an additional reduction in value should be recorded in the asset register.

In other words, if the carrying amount of an asset is more than the amount that is to be recovered through use or sale of the asset, then the asset is said to be 'impaired'. Indications for impairment should be assessed at each reporting date.

Due to the inherent character of its activities, the GoR mainly hold non-cash generating assets, but may also hold cash-generating assets. While cash-generating assets are generat-

ing measurable future economic benefits based on return from commercial transactions, the value of non-cash-generating assets is based on their service potential. Impairment rules are therefore included in two separate standards, IPSAS 21 and IPSAS 26.

In order to determine which standard should apply, it should first be determined whether the asset is held primarily for the purpose of generating a commercial return or rather providing a public service. Judgment is required in making this determination. In case of doubt, it is presumed that the asset serves a public service objective and IPSAS 21 applies.

IPSAS 21 and IPSAS 26 apply to several categories of assets, i.e. property, plant and equipment, intangible assets as well as equity-accounted investments and investments in subsidiaries in the GoR's consolidated financial statements. Specific impairment rules included in other standards apply to other assets such as inventories, receivables and other financial assets.

Cash-generating assets are those that are held to generate a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity.

Non-cash-generating assets are assets other than cash-generating assets

14.3.7.1 Impairment indicators

A public institution should review the carrying value of assets for impairment. The following are impairment indicators:

- For both cash-generating assets and non-cash-generating assets: significant long-term changes that negatively impact the GoR and the manner in which the asset is used, physical damage, indications from internal reporting that the service (for non-cash-generating assets) or economic (for cash-generating assets)

performance is less than expected;

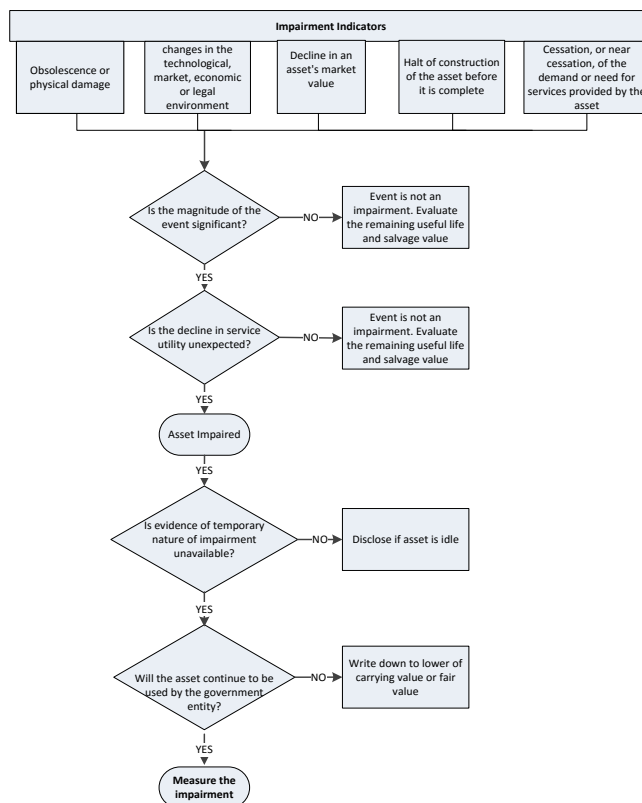
- Significant long-term changes in the operational environment will impact on the future expected use of the asset, e.g. discontinued operations, early disposal or reassessment of useful life.
- Significant decline in an asset's market value more than would be expected as a result of the passage of time or normal use.
- Evidence of obsolescence or physical damage of an asset.
- A decision is taken to halt the construc-

tion of the asset before it is complete or in a usable condition.

- There is cessation, or near cessation, of the demand or need for services provided by the asset.
- For non-cash-generating assets; services provided by the asset no more needed.

Where impairment indicators are found to exist, then a recoverable amount test is undertaken and where necessary an impairment loss is recognised in the asset register as illustrated in the impairment decision process below:

Impairment Decision Process



Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount in the asset register and the reduction shall reflect the impairment loss.

The impairment reduction shall not be recognised in the financial statements for the central government and decentralised entities under the current accounting framework.

Examples of cases of impairment

- Rwanda Housing Authority owns a building that it rents to external parties, and there is a significant decline in market rental income.
- New environmental legislation is passed that restricts the use of certain landfill sites.
- New technical evidence shows that a certain type of underground pipe has a significantly shorter useful life than expected.
- High rainfall has damaged the Nyabugogo road and its associated infrastructure.
- New wireless technology has been developed that will make certain wire-based computer networks obsolete.

14.3.7.2 Impairment test process - step 1: identify whether an asset is impaired

The GoR must only perform an impairment test if - and only if - indicators of impairment exist.

Impairment test process - step 2: determine the recoverable (service) amount

An asset is impaired when its carrying amount exceeds its recoverable service amount (for a non-cash-generating asset) or its recoverable amount (for a cash-generating asset).

The recoverable (service) amount of an asset is defined as the higher of its:

- Fair value less costs to sell; and
- Value in use.

It is presumed that the GoR will behave in a rational way: if the fair value less costs to sell is higher, the GoR will sell the asset while, if it is the value in use which is higher, the GoR will continue to use the asset.

Note: as many public sector non-cash-generating assets are held on an ongoing basis to provide services or public goods to the community, the value in use of the asset is likely to be greater than its fair value less costs to sell.

Fair value less costs to sell

Fair value less costs to sell is the amount that can be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, after deduction of the costs of disposal.

To determine this amount, the GoR should consider in descending order: the price included in a binding sale agreement, the market price of the asset when it is traded on an active market, and the best information available, including reference to similar recent transactions.

Value in use

Value in use represents the amount that the GoR will receive if it continues to use the asset. For a non-cash-generating asset, it is the present value of the asset's remaining service potential. For a cash-generating asset, it is the present value of the estimated future cash flows, derived from the continuing use of the asset and its sale at the end of its useful life.

For non-cash-generating assets

To determine the remaining service potential of an asset, either of the following approaches is used, as appropriate in the given circumstances:

- Depreciated replacement cost (DRC) approach: this is the cost to reproduce or replace the gross service potential of the asset (whichever is the lower), depreciated to reflect the asset in its used condition. The replacement or reproduction cost does not include any overcapacity not needed to meet the demand for goods or services the asset provides.
- Restoration cost approach: this is the DRC (before impairment) less the esti-

mated restoration cost.

- Service units approach: the DRC (before impairment) is reduced to the number of service units expected from the impaired asset.

The choice of an approach depends on the availability of information and the nature of the impairment:

- Impairment due to physical damage of the asset: use restoration or DRC approach;
- Impairment due to long-term change in the use of the asset: use service units or DRC approach; and
- Impairment due to external indicators: use DRC or service units approach.

For cash-generating assets

To determine the asset's value in use, the following needs to be done:

- *Estimate the future cash flows.*
The estimates should be based on the most recent budgets/forecasts approved by management as well as on reasonable and supportable assumptions, using an expected cash flows approach (i.e. weighting possible outcomes by their associated probabilities). Projections beyond the period covered by the most recent budgets/forecasts (five years maximum) should be extrapolated to calculate a terminal value. The growth rate used in making these extrapolations should not exceed the average growth rate for the industry, product or location in which the GoR operates or for the market in which the asset is used.

As future cash flows should be estimated for the asset in its current conditions, the future cash inflows and outflows that will arise in relation to a future restructuring to which the GoR is not yet committed, or as a consequence of future

capital expenditure, should be ignored.

Factors such as illiquidity should be considered in assessing the cash flows expected to be derived from the asset.

- *Determine the discount rate to be used to calculate the present value of the estimated future cash flows.*

The discount rate should be a pre-tax rate that reflects the time value of money and the risks specific to the asset for which the future cash flows estimates have not been adjusted.

Cash-generating units

In practice, it is seldom possible to determine the cash flows generated by a single asset. Cash flows are therefore estimated for the lowest level of the GoR for which cash flows can be determined independently of the cash flows generated by the other assets of the GoR. That smallest identifiable group of assets held with the primary objective of generating a commercial return and capable of generating independent cash flows is called a cash-generating unit (CGU).

In such case, the cash flows are estimated for the CGU as a whole, based on the internal management reporting and budget process.

In identifying CGUs, management considers how management monitors its operations and how it makes decisions about continuing or disposing of the GoR's assets or operations.

14.3.7.3 Impairment test process - step 3: calculate and recognize the impairment loss, if any

An impairment loss shall be recognized and recorded in the asset register in the case of the Central Government and Decentralised entities if - and only if - the asset's recoverable (service) amount is less than its carrying amount (i.e. if it is not sufficient to support its carrying amount).

If the present value of the asset's remaining service potential, estimated future cash flow or market value exceeds its carrying amount, the asset is not revalued if the cost model is used in ascertaining the recoverable amount for assets. The objective of the impairment test is to ensure that the carrying amount of the asset is not overstated; the test is not intended to identify any potential revaluation.

Carrying amount and impairment loss of a cash-generating unit

When cash flows are determined at the level of a CGU, the resulting recoverable amount must be compared to the carrying amount of the long-term assets that are part of that CGU.

The impairment loss is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit.

Impact on future depreciation of a tangible asset.

After the recognition of the impairment loss, the depreciation of the asset is adjusted prospectively to distribute the asset's new carrying amount, less its residual value, systematically over its residual useful life.

14.3.7.4 Impairment test process - step 4: review the recoverable amount and reverse the impairment loss if justified

The conditions that led to the impairment should be reviewed at each reporting date. If justified, the impairment loss should be reversed and the reversal recorded in the asset register accordingly.

The reversal should not lead to an asset's carrying amount which exceeds the net carrying amount that would have been obtained following the systematic amortization or depreciation plan for the asset.

Transfer from cash-generating to non-cash-generating assets

The reclassification from non-cash-generating assets to cash-generating assets or vice-versa is possible and allowed only when facts are clearly supporting this re-designation. An impairment testing is not mandatory upon re-designation. The net book value of the asset at the time of the re-designation is considered as the basis of accounting going forward.

Illustration

MININFRA purchased an earth mover for Frw 200,000,000 in July 2010. MININFRA depreciates earth movers at 10% using the straight line method with a nil residual value. At 30 June 2013 the net selling price of the truck is Frw 100,000,000 while the value in use (fair value) is estimated at Frw 80,000,000. Determine whether impairment has occurred.

The net book value (carrying amount) of the truck at 30 June 2010 is:

Cost	Frw 200,000,000
Less: accumulated depreciation	
Year end 30/06/11 (10% x Frw 200,000,000)	20,000,000
Year end 30/06/12 (10% x Frw 200,000,000)	20,000,000
Year end 30/06/13 (10% x Frw 200,000,000)	20,000,000
	Frw 60,000,000

Net book value at 30/06/13 Frw 140,000,000

Recoverable amount is higher of:

Net selling price	Frw 100,000,000
and	
Value in use	Frw 80,000,000

i.e. Net selling price Frw 100,000,000

Revised carrying amount is lower of:

Net Book value amount	Frw 140,000,000
and	
Recoverable amount	Frw 100,000,000

i.e. Recoverable amount Frw 100,000,000

As the recoverable amount is Frw 100,000,000, there has been an impairment of Frw 40,000,000 (i.e. carrying amount of Frw 140,000,000 less Frw 100,000,000).

14.3.7.5 Disclosure requirements for impairment

Key disclosures that should be put in the financial statements or any other document that may be publicly available include:

- the criteria developed by the GoR to distinguish cash-generating from non-cash-generating assets;
- the amount of (reversals of) impairment losses recognized in surplus or deficit of the period, by class of assets;

- for each material impairment loss recognized or reversed during the period: explanation for the reason of the (reversal of) impairment, the segment to which it belongs, whether the recoverable (service) amount is the fair value less costs to sell or the value in use (and, in the latter case, the approach used);
- information on the discount rate and other assumptions used in calculating the recoverable amount of cash-generating assets;
- a sensitivity analysis about the impairment calculations made.

14.3.8 Writing off of Assets

14.3.8.1 Accounting for Disposal/De-recognition of an asset

The disposal process of the assets for public entities shall be guided by the provisions of Law N° 50/2008 of 09/09/2008 determining the procedure for disposal of state private assets. This law provides the procedures to be followed by public institutions and entities in instances where they want to dispose their assets.

The procedure underlying the disposal of assets has been given under the appropriate legislation and procedures as prescribed in paragraph 14.1.2.

Noncurrent tangible assets should be eliminated from the asset register on disposal or when the capital asset is permanently withdrawn from use and no future economic benefits or potential service delivery is expected from its disposal.

Accounting for disposal will occur when an asset is sold, donated, transferred or derecognized due to initial error in recording of the asset.

Gains or losses arising from the retirement or disposal of a capital asset should be determined as the difference between the net

disposal proceeds and the carrying amount of the capital asset, and should be recognised and recorded in the asset register in the case of the Central Government and Decentralised Entities.

Under the current framework for the Central Government and Decentralised Entities – modified accrual basis

Disposed assets should be removed from the assets register and the disposal proceeds recognized as income (proceeds from disposal of assets).

Debit: Bank

Credit: Proceeds from disposal of assets

No accounting entries are to be passed when assets are donated, transferred or derecognized due to initial error in recording of the asset.

Under IFRS for the Public Enterprises

The treatment of disposal under the IFRS shall be as follows:

A generator is sold for Frw 2,000,000. The cost of that generator is Frw 5,000,000 and its accumulated depreciation is Frw 4,000,000.

To record the disposal of an asset:

Debit: Bank Frw 2,000,000

Credit: Sale Proceeds (Revenue) Frw 2,000,000

(To record derecognition of the asset and its removal from the asset register.)

Debit: Accumulated Depreciation Frw 4,000,000

Credit: Asset Frw 5,000,000

Debit: Sale Proceeds (different a/c to above) Frw 2,000,000

Credit: Loss/Gain on Sale of Asset (gain) Frw 1,000,000

(Being gain on sale of a generator)

The loss or gain is the difference between the proceeds and the carrying amount of the assets (cost less accumulated depreciation).

Note: A debit represents a loss while a credit represents a gain.

14.3.9 Important guidelines for the maintenance of the asset register under the current accounting framework for the Central Government and Decentralised Entities .

14.3.9.1

As prescribed in Section 3.2 of this manual and under the modified accrual basis of accounting, noncurrent assets shall be recorded as “expenses” during the period of purchase but shall also be capitalised and recorded in the asset register in the case of the tangible assets. No depreciation charges shall be recognised in the financial statements but shall be recorded in the asset registers for purposes of ensuring that up-to-date net carrying amounts of the assets can be readily obtained from the asset registers.

14.3.9.2

The following are guidelines that shall apply in maintaining the asset register for the tangible assets of the Central Government and Decentralised Entities:

1. **Identification of assets** - a complete list of assets should be obtained from the assets register. However, for the assets register to provide complete and accurate information, the assets register should be maintained as described in **appendix xxvi** and reconciled annually after the annual physical verification of assets;
2. **Verification of assets (see appendix xxvii)** – It is recommended to conduct a comprehensive physical verification of assets in case the current identification initiatives either missed out existing assets or included assets which do not belong to the public institution. This can also be done through test checks or verifications to confirm the accuracy of asset records if the annual physical verification of assets was recently conducted and well reconciled to asset records (see form under **appendix xxviii**);
3. **Valuation of assets included in the asset register** – This shall require the determination of appropriate net book values (using historical cost) or fair value for all tangible assets under the control of a public entity; It is therefore a mandatory requirement for the public entities to maintain the asset register as prescribed in appendix xxvi.
4. **Maintenance and updating of the Asset Register** – The details of all tangible assets identified must be recorded in the Asset Registers in line with the guidance provided in appendix xxvi through which these registers are continually updated with the depreciation charges, impairment losses, any revaluations, additions, modifications or disposal of these assets.

14.3.9.3 Valuation of existing assets to be included in the asset register for the first time.

The purpose of a valuation is to determine

a reasonable estimate of the book value for the purpose of updating the asset register with any capital items that are missing in the register.

The valuation process has to be carried out for the identified assets as on a particular date (for example on the last day of the previous financial year, say 30 June 2018). All references to valuation should be made with respect to this date.

Some assets may be difficult in identifying, for example, underground drainage systems cannot easily be identified while preparing the assets register.

On the other hand, other assets may not have a resale value, for example, roads and bridges which have been constructed cannot be disposed, sold nor reused. Valuation at a nominal value (Frw 100,000) shall be applied for maintaining such assets on the assets register. Hence the main objective here is to ensure that the assets are identified and correctly recorded despite the nature of the asset.

14.3.9.4 Valuation of purchased/constructed assets

The following considerations shall also be taken into account when valuing existing purchased/constructed assets identified as missing in the asset register that should be updated accordingly:

1. If both the cost and date of purchase/ construction is available / ascertainable the asset shall be valued at original cost less depreciation provided from the date of purchase / construction to the date of valuation. This method is called the historical cost approach.
2. If cost is not available / unascertainable but the date or year of construction/ purchase is ascertainable valuation can be ascertained from relevant records of the RHA or transaction value of a parcel

of land in the similar area around the estimated year of transaction.

3. If the asset has outlived its estimated useful life, then it will be valued at Frw 100,000. Estimation of useful life will be based on the schedule of useful lives provided in **appendix xxv**.
4. If the asset has not outlived its useful life, then valuation will be done based on **Depreciated replacement cost**. Thereafter, the value will have to be depreciated based on the recommended rate of depreciation in order to arrive at the Estimated Book Value of the asset, which will be carried to the asset register.
5. If the asset is beyond its estimated useful life, it will be valued at Frw 100,000.
6. In case it is impossible to assess the year of purchase / construction or the asset is **unique in nature**, not appearing in the standard list, its valuation will have to be done on a case by case basis after taking into account the condition and obsolescence factor. A public entity may use specialist valuers to assess the value of such assets.

Illustration on the use of Depreciated Replacement Cost

Depreciated replacement calculation is summarised in this formula: **DRC = CRC x RUL / EUL**

Where CRC - Current Replacement Cost,
RUL - Remaining Useful Life and EUL - Expected Useful Life

Illustration

The Current Replacement Cost (CRC) of a fire engine could be Frw 100,000,000 based upon quotes for a vehicle with the same functionality. If the fire engine is half way through its Expected Useful life (EUL) of 20 years then its Remaining Useful Life (RUL) will be 10 years.

Current Replacement Costs	CRC = Frw 1,000,000
Expected Useful Life	EUL = 20 years
Remaining Useful Life	RUL = 10 years

In terms of the formula the fire engine's
depreciated replacement cost will be Frw 50,000,000
Depreciated replacement cost
DRC = Frw 100,000,000 x 10 years / 20 years = Frw 50,000,000

14.3.9.5 Asset received as a donation

If the asset was received as a donation it shall be valued as per the guidelines provided in sub-paragraph

14.3.3.4 .

All particulars of the asset should be recorded in the assets register.

14.3.9.6 Historical Cost Based

Where the details of purchase are available (this will usually happen in case of recent years' assets), the amount of purchase cost and date of purchase would be available. In such a case valuation should be done as follows:

1. Determine Historical cost as on the date of purchase (refer previous chapter for details). Determine depreciation till valuation date (this is covered subsequently).
2. Deduct depreciation (2) from historical cost (1) to arrive at the book value on the date of valuation.

This is the recommended method for computing the historical cost of the asset.

Although policies for capitalizing assets require inclusion of ancillary expenses such as borrowing cost, these require significant analysis and are elaborate. Unless the amount of such expense is likely to be significant, they can be ignored for valuation of existing assets to be included in the asset register.

Illustration on use of Historical Cost Method

A public institution determines that a Concrete Tank was constructed at a cost of Frw 3,500,000 and started operation on 01 January 2012. The Historical Cost based Valuation on 31 December 2013 would be as follows:

Historical Cost 3,500,000
Less: Depreciation* 1,400,000
Book Value on 31.12.2013 2,100,000 *

Depreciation is calculated on the Original Cost for 2 years (2012 and 2013) @ 20% p.a. of Historical Cost.

14.3.9.7 Valuing Ongoing Construction

The information with regard to Ongoing Construction shall have to be prepared from the records such as the Bills of Quantity. Since these assets would be under construction on the prescribed date, it should be easier to identify these assets and then to determine their costs.

Costs should be booked based on the gross amount of payments made and pending bills received by the entity pertaining to work done at a cut-off date.

Borrowing costs incurred in financing ongoing constructions will also be included if it satisfies the requirements as detailed in sub – paragraph 14.3.3.5.

14.3.9.8 Valuing Intangible Assets

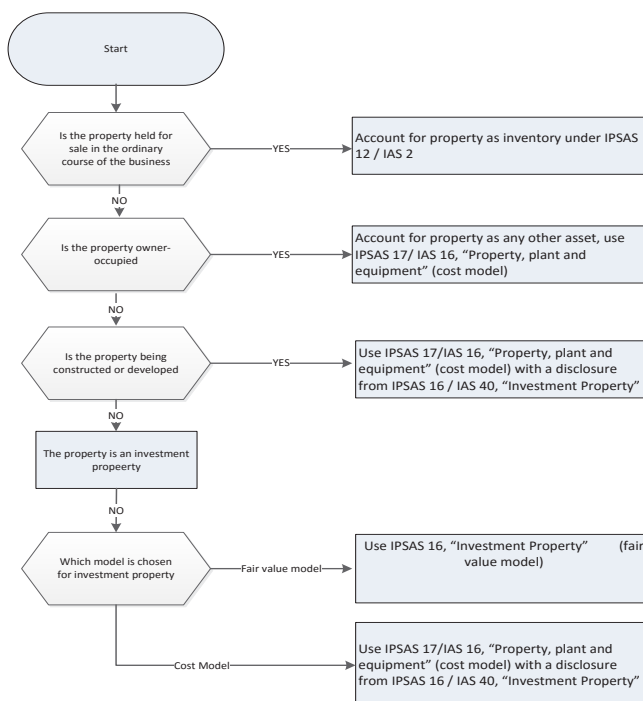
Owing to the current accounting framework requiring that all non-current assets

are to be expenses, the valuation of intangible assets shall not be necessary as these cannot be capitalized and included in the asset register after they have been expensed.

14.3.10 Investment property**14.3.10.1 Definition**

Investment property shall comprise land or buildings (or parts of buildings) or both held by government entities, as the owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment property shall be recorded in the assets register in the same manner as other assets, but a separate section of the assets register shall be maintained for this purpose.

Investment Property Decision Tree

14.3.10.2 Property not qualifying as an investment property

1. Property may be held to meet service delivery objectives rather than to earn rental or for capital appreciation. In such situations the property will not meet the definition of investment property and will be recognised as Property, Plant and Equipment, for example:
 - a) property held for strategic purposes; and
 - b) property held to provide a social service (e.g. affordable housing), including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property.
2. Property that is leased to and occupied by its parent or another subsidiary or controlled agency, the property does not qualify as an investment property. For example, property that has been leased by RHA to EWSA will not qualify as investment property.
3. Buildings that are leased principally to other State Government agencies are not to be classified as investment property in the agency's asset register.
4. Property that is held with an intention to sell, or to develop and sell, in the ordinary course of business does not qualify as investment property. In such instances, the property is considered to be inventory and therefore shall not be included in the asset register.

14.3.10.3 Recognition

Recognition criteria are similar to those for other tangible noncurrent assets addressed under sub – paragraph 14.3.2.1

14.3.10.4 Measurement at recognition

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes; for example, professional fees for legal services, property transfer taxes and other transaction costs.

The cost of an investment property is not increased by:

- a) start-up costs (unless they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by management),
- b) operating losses incurred before the investment property achieves the planned level of occupancy, or
- c) abnormal amounts of wasted material, labour or other resources incurred in constructing or developing the property.

14.3.10.5 Measurement after recognition

The investment property is measured at fair value at each reporting date with all changes in fair value recorded in the asset register. The fair value of investment property reflects market conditions at the reporting date.

Investment property shall not be depreciated, but shall be annually fair valued in the asset register to determine their fair (market) value.

If the entity resolves to construct or develop a property for future use as an investment property, such property shall in every respect be recorded in the asset register as an ordinary asset until it is ready for its intended use – where after it shall be reclassified as an investment property.

The fair value of investment property reflects, among other things, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions.

Fair value also reflects, on a similar basis, any cash outflows (including rental payments and other outflows) that could be expected in respect of the property.

The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts. An entity takes care to identify any differences in the nature, location or condition of the property, or in the contractual terms of the leases and other contracts relating to the property.

In the absence of current prices in an active market, an entity considers information from a variety of sources, including:

- i. Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- ii. Recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- iii. Discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of

the cash flows.

In determining the carrying amount of investment property under the fair value model, an entity does not double-count assets or liabilities that are recognised as separate assets or liabilities. For example:

- a. Equipment such as lifts or air-conditioning is often an integral part of a building and is generally included in the fair value of the investment property, rather than recognised separately as property, plant and equipment.
- b. If an office is leased on a furnished basis, the fair value of the office generally includes the fair value of the furniture, because the rental income relates to the furnished office. When furniture is included in the fair value of investment property, an entity does not recognise that furniture as a separate asset.
- c. The fair value of investment property excludes prepaid or accrued operating lease income, because the entity recognises it as a separate liability or asset.
- d. The fair value of investment property held under a lease reflects expected cash flows (including contingent rent that is expected to become payable).

Illustration

RHA constructed a building in Huye District at a cost of Frw 300,000,000 in the year 2013 and it was fully rented out in the year 2014. RHA intends to sell the building after 5 years at a value of Frw 368,027,000.

The following information has been obtained from the management records and market information for a building owned by RHA that has been leased out for office spaces in Huye District. Annual Income – Frw 40,000 Million increasing by 2% per year and cash flows received lump sums at year end. Overall Capitalisation Rate on reversion (end of year 5) – 12% Discount Rate – 5.5% annually

Step 1: Construct the cash flow table for the holding period

	2015	2016	2017	2018	2019	Reversion
	Frw (Million)	Frw (Million)	Frw (Million)	Frw (Million)	Frw (Million)	Frw (Million)
Annual Income	40,000	40,800	41,616	42,448	43,297	368,027
Less:						
Operating Expenses (17%)	6,800	6,936	7,075	7,216	7,361	-
Vacancy (5%)	2,000	2,040	2,081	2,122	2,165	-
Bad debts (3.5%)	1,400	1,428	1,457	1,486	1,515	-
Net Operating Income	29,800	30,396	31,004	31,624	32,256	368,027

Step 2: Calculate the Net Present value (NPV) for each year

Year	NPV Computation	NPV
2015	29,800 / (1.05) ¹	28,381
2016	30,396 / (1.05) ²	27,570
2017	31,004 / (1.05) ³	26,782
2018	31,624 / (1.05) ⁴	26,017
2019	32,256 / (1.05) ⁵	25,274
Reversion (2019)	368,027 / (1.05) ⁵	288,359
Total NPV		422,383

Notes:

1. Net Operating Income for 2016 = Frw 40,000 x 1.02 (+ 2%). Other years calculated in the same manner.
2. Reversionary value = year six net operating income / Capitalisation rate on reversion (12%) = 44,163 / 0.12 = 368,027

The recording of the investment property in the asset register of RHA will be as follows:

At initial recognition

Transfer to: Investment property Frw 300,000,000
Transfer from: Capital Work in Progress Frw 300,000,000
 Being initial recognition of investment property (Huye Office Block) by transferring the amount from the Work in progress capital item in the asset register to the Investment property item.

After initial recognition (year ending 2014)

Recording of the gain in the Investment property in the asset register Frw 122,383,000
 Being fair value gain on investment property

The property will be carried in the assets register at a value of Frw 422,383,000 (300 million plus 122.383 million)

- End of owner-occupation, in the case of a transfer from owner-occupied property (PPE) to investment property;
- Commencement of an operating lease (on a commercial basis) to another party, in the case of a transfer from inventories (previously held for sale) to investment property; or
- End of construction or development, in the case of a transfer from PPE in the course of construction or development.

14.3.10.7 Valuation at date of change of use

Transfers between investment property, owner-occupied property and inventories will be valued as follows:

- Cost model: the transfer does not change the carrying amount of the property transferred for measurement or disclosure purposes.
- Fair value model: the deemed cost at transfer is the property's fair value at the date of change in use.

When an owner-occupied property becomes an investment property that will be carried at fair value, an entity continues to depreciate the property and to recognise any impairment losses that have occurred in the asset register. The entity treats any difference at that date between the carrying amount of the property and its fair value in the same way as provided for in sub-paragraph 14.3.3.1(b).

14.3.10.6 Transfers

Transfers to, or from, investment property should be made when, and only when, there is a change in use, evidenced by:

- Commencement of owner-occupation, in the case of a transfer from investment property to owner-occupied property;
- Commencement of development with a view to sale, in the case of a transfer from investment property to inventories;

15 Reporting requirements

15.1 Overview

15.1.1 This chapter deals with the financial statements (reports) which are prepared by Public Entities for use by stakeholders.

15.2 Policy on financial reporting

15.2.1 Pursuant to chapter 3 the accounting policies and principles prescribed in sections 3.2 and 3.3 of this manual shall be followed in preparation of financial statements of public entities and shall be modified progressively through circulars issued by the Accountant General to implement the roadmap adopted by the Government to move to the full accrual basis of IPSAS.

15.2.2 The reporting currency shall be the Rwanda Franc.

15.2.3 The accounts or financial statements of the Central Government entities, decentralized entities and public institutions shall record transactions which take place during a fiscal year;

15.2.4 All financial transactions of a public entity shall be coded using the standard chart of accounts approved by the Minister. The standard chart of accounts has been summarized under chapter 6 of this manual and details can be obtained from the standard chart of accounts manual issued by the Minister.

15.2.5 The books of accounts shall be closed every month not later than the 15th of the following month. Any subsequent adjustments relating to the closed period shall be effected by way of adjustment journals in the following periods;

15.2.6 Public entities shall prepare and submit monthly financial reports not later than 15th day of the following month. These reports are referred to as in-year reports and are prepared on a cumulative basis and assume the format of annual reports. The comparative figure for in-year reports shall be, where applicable, those of previous annual financial statements.

15.2.7 The Chief Budget Manager shall prepare and submit to the Ministry annual financial statements within a period of not more than one (1) month from the end of the fiscal year and shall cover the period from 1st July to 30th June with comparative figures, where applicable, that reflect the same period for the previous year.

15.2.8 The publication of the Government information shall be in accordance with policies and guidance provided by the Government relating to dissemination of information.

15.2.9 Public entities shall prepare and submit in year and annual financial reports in the formats provided by the Accountant General.

15.2.10 Upon migration to accrual basis IPSAS, preparation of financial statements shall be in accordance to various IPSAS standards while presentation of financial statements shall be in accordance with IPSAS 1: Presentation of Financial Statements.

15.3 General guidance relating to preparation of financial statements

15.3.1 Financial statements must present fairly the financial position, financial performance and cash flows of an entity to ensure that the users of financial statements are provided with useful information for decision making purposes. The general qualitative characteristics of financial reporting are:

- **Understandability** - The information must be readily understandable to users of the financial statements. This means that information must be clearly presented, with additional information supplied in the supporting notes as needed to assist in clarification.
- **Relevance** - The information must be relevant to the needs of the users, which is the case when the information influences the financial decisions of users. This may involve reporting particularly relevant information, or information whose omission or misstatement could influence the financial decisions of users.
- **Reliability** - The information must be free of material error and bias, and not misleading. Thus, the information should faithfully represent transactions and other events, reflect the underlying substance of events, and prudently represent estimates and uncertainties through proper disclosure.
- **Comparability** - The information must be comparable to the financial information presented for other accounting periods, so that users can identify trends in the performance and financial position of the reporting entity.
- **Going concern assumption** - When pre-

paring financial statements, a public entity is required to assess whether it can be assumed that it is able to continue as a going concern. Generally, financial statements of a public entity are prepared on a going concern basis unless there is an intention to liquidate the entity or discontinue business or administrative operation or there is no alternative but to do so. Such uncertainties must be disclosed.

- **Consistency of presentation** - The presentation and classification of items in the financial statements must be consistent from one period to another unless required otherwise by a significant change in the nature of the entity's operations or a change in one or more IPSASs.
- **Materiality and aggregation** - Each material class of items in the financial statements must be presented separately. Aggregating items of a different nature or function is permitted only if they are immaterial individually.
- **Offsetting** - Assets and liabilities, and revenue and expenses, may not be offset.
- **Comparative information** - Comparative prior period information must be presented for all amounts shown in the financial statements and notes to the extent relevant for understanding of the current period's financial statements.

15.4 A complete set of financial statements

15.4.1 Pursuant to Article 107 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations a complete set of entity financial statements should contain a minimum of the following:

- i. Statement of financial performance showing revenues and expenditures;
- ii. Statement of appropriation comparing budget against actual out-turn;
- iii. Statement of financial position showing assets and liabilities;
- iv. Statement of cash flows;
- v. Statement of accounting policies applied in preparing and presenting the financial statements;
- vi. Disclosure notes and schedules relevant to enhancing fair presentation of the statements;
- vii. Information on subsidiary entities under the management and control of the entity.

15.4.2 The following notes and schedules should accompany a complete set of financial statements:

- i. Accounting policies followed in the preparation of Financial Statements;
- ii. Bank Reconciliation Statements and supporting copies of bank statements for the entity;
- iii. Petty cash count certificates;
- iv. Detailed schedules of debtors and other receivables, creditors and other payables;
- v. Summary of physical assets extracted and reconciled to the fixed asset register and summary of inventory;
- vi. Summary of intangible assets;
- vii. Summary of investments made by the entity to date;
- viii. Summary of consumable inventory;
- ix. Summary of contingent liabilities;

- x. Trial balance;
- xi. A statement showing the progress of implementation of audit recommendations; and
- xii. Any other schedule that will enhance easy understanding of the financial statements.

15.4.3 Notwithstanding paragraph 15.4.1 and 15.4.2, the Accountant General may from time to time revise the format and content of the complete set of financial statements and the required disclosures and schedules until full compliance with the requirement of IPSAS 1: Presentation of Financial Statements.

15.5 End of period procedures

15.5.1 Before closing the in-year and annual books of accounts, end of period procedures should be undertaken to ensure completeness, accuracy of financial statements before sharing with external stakeholders.

15.5.2 Before the end of the year, the Accountant General is required to issue directives to public entities concerning the procedures of closing books of accounts and preparing annual budget execution reports, financial statements and activity reports.

15.5.3 CBM and the HoF shall ensure that the financial reports are prepared in a timely manner, are complete in all material aspects and adhere to:

- a) The provisions of the Organic Law and Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations;
- b) Applicable accounting policies and reporting template;

15.5.4 As part of the period end procedures, the head of finance department and the CBM shall carry out quality review of the financial

statements of the entity before submission of report to stakeholders outside the entity. Once the financial reports are submitted to MINECOFIN, they are subjected to a quality review process by the Public Accounts Unit and the CBM is provided with review comments through a feedback process.

15.5.5 This quality review process is meant to enhance the quality of the financial statements being prepared by entities and in turn enhance accountability. It is therefore important that each of the stakeholders in the review process carryout their duties with diligence.

15.5.6 In order to assist the CBM or his/her delegate to review the financial statements of the entity, the table below provides a step-by-step quality review check list that can be tailored to suit the entity depending on nature of operation.

Ref no.	Quality review areas - Ensure the following:	How does this help you?
1	The accountant has provided a Trial Balance from the accounting system used by your entity relating to the period being reported.	Ensures that the financial statements are adequately supported by the underlying records.
2	The Trial Balance includes all bank accounts maintained by the institution.	Ensures the financial statements are complete and all bank accounts maintained by the entity are included in the report.
3	All cashbooks are supported by a bank reconciliation statement which has no errors.	Ensures the cashbooks are accurate. Ensure that deposit in transits and outstanding payments are explained and there are no stale cheques. Where there is unreconciled difference on bank reconciliation, explanation of the exact nature of the difference should be provided in writing.
4	The petty cash balance is supported by a petty cash count certificate and attached to the financial statements.	Ensure that petty cashbook balance is accurate and ties to physical cash available and doesn't exceed the limit of Frw 500,000.

Ref no.	Quality review areas - Ensure the following:	How does this help you?
5	Opening balances (COMPARATIVES) on the Standard Template match the closing balances of the previous financial year and any change is properly explained and all prior year adjustments are properly supported.	Ensures no changes were made in the previous year without the approval of the Chief Budget Manager and any change is properly explained in the notes to financial statements.
6	Cash transfers and direct payments from Treasury have been reconciled to IFMIS.	Ensures the cash transfers and direct payments from Treasury have all been accounted for.
7	Inter-entity account balances including accounts receivables and payables are verified with the counterpart institution and a reconciliation statement provided for any difference.	Ensures the inter-budget agency transactions have been properly accounted for and amount transferred or received has been confirmed by the receiving or sending entity.
8	Accounts payables and receivables (debtors and creditors) are explained in a note to the Financial Statements and a complete list containing the details of the accounts payables and receivables is included in the financial statements.	Ensures accuracy and completeness of payables and receivables by critically review the list of debtors and creditors and tying them to outstanding invoices and receipts.
9	Financial statements are prepared in accordance with the format issued by MINECOFIN and notes to the financial statements are accurate and correspond to the main financial statement.	Ensures the financial statements figures are well supported and explained and notes are tying to the amount contained in statement of revenues and expenditures, and statements of financial assets and liabilities.
10	For Districts, ensure that all subsidiary entities have submitted financial report in the template provided by the Ministry of finance and the report is signed by the Head of the subsidiary entity and that the summary of financial information of all subsidiary entities have been incorporated by way of a disclosure to the main financial statements.	Ensures receipt of hard copy report signed and in the format provided by MINECOFIN. Ensure material disclosures are made in full and perform the arithmetic check to confirm that total opening balance plus total revenues minus expenses is equal to total fund balances
11	The financial report is prepared on time for review by Chief Budget Manager to allow for timely submission to MINECOFIN, the Office of Auditor General and the line Ministry.	This ensures compliance to statutory deadlines and ownership of the financial statements by the institution.

15.5.7 A detailed compliance quality review checklist for Head of Finance has been provided under **appendix xxxi** of this manual to aid in review of the financial statements.

15.6 Consolidated financial statements

Policy statement

15.6.1 Consolidation implies combining the accounts of the controlling entities and controlled entity such that they are presented as one entity. The Ministry of Finance and Economic Planning is responsible for preparing consolidated financial statements which includes all controlled entities.

15.6.2 The Minister shall prepare and submit to the Auditor General of State Finances, not later than 30 September of the following fiscal year, consolidated financial statements.

15.6.3 The consolidated financial statements shall be reported in Rwanda Francs.

15.6.4 The consolidated financial statements shall cover the period from 1st July to 30th June. The comparative figures, where applicable, shall reflect the same period for the previous year;

15.6.5 Financial information relating to public institutions, Government investments, public debt, contingent liabilities, guarantees, and subsidiary entities shall be disclosed as memorandum items to the consolidated financial statements;

15.6.6 The consolidation of government accounts shall follow the accounting policies as set out in chapter 3.

15.6.7 Upon migration to the accrual basis IPSAS, preparation of consolidated financial statements shall be in accordance with IPSAS 6: Consolidated and Separate Financial Statements & IPSAS 35: Consolidated Financial Statements.

Scope of consolidation

15.6.8 The scope of the consolidated financial statements for the Government of Rwanda shall include all controlled entities within the public sector except those which the Accountant General may deem necessary to exclude.

15.6.9 The following grouping represents the controlled entities that shall be included in the consolidated financial statements:

- a) Central Treasury and Rwanda Revenue Authority – this cluster reflects the consolidated fund.
- b) Central government entities – this cluster includes Central Government Ministries; Agencies; Authorities; Commissions; Funds; Provinces; Boards; Institutions of higher learning; Referral hospitals; Embassies and Development projects.
- c) Local government entities – this cluster includes the 30 districts, and City of Kigali.
- d) Government Business Enterprises – this category includes all public enterprises that are controlled by Government. These are however not consolidated line by line with the accounts of other general government entities but are currently disclosed in the government consolidated financial statements
- e) Subsidiary entities– this category includes central government subsidiary entities such as intermediate courts, lower level prosecution offices, prisons and sub-district entities which include district hospitals, sectors, primary and secondary schools, and health centres.

Procedure for consolidating

15.6.10 A consolidated set of accounts for an entity or for the entire government is, first, an aggregation of all transactions and balances/stocks within an agreed period, followed by the elimination of all transactions and stocks

that represent relationships among the entity or entities being consolidated.

15.6.11 A line by line process of aggregating financial statements of entities within the defined scope of consolidation is used. This is the last stage in preparation of government financial statements as the process would have begun in the entities preparing their own reports before submission to MINECOFIN for consolidation.

15.6.12 The process is followed by elimination of all transactions and stocks that represent relationships among the entity or entities being consolidated. These are commonly referred to as inter-entity transaction and stock elimination.

15.6.13 The exercise of consolidating entities within government to produce government financial statements is carried out by MINECOFIN through the Accountant General's office. Individual entities may also prepare consolidated financial statements for the entity particularly where there exists sub-entities and therefore the need to prepare one set that represents the consolidated state of financial affairs of the entity.

15.6.14 A uniform reporting template shall be issued by the Accountant General for use by all public entities in preparation and submission of financial statements so as to ensure uniformity in presentation of accounting information and to facilitate consolidation exercise.

15.6.15 While consolidation process can take place within the fiscal year, the following process summarizes the key steps in the annual consolidation process:

Ref	Activity	Detailed process
1	Preparation and issuance of year end closing	procedures This year end closing procedure is prepared and issued before the closure of the financial year. This document provides guidance and clarification on the processes that necessary to be observed for effective closure and preparation of annual financial statements.
2	Preparation of consolidation roadmap	Internally within MINECOFIN, the Accountant General prepares the roadmap to guide the department in the consolidation process. This roadmap sets out the chronology of events leading to the preparation of government wide consolidated financial statements and submission to Auditor General. The actual consolidation exercise starts in the month of August through to September.

3	Receipt of reports from reporting entities for	consolidation purpose Reporting entities are required to submit annual financial statements to MINECOFIN not later than 31st July.
4	Receipt of reports from other Units within MINECOFIN including Central Treasury, Rwanda Revenue Authority, Government Portfolio Management Unit and Public Debt	These are departments/units within MINECOFIN that are mandated to report on specific functions that are included in the consolidated financial statements. These include Treasury Management Unit that reports on the consolidated fund; Government Portfolio Management Unit that reports on the performance of the government investment portfolio; Public Debt Unit that reports on status of public debt; and Rwanda Revenue Authority that reports on tax revenue collections and transferred to the consolidated fund. These units under the control of MINECOFIN are required to remit reports to Public Accounts Unit within the Accountant General's Office for purposes of consolidation.
5	Quality Review of financial statements and provision of feedback to reporting entities	Public Accounts Unit (PAU) is required to review the reports submitted by reporting entities and provide feedback necessary to assist these entities to improve on the accuracy and completeness of their financial statements. While PAU has the duty to review and provide feedback, it is the duty of the CBM to ensure the feedback so provided is implemented. Following implementation of the recommendations provided by PAU, the reporting entities resubmit back the revised reports. The final reports submitted by these entities is the basis of consolidation.
6	Feeding entity data into the consolidation tools	The submitted reports are consolidated on a line by line basis. The financial statements of each entity are fed into consolidation tools that will finally form a cluster.
7	Preparation of cluster consolidated statements	Individual financial reports fed into the consolidation tool are then clustered together along the following classifications: • Central government entities excluding is projects; • Development projects;

Ref	Activity	Detailed process
		- Local government entities; - Central Treasury and Rwanda Revenue Authority; In addition to the above, reports of subsidiary entities from the local government are also clustered together. The same applies to government investments and public debt.
8	Inter-entity transaction and stock reconciliations and elimination	Inter-entity transactions and stock that include balances, revenue and expenses between receiving (destination) and giving (source) entities are matched. The inter-entity transactions and balances that match are eliminated while those that do not match are flagged out, and investigated for corrective measures communicated to the concerned entities. This process goes on until a match is attained to facilitate full elimination.
9	Preparation of consolidated financial statements	The cluster consolidated financial information is combined on a line by line basis to form overall consolidated financial statements. The inter-entity transaction of entities within a cluster will already have been eliminated at the cluster consolidation level and those of entities in different clusters are effectively eliminated at overall consolidation level. The full set of government wide consolidated financial statements is prepared including notes as well as section for each cluster and annexes that include reports on government investment, public debt and local government subsidiary entities.
10	Submission of consolidated financial statement to	The consolidated financial statements are reviewed by senior and executive management within MINECOFIN before presentation to the Cabinet by the Minister. The final consolidated financial statements are submitted to the OAG not later than 30th September of the following year.

Complete set of consolidated financial statements

15.6.16 The consolidated financial statements shall include the following, as a minimum:

- i. Statement of responsibilities signed by the Accountant General, Secretary to the Treasury and the Minister;
- ii. Highlights and commentary by the Accountant General;
- iii. Statement of financial performance showing revenues and expenditures;
- iv. Statement of financial position showing assets and liabilities;
- v. Statement of cash flows;
- vi. Statement of accounting policies applied

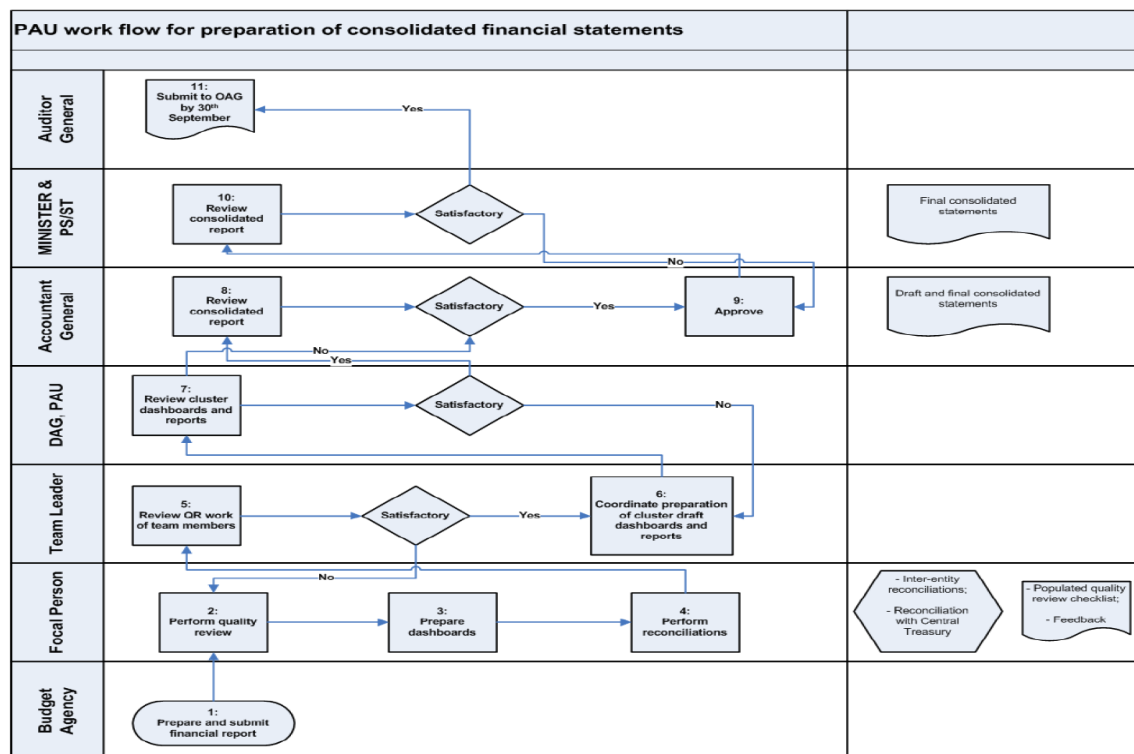
in preparing and presenting the consolidated financial statements;

- vii. Disclosure notes and schedules relevant to fair presentation of the consolidated statements. These shall include the cluster reports, government investments, public debt and subsidiary entities; and

- viii. A statement of comparison of approved budget, releases and actual amounts

15.6.17 The formats of the financial statements prescribed under paragraph 15.6.16, will be issued separately by the Accountant General and may be revised from time to time as deemed necessary.

15.6.18 The following is the consolidation workflow:



15.7 Events after the reporting date, accounting adjustments and correction of errors

15.7.1 The annual reporting period shall be the twelve months between 1st July and 30th June of each fiscal year while for in year reporting, it shall be first day to the last day of the month. Reporting date means the date of the last day of the reporting period to which the financial statements relate.

15.7.2 Events after the reporting date are those events that occur after the submission of financial statements and which have an impact on the period being reported on. Adjustments may be made in order to rectify or correct mis-postings, misclassifications, omission and overstatement of balances in financial statements.

15.7.3 The books of accounts shall be closed every month not later than the 15th of the following month. Any subsequent adjustments relating to the closed period which relate to revenue and expenditure shall be effected by way of adjustment journals in the following periods. Any adjusting event which relate to items of assets and liabilities shall be adjusted during the month that the adjusting event related to unless that event happened in a different year which will require a prior year adjustment.

15.7.4 Books of accounts for a fiscal year may be kept open for a specified period in the following year as specified by the Accountant General for completion of the end-of-year accounting processes and for performing the necessary adjustments. Adjustments relating to revenue and expenditure shall be passed in the last month of the year regardless of which month the original entry happened. Any adjusting event which relate to items of assets and liabilities shall be adjusted during the month

that the adjusting event related to unless that event happened in a different year which will require a prior year adjustment.

15.7.5 During the audit of the financial statements, a public entity may in consultation with the Auditor General of State Finances and Accountant General, effect the necessary adjustments with a view to achieving a fair presentation of the financial performance, financial position and cash flows of the entity. Such adjustments will be made in accordance with paragraph 15.7.4. Such adjustments will require entities to reproduce annual financial statements which shall be communicated to the Ministry to facilitate a corresponding adjustment to the consolidated financial statements.

15.7.6 In circumstances where the proposed adjustments are deemed by the Accountant General as not having material effect on the true and fair view of the financial affairs of the entity, or where such proposed adjustment have been communicated after the audit, only those relating to assets and liabilities will be recorded in current year as prior year adjustments.

15.7.7 Prior year adjustments shall require the prior approval by the Head of Finance and CBM while other adjustments shall require approval of head of finance. Each adjustment shall be supported by a journal voucher showing clearly the initial transaction being adjusted, account to be debited and credited, date of transaction and reason for adjustment.

15.7.8 Accounting entries for adjustment for misclassification and mis-postings of a transaction relating to expenditure and asset:

Debit: Correct expenditure/asset account	xxxxx
Credit: Initial expenditure/asset account that was debited	xxxxx
Being correction of misclassification and mis-posting of an expenditure/asset transaction)	

15.7.9 Accounting entries for adjustment for misclassification and mis-postings of a transaction relating to revenue and liability:

Debit: Initial revenue/liability account that was credited xxxxx
Credit: Correct revenue/liability account xxxxx
(Being correction of misclassification and mis-posting of a revenue/liability transaction)

15.7.10 Accounting entries for recording of omitted receivables relating to the same fiscal year:

Debit: receivable account (specific debtor/customer identification number) xxxxx
Credit: appropriate revenue code or bank account (for advances) xxxxxx
(Being recognition of a receivable transaction)

15.7.11 Accounting entries for recording of omitted liabilities relating to the same fiscal year:

Debit: appropriate expenditure code or bank account (for borrowings) xxxxx
Credit: liability account (specific creditor identification number) xxxxx
(Being recognition of a liability transaction)

15.7.12 Accounting entries for recording of prior year adjustments for assets omitted in a previous fiscal year:

Debit: asset account xxxxx
Credit: prior year adjustment account (bank/cash/receivable/any other asset) xxxxx
(Being recognition of an omitted asset transaction)

15.7.13 Accounting entries for recording of prior year adjustments for liabilities omitted in a previous fiscal year:

Debit: prior year adjustment (payables/other liabilities) xxxxx
Credit: liability (specific creditor/supplier identification number) xxxxx
(Being recognition of an omitted liability transaction)

15.7.14 Accounting entries for correction of overstatement of liabilities relating to a previous fiscal year:

Debit: liability (specific creditor/supplier identification number) xxxxx
Credit: prior year adjustment (payable/ other liabilities) xxxxx
(Being correction of overstated liability balance)

15.7.15 Accounting entries for correction of overstatement of assets relating to a previous fiscal year:

Debit: prior year adjustment (bank/cash/receivable/other assets) xxxxx
Credit: bank/cash/receivable (specific debtor/customer identification number) xxxxx
(Being correction of overstated asset balance)

15.7.16 Upon implementation of the road map to accrual basis IPSAS, accounting for events after the reporting date, change in accounting estimates and correction of errors shall be in accordance with IPSAS 14: Events after the reporting date and IPSAS 3: Accounting policies change in accounting estimates and errors.

15.8 Setting up of new entities, merger, de-merger and closure of public entities

15.8.1 Public entities undergo restructuring in order to make them more efficient and effective in service delivery. Restructuring implies setting up of new entities, merging of two or more entities or separating/demerging agencies or functions and closure of entities or projects.

15.8.2 In some cases, entities may exist for a specific objective and are closed following the accomplishment of the objectives or passage of time. Development projects is one such example where the project will usually have a defined period of operation usually tied to accomplishment of stated objectives that the project was formed to pursue. The projects are under the governance of the related line ministry. At the end of the operational term of a project, all assets and liabilities should be handed over to the line ministry.

15.8.3 There is need to ensure proper accountability of assets and liabilities in the case of set up, mergers, and demergers of entities and closure of entities.

15.8.4 The following definitions shall apply:

- i. **“Set up”** – this refers to establishment of a completely new entity either as a result of restructuring or through a Cabinet decision. In accounting context, an existing entity can be set up as a new entity when such entity is changing its Chart of Accounts or accounting system.
- ii. **“Merger”** - this entails consolidating the financial statements of the entities being merged on a line by line so as to establish the opening balances of the resultant new entity.
- iii. **“Demerger”** - this entails segregation of account balances based on the ratio or rationale that has been determined by the relevant legal authority.
- iv. **“Closure of an entity”** - this entails the recipient entity taking over the account balances of the defunct entity.

15.8.5 The following procedures shall apply to set up, mergers, demergers of entities and closure of entities;

15.8.6 Set up of new entity

15.8.6.1

Once a new entity is created, management should ensure that the finance function is immediately created to ensure smooth operation of the new entity.

15.8.6.2

Management should communicate in writing to the Secretary to the Treasury informing of the date of set up of the entity, key senior management, and a request for opening entity bank account, enrollment into IFMIS and training and capacity building of accounting officers.

15.8.6.3

In case the set up relate to change of accounting system and or chart of accounts,

the entity should seek approval and guidance from the Accountant General in writing.

15.8.6.4

Following accounting entries shall apply to set up of new entities where the new entity is created from an existing entity and inherits account balances:

For cash and bank

Debit: Bank/cash	xxxxx
Credit: Bank and cash Opening balance (Being recording of opening balance)	xxxxx

For receivables

Debit: Receivables (specify debtor/customer ID)	xxxxx
Credit: Receivables Opening balance (Being recording of receivables opening balance)	xxxxx

For liabilities

Debit: Payables Opening balance	xxxxx
Credit: Liabilities (specify creditor/supplier ID) (Being recording of liabilities opening balance)	xxxxx

15.8.7 Merging, demerging and closure of entities

(a) Hand over process

15.8.7.1

It is important to ensure that there is a formal handing over report prepared by the entities being merged, demerged or closed. This report should contain at a minimum all the financial information required under an entity's complete set of financial statements per section 15.4 including the status of the financial assets and liabilities, and non-financial assets such as tangible assets as at the effective date of the merger, demerger or closure.

15.8.7.2

For mergers, this report should be prepared by the CBM of each of the entities that are being merged and addressed to the incoming CBM of the newly formed entity upon merger, the line minister and to the Accountant General.

15.8.7.3

For demergers, this report should be prepared by the CBM of the entity being split and addressed to the line minister and to the Accountant General.

15.8.7.4

For closure of entities and projects, this report should be prepared by the outgoing CBM or project coordinator in case of projects and addressed to the CBM of the controlling parent entity, the line ministry and to the Accountant General.

15.8.7.5

It is also the responsibility of the outgoing CBM or the project coordinator of the entities being merged, demerged or closed to ensure that all documentation are handed over to the CBM of the line Ministry or Agency.

15.8.7.6

The recipient CBM should verify the content of the handover report and sign it once satisfied that the report content represent the actual situation on the ground.

15.8.7.7

The handover process of the tangible assets has been dealt with in accordance with the asset policies and procedures under chapter 14 of this manual.

15.8.7.8

Whereas the report should include relevant non-financial data that indicates the activities carried out by the entity or project and other relevant information, it should also, as a minimum, include the following financial information:

- i. A financial report in the format of the standard reporting template issued by MINECOFIN reflecting the state of financial affairs as at the merger, demerger or closure date;

- ii. A breakdown of cash balance that existed as at the merger, demerger or closure date. This balance should be supported by a duly signed cash certificate;
- iii. A breakdown of bank balances showing the names of various banks as at the merger, demerger or project closure date. This should be supported by bank reconciliation statements and copies of bank statements for each of the bank accounts;
- iv. A breakdown of any accounts receivables as at merger, demerger or closure date;
- v. A breakdown of accounts payables as at the merger, demerger or closure date; and
- vi. A fixed asset register and an inventory register as at the merger, demerger or closure date.
- vii. List of investments made, contingent liabilities, contingent assets, guarantees, and any other financial information deemed necessary.

(b) Timing of preparation of handover report

15.8.7.9

Usually the legal authority paving way for the merger, demerger or closure will have specified the effective date of the merger, demerger or closure. In any case, the formal handover documents should be finalized not later than one month following the effective date of merger, demerger or closure.

(c) Follow up of receivables and payables

15.8.7.10

It is the duty of the CBM of the recipient entity to ensure that the accounts receivable balances that have been handed over are followed up and recovered. It is for this reason that the Chief Budget Manager of the recipient entity should ensure that the break-

down of accounts receivable contained on the hand over report is clear and well supported with the necessary documentation to facilitate recovery of the receivables.

15.8.7.11

Equally, the CBM should ensure that the accounts payable balances have adequate breakdown and support documentation to facilitate settlement of the account payable balances.

15.8.7.12

Before approving the handover report, it may be important for the CBM of the recipient entity to obtain confirmations from the individual debtors making up the list of accounts receivables and from the individual suppliers making up the accounts payables. This is an important step towards ensuring the validity of the balances taken over from the closed entities or projects.

(d) Closure of bank accounts for closed entity and project

15.8.7.13

Upon closure of the entity and project, all bank accounts should be closed and balances transferred to Central Treasury unless otherwise specified.

15.8.7.14

Where the closed entity or project had maintained a guarantee fund for purposes of guarantying third parties, such guarantee bank accounts should be disclosed in the hand over report and should be handed over to Central Treasury unless specified otherwise.

(e) Accounting treatment while absorbing the merged, demerged and closed entity or project balances

15.8.7.15

The following are the accounting treatment to be passed by the recipient entity:

Recipient entity

For bank and cash balance

Debit: Bank and cash balances xxxx

Credit: Bank and cash adjustment xxxx

(Being takeover of bank and cash balances for merged, demerged and closed entity)

For accounts receivables

Debit: Account's receivables (specify debtor/customer ID) xxxx

Credit: Receivable adjustment xxxx

(Being takeover of receivable balances for merged, demerged and closed entity)

15.8.7.16

The following are the accounting treatment to be passed by the closed entity:

For accounts payables

Debit: Payable adjustment xxxx

Credit: Accounts payable (specify creditor/supplier ID) xxxx

(Being takeover of payable balances for merged, demerged and closed entity)

For bank and cash balance

Debit: Bank and cash adjustment xxxx

Credit: Bank and cash balances xxxx

(Being handover of bank and cash balances for closed entity)

For accounts receivables

Debit: Receivable adjustment xxxx

Credit: Account's receivables (specify debtor/customer ID) xxxx

(Being handover of receivable balances for closed entity)

For accounts payables

Debit: Accounts payable (specify creditor/supplier ID) xxxx

Credit: Payable adjustment xxxx

(Being handover of payable balances for closed entity)

(f) Audit upon handover

15.8.7.17

The outgoing CBM and the incoming CBMs shall invite in writing the Auditor General of state finances to carry out an audit of the concerned entities before the handover process.

15.8.7.18

Where it is not practical to carry out the audit before the merger, demerger or closure of an entity, then audit should be carried out within one month following the effective date of merger, demerger or closure of an entity.

16 Financial management guidelines for subsidiary entities.

16.1.1 In general, this manual is applicable to subsidiary entities subject to any specific variations discussed under this chapter of the manual.

16.2 Introduction to Subsidiary entities

16.2.1 This manual is applicable to subsidiary entities. Subsidiary entities within the context of the general government of the Government of Rwanda refer to entities that are administratively below the budget agencies. These entities can be classified between entities subsidiary to the central government and those subsidiary to local government as follows:

16.2.2 Entities subsidiary to central government:

- i. Prisons under the Correction Services;
- ii. Lower courts under the Supreme Court;
- iii. Lower prosecution offices under the Rwanda Public Prosecution Authority;
- iv. Other entities may have similar arrangements such as Rwanda Development Board, Rwanda Biomedical Centre, University of Rwanda e.t.c

16.2.3 Entities subsidiary to local government:

- i. Sectors;
- ii. District hospitals;
- iii. Public health centers;
- iv. Public primary and secondary schools; and

v. District pharmacies.

The above list of subsidiary entities to the local government may be subject to changes arising out of reforms to the decentralisation process.

16.3 Accounting policy applicable to subsidiary entities

16.3.1 The business processes of most subsidiary entities are not complex but the challenge of skilled financial management human resources is real. For this reason, and as indicated in paragraph 3.2.1, the subsidiary entities affiliated to districts shall apply the modified cash basis of accounting and progressively transition to the same basis of accounting as that of the rest of the public entities in line with the accrual IPSAS migration roadmap.

16.3.2 In the context of this manual, modified cash basis of accounting means that financial transactions shall be recognized in the books of account as follows:

- a) Generally, transactions are recognized only at the time the associated cash flows take place;
- b) The expenditure on acquisition of fixed assets is not capitalized – thus fixed assets are written-off on acquisition and the wear & tear (depreciation) of those assets is not recorded in the books of account;
- c) Prepaid expenditure/advances is written-off during the period of disbursement;

d) The recognized “modification” is as follows:

- Invoices for goods and services which are outstanding on the date of the closure of the fiscal year are recognized as liabilities for that specific fiscal year.
- Loans and advances are recognized as assets/liabilities at the time of disbursement and related interest is recognized only when disbursed. Interest payable on public debt is accrued.
- Book balances denominated in foreign currencies are converted into the Rwanda Franc at the rates of exchange ruling on that date issued by the National Bank of Rwanda. The associated exchange losses are recorded as recurrent expenditure while the exchange gains are recorded as recurrent revenue.

16.3.3 This manual has provided guidance on both cash and accrual and the subsidiary entities which are required to use modified cash basis of accounting can therefore apply the guidance provided throughout this manual. Further guidance can be sought from the Accountant General on a need basis.

16.4 Governance and control of Subsidiary Entities

16.4.1 Administratively, the subsidiary entities within a local government are usually headed by an Executive Secretary of the sector, the Head of the District hospital, the Head of health center, the Head of a public school and the Head of District pharmacy, as the case may be. Without any prejudice to the provisions of any law or contractual arrangements in place, the duties and responsibilities of the head of a subsidiary entity in connection with financial management shall include:

a) Coordinating the preparation of the subsidiary entity’s budgets including getting the

necessary approval from the relevant Management Committee;

- b) Collecting any due revenues including Grants, Transfers and Donations. This involves all tasks associated with the planning for, collection, administration and management of the entity revenue;
- c) Making payments on behalf of the entity. This includes payment for all Goods, services and works under contract to which the entity becomes liable;
- d) Budget implementation and control. This means the actual execution of the budget, tracking expenditure from grants from the central government, revenues and other donor support;
- e) Book keeping: This includes recording and summarizing all financial transactions of the entity;
- f) Assets Management; Procurement, maintenance and safeguarding of the assets of the entity including disposal after their useful economic life to ensure that all assets that are known to exist actually exist and are optimally utilized to avoid the associated costs of under or over utilization;
- g) Safe custody of financial documents, stationery and accounting records. It should be borne in mind that all financial documentation must by law and in line with the provisions of this manual, be kept for some specified period of time and should not be destroyed unless with explicit authorization from the relevant authority and the destruction must be witnessed by the relevant competent authorities. They should also
- h) Producing Financial Statements. All subsidiary entities are required under this manual to produce financial statements at every month end and every financial year end. The reporting requirements are mandatory and are intended to enforce accountability by subsidiary entities to the relevant stake-

holders;

- i) Collaborating with Internal audit and reviews i.e. to ensure that the Internal Audit units and any other reviewers are assisted in all possible ways to execute their mandate;

16.4.2 Subsidiary entities within the central government are under the control of the Chief Budget Manager of the entity under which the subsidiary entity falls. These subsidiary entities also have an appointed head who reports to the CBM of the parent entity.

16.4.3 The Accountant General, pursuant to Article 113 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations shall specify the formats of the financial reports required to be prepared by the subsidiary entities.

16.4.4 Whereas all the provisions of this manual apply to the subsidiary entities, the following oversight provisions for subsidiary entities have been specifically provided for in the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations:

Ref	Activity	Details of regulations
1	Article 6: Powers of Executive Committee	• Provide oversight over the financial management of the decentralized entity and their subsidiary entities without interfering in the exercise of the responsibilities of the Chief Budget Manager. • Require the subsidiary entities to prepare and submit expenditure plans; and • Transfer funds in the approved annual budget to the subsidiary entities within the decentralized entities;
2	Article 8: Duties and responsibilities of the Director General of National Budget	Developing budget policies, guidelines, and procedures for effective budget preparation subsidiary entities for the approval of Secretary to the Treasury and the Minister.

Ref	Activity	Details of regulations
3	Article 36: Preparation and approval of expenditure plan at the Decentralised entities	- The Executive Secretary shall require subsidiary entities that are entitled to the budget to prepare and submit a detailed annual expenditure plan; and - Subject to available resources the Executive Secretary may require subsidiary entities to revise their expenditure plans.
4	Article 107: Preparation and submission of financial reports	The CBM shall ensure financial information include information on subsidiary entities under the management and control of the entity.
5	Article 110: Preparation and submission of consolidated financial statements	National consolidated financial statement prepared by the Accountant General shall include summarized information of subsidiary entities shall be disclosed as memorandum items to the consolidated financial statements
6	Article 111: Audit of financial statements	All public entities, public institutions, subsidiary entities, projects, Consolidated Fund and other public funds shall be audited by the Auditor General of State Finances and Property.

16.5 Financial management guidelines for subsidiary entities affiliated to decentralized entities.

Pursuant to sub-paragraph 16.4.4 the following guidelines shall apply to the financial management of the subsidiary entities affiliated to decentralized entities;

Budgeting

16.5.1 Budgeting for operational costs of the subsidiary entities

Districts are required to coordinate the budget preparation process of all the affiliated subsidiary entities entitled to a budget and ensure that the medium term estimates for their operational budgets are included in the budget of the district.

16.5.2 Authorization for execution of the operational budget of a subsidiary entity

After the adoption of the budget by the District Council, the Executive Secretary shall inform in writing the Head of the subsidiary entity of its approved operational budget and request from him/her the annual expenditure/cash flow plan for the approved budget.

In accordance with the overall annual cash-flow projections of the district and after examination of the annual cash flow plans of all the subsidiary entities entitled to a budget, the Executive Secretary of the district shall authorize the head of the subsidiary entity to execute the budget. The authorization shall be issued on a quarterly basis and communicated in writing.

At the beginning of the financial year and within a maximum period of fifteen (15) working days after the adoption of budget by the District Council, the District Executive Secretary and as Chief Budget Manager shall send a letter of delegation of power and duties to the head of the subsidiary entity entitled to a budget to facilitate execution of the approved operational budget. Delegation so given shall not

divest the Chief Budget Manager of the district from the accountability relating to the exercise of delegated power or the performance of the assigned duties.

The Chief Budget Manager of the district may suspend, change or revoke any delegated power given to any delegated person in written form, or any decision taken by the delegates if it is clear that they did not fulfil their obligations. A template of the delegation of power letter is provided under appendix xxxiii.

16.5.3 Cash flow plan for the operational budget of the subsidiary entity entitled to a budget

The accountant or any designated staff of a subsidiary entity entitled to a budget shall prepare a draft of the annual cash flow plan following the template used by the district and submit it to the head of the subsidiary entity for review and approval. In drafting the plan care shall be taken to link the cash out-flows with the underlying procurement plan taking into account the time required for cash transfers to the entities and for processing supplier invoices.

If there is a need for adjustments, the cash-flow plan shall be sent back for correction to the accountant or designated staff, otherwise the head of the subsidiary entity shall approve the plan and send it to the Chief Budget Manager of the district for review and approval. In case there is a need for adjustment to the cash-flow plan of the subsidiary entity, it shall be sent back to the head of the subsidiary entity, otherwise the Director of Finance of the district shall consolidate the cash-flow plans of all subsidiary entities within the district and submit the consolidated cash-flow plan to the Chief Budget Manager of the district for review and

approval.

The draft cash-flow plan of a district is further submitted to the Executive Committee of a district by the Chief Budget Manager for final consideration and approval. This whole process shall not exceed the first ten (10) days at the beginning of every quarter.

Once the Executive Committee approves the cash-flow plan, it shall be formally transmitted to MINECOFIN by the Chief Budget Manager of a district. MINECOFIN shall review the cash flow-plan of the district and if satisfied shall approve and communicate in writing the approved cash-flow plan otherwise adjustments shall be requested.

Approval of the cash-flow plan from MINECOFIN shall be received in writing within (15) working days after the deadline for submission of cash flow plans except for cases referred for correction.

16.5.4 Transfer of funds relating to the operational budget to the subsidiary entity

Once the funds are availed for spending by MINECOFIN, the Chief Budget Manager of the district shall make a payment request to Treasury to release funds for the operational budget of subsidiary entities to their respective bank accounts.

The subsidiary entity shall receive quarterly transfers for operational costs in accordance with the approved cash flow plan by the District. All releases to the operational bank account of the subsidiary entity shall be directly charged to the budget lines of the respective subsidiary entity's operational budget.

16.5.5 Budget Re-allocation

The head of the subsidiary entity is required to closely monitor the implementation of the operational budget of his or her subsidiary entity. The head of the subsidiary entity shall transfer funds from one budget line to another subject to a twenty per cent (20%) limit of allocation

of such an item. Request of authorization of all reallocation above twenty (20) per cent limit shall be sent in writing to the Chief Budget Manager of the District. The Chief Budget Manager of the district may approve or reject such authorization after careful consideration of the request.

16.5.6 Budget Revision

After six (6) months of executing the operational budget of the subsidiary entity, the head of the subsidiary entity may submit a request for budget revision to the Chief Budget Manager of the District.

The Chief Budget Manager of the district shall consolidate all the requests and submit them to MINECOFIN for further consideration and approval. Once approved, the proposed budget revision shall be made directly or incorporated in the proposal to be considered by the Chamber of Deputies.

16.5.7 Spending

Upon receipt of transferred funds, the subsidiary entity shall have the authority to make payments and implement the approved operational budget.

All the spending has to be done taking into account the obligations stipulated in these guidelines as well as the powers and duties provided in the letter of delegation.

Banking, Payments, Accounting and Reporting

16.5.8 Operational bank account of a subsidiary entity

A subsidiary entity is entitled to open a bank account for operations with the authorization of the district Chief Budget Manager.

The signatories of the operational bank account of a Sector shall be the Executive Secretary of a Sector, the Sector Finance and Administration officer and the Officer in charge of Good Governance. The principal signatory

shall be the Executive Secretary of a Sector. Any two of three signatories above must sign on the cheque.

For other subsidiary entities, signatories shall involve the principal signatory who shall be the head of the subsidiary entity and any other two designated staff or Parent committee's representative for the case of schools.

Number of bank accounts that can be maintained by a subsidiary entity will be kept at minimum as possible. Depending to the category of a subsidiary entity, the Chief Budget Manager shall determine the maximum number of bank accounts to be opened and respective signatories for each bank account.

A register of opened bank accounts and respective signatories as well as authorised specimens will be kept into a register, which shall be kept by the head of subsidiary entity.

16.5.9 Petty cash management

A subsidiary entity shall be allowed to maintain a petty cash fund of Rwf 500,000 to cover expenditure of nominal nature with value not exceeding Rwf 50,000 in any single transaction.

The petty cash fund proceeds shall be kept in the office cash safe under lock and key at all times and shall be regularly (not longer than monthly) counted and reconciled by the accountant /designated staff of the subsidiary entity.

16.5.10 Issuing of cheques

The following provisions shall be observed when cheques are issued:

- a) A cheque shall be issued in such a way as to minimize the possibility of making any subsequent changes in figures or words;
- b) No cheque may be drawn for less than one franc;
- c) Unless a cheque book has been exhausted, a new one shall never be used; and

- d) All signed cheques shall be delivered to their beneficiaries as soon as possible.

16.5.11 Register of cheques

For the operational bank account, the subsidiary entity shall maintain a register containing the following information about issued cheques: the cheque number, date of issue, amount, the person to whom it was issued (payee), the persons who signed it (authorized signatories), if hand delivered, the person to whom it was handed and the date of delivery.

16.5.12 Procurement procedures

Procurement procedures shall be done in accordance with the law N°62/2018 of 25/08/2018 governing public procurement as well as the its implementing Ministerial Order.

The head of a subsidiary entity shall prepare a draft procurement plan using the template of the district and in accordance with the approved cash-flow plan of the subsidiary entity..

Each subsidiary entity shall constitute a tender committee as may be appropriate.

16.5.13 Payment procedures

The head of a subsidiary entity shall ensure the following payment procedures are followed:

Step	Description	Details
1	Delivery of goods	The supplier on receiving the purchase order delivers the goods within the agreed time.
2	Receiving of goods	The Accountant/designated staff confirms that the goods supplied correspond to what was ordered and countersign on the delivery note.
3	invoicing	The supplier upon full delivery prepares an invoice and submits to the accountant for payment processing.
4	Verification of supporting documents	Upon receipt of the supplier invoice, the accountant ensures that: - All the required supporting documents have been attached and correctly support the invoice. These will include service contract/agreement with the supplier, purchase orders and goods received notes signed by all relevant parties. - Accountant/designated staff also shall check compliance with the established tendering/procurement regulations.
5	Salaries and allowances	The accountant or any designated staff shall prepare a payroll schedule for payment of salaries and allowances as provided in the operational budget of the subsidiary entity.
6	Preparation of payment vouchers	The accountant or any designated staff shall prepare two copies of the payment voucher; one for the entity and one for the supplier; all the relevant supporting documents shall be attached to the payment voucher which shall then be forwarded to the head of the subsidiary entity for consideration.
7	Initial review and approval of payment	The head of the subsidiary entity shall verify the payment voucher and confirm that all the prescribed procedures above have been performed accordingly before approving the payment by signing.

Step	Description	Details
8	Cheque preparation /generation of EFT/ internet banking payment instructions	The accountant or any designated staff shall prepare the cheque or any appropriate payment instruction, electronic or otherwise to effect payment.
9	Approval of cheque/ payment instructions	Cheque/payment instructions, manual or electronic, approved by the authorized bank signatories.
10	Cheque disbursement	In case of cheques, the accountant or any designated staff shall make a photocopy of the cheque for the receipt to sign on collection of the cheque.
11	Collection of cheque	Supplier collects the cheque for presentation to the bank for payment.
12	Acknowledgement of payments	The accountant or any designated staff, shall after processing payments, stamp documents supporting payments with a seal/stamp showing "PAID" indicating that they have been paid. The accountant or any designated staff also receives acknowledgment of receipt of payment from the supplier/payee.
13	Presentation of cheque at the bank	The bank pays the amount to the supplier on presentation of the cheque.
14	Posting of transactions	The accountant or any designated staff makes posting of the transactions in the books of account ensuring that the accounting classification regarding payment are correct with regard to the nature of the transaction. The following double entry is made for payments (expenses0; Debit: expenses account xxxx Credit: Bank Account xxxx In a computerized accounting system, the above entries may be generated automatically upon signing of the payment instructions.

16.5.14 Recording of transactions

To enable the subsidiary entity to record all transactions that have taken place during a particular day, month or year, it shall maintain a cashbook. This shall be used to record all receipts and payments made through cash or bank.

Payments are debited to this account while receipts are credited. Each bank account shall have its own cashbook to enable reconciliation of the cashbook with the corresponding statement of account from the bank.

16.5.15 Bank reconciliation procedure

At the end of each month, a bank reconciliation statement shall be prepared for the bank accounts maintained by the subsidiary entity

This reconciliation provides an assurance that receipts and payments recorded in the cashbook as having been made through the bank are correct and accurate.

16.5.16 Custody of accounting records

All transactions recorded should be well supported. The supporting records must be securely kept and protected from unauthorized access or destruction and in a manner that ensures easy retrieval when necessary for reference or for audit purposes.

16.5.17 Chart of accounts for subsidiary entities;

Subsidiary entities shall generally follow the uniform chart of accounts for the government which may be abridged to meet the precise needs of the subsidiary entities.

16.5.18 Financial reporting by subsidiary entities

Subsidiary entities should comply with the reporting arrangements articulated in this manual. The following reporting arrangements have specifically been provided for by the Ministerial Order No. 001/16/10/TC of 26/01/2016

relating to financial regulations in particular Article 113.

16.5.19 Reporting formats

- i) Article 113 mandates the Accountant General to issue formats of financial reports required to be prepared by subsidiary entities.
- ii) Pursuant to this, financial reporting formats have been developed specifically for subsidiary entities within Local Government. For subsidiary entities within the Central Government, the reporting formats are those applied by controlling entity.
- iii) Report formats are subject to changes and therefore the most updated formats can be accessed on the MINECOFIN website.
- iv) Further, the Article specifies that the minimum financial reporting requirements specified for public entities in this regulation shall apply to the subsidiary entities with the exception of the following until such a time that the Minister shall issue alternative instructions:
 - The requirement to prepare a cash flow statement;
 - The requirement to submit an annual activity report;

16.5.20 Financial reporting arrangements

- i) Article 113 stipulates that the head of the subsidiary entities shall ensure that financial reports are submitted to the Chief Budget Manager of the supervising decentralized or central government entity before 10th of the subsequent month for monthly reports and before 20th of July of the subsequent year for annual reports.
- ii) This will allow time for review, feedback and incorporation in the supervising

public entities' financial reports submitted to the Ministry.

- iii) The Chief Budget Manager of a decentralized entity should ensure that the reports of all subsidiary entities under its supervision and control are summarized and included as an annex to the main report of the decentralized entity, as per the format issued by Accountant General, for submission to the Ministry within the statutory deadlines specified by the Organic Law of State Finances and Property.
- iv) The Central government entities are required to consolidate the financial statements of the subsidiary entities under their supervision and control.
- v) Article 113 stipulates that the Minister shall issue instructions in the future as to when the decentralized entities will be required to consolidate the financial statements of the subsidiary entities with the main financial statements of the decentralized entity.

ment aspects.

16.5.23 Guidelines on use of this system have been issued by MINECOFIN and are available on the MINECOFIN website.

Accounting systems for subsidiary entities

16.5.21 As indicated in section 5.8 of this manual, subsidiary entities should use the accounting system prescribed by the supervising decentralized or Central Government entity. The Accountant General is the sole authority for use of accounting systems and the supervising entity shall seek the prior approval of the Accountant General for any accounting system to be used.

16.5.22 IFMIS shall be the financial management system for all subsidiary entities. As a transitional arrangement, the Accountant General can authorize the use of simplified systems such as IFMIS for Non Budget Agencies, Schools Data Management Systems or excel based systems, for purpose of enabling these entities to improve on the financial manage-

17 Risk management, auditing and other oversight arrangements

17.1 Introduction

17.1.1 A risk is defined as any event which is likely to adversely affect the ability of a public entity to achieve its set objectives. Risk management involves implementing an effective programme that continuously and systematically identifies, tracks and mitigates risks that could adversely impact the entity in achieving its objectives. It shall be the responsibility of the Chief Budget Manager to put in place risk management policies and procedures for identifying and managing risks in line with the guidelines issued by the Minister.

17.1.2 Audits may be internal or external. Internal Auditors are employees of the entity and are not involved in day-to-day activities of the entity to protect their independence. Internal auditors report functionally to the audit committee, Executive Authority or Executive Head and administratively to the Chief Budget Manager.

17.1.3 The mission of the internal audit function is to enhance and protect the value of public entities by providing objective assurance, advice, and insight to help them satisfy their statutory and fiduciary responsibilities by providing an independent, objective and systematic evaluation of whether the entity's risk management, control, and governance processes, operate as designed.

17.1.4 The duties and responsibilities of the Internal Audit units are set out in the Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations and the revised

Ministerial Order setting out regulations for internal control and internal audit in Government and require each public entity to establish an internal audit unit which is coordinated by the Office of the Chief Internal Auditor, MINECOFIN.

17.1.5 Internal auditors have authority to carry out systems audits, financial audits, performance audits and other operational audits, compliance audits, audit of information technology systems, fraud investigations and special audits such as due diligence, audit of risk management processes, corporate governance reviews, management audit, quality audits, information systems security assessments and ethics audits among others.

17.1.6 The External Auditors are independent of the entity administration, report to parliament and they are governed by the provisions of Article 165 of the Constitution of the Republic of Rwanda of 2003 revised in 2015, and Articles 6 of Law n° 79/2013 of 11/09/2013 determining the mission of Office of the Auditor General.

17.1.7 The Auditor General has the mandate to carry out such audits, but he/she may appoint any other independent auditor to execute the audit on his/her behalf who shall report to the Auditor General.

17.2 Risk Management.

17.2.1 Article 13 (8) of Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property mandates the Minister to issue instructions on the application of specific provisions of the Organic Law. Further, Article 114 (1) of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations requires the Ministry to issue guidelines to public entities on risk management policies and procedures to enable public entities develop their own risk management strategies for the approval of their Executive Heads and or decision making organs before implementation.

17.2.2 In general and subject to further guidelines to be issued by the Minister as required under article 114 of the Ministerial Order No. 001/16/10/TC of 26th/01/2016 relating to financial regulations, Chief Budget Managers shall be expected to put in place a risk management system comprising the following;

- a) Risk identification; risks are identified within the entity and classified in appropriate categories.
- b) Risk qualification and impact analysis; performing a risk qualification and impact analysis subsequent to the risk identification.
- c) Risk response planning; appropriate mitigation actions and strategies are planned for each of the risks.
- d) Risk monitoring and control; conducting risk review, monitoring and control as an intrinsic part of the internal control mechanism of the vote.
- e) Maintaining a risk register indicating (i) source of the risk (ii) type of risk (iii) mitigating strategy and (iv) the responsible officer for the mitigating strategy.

17.2.3 The Chief Budget Manager shall ensure that risk assessments are conducted periodically,

at least annually, to identify emerging risks facing the entity. For this purpose, the Chief Budget Manager shall assign or designate an appropriate staff to coordinate implementation of the entity's risk management plan.

17.3 The internal control framework

17.3.1 Internal Control is a process integrating the activities, plans, attitudes, policies, and efforts of the people of a department working together to provide reasonable assurance that the department will achieve its objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliable financial reporting;
- Compliance with applicable laws and regulations.

17.3.2 Internal Controls are not stand-alone practices; rather, they are woven into day-to-day activities and responsibilities of managers and staff. As such, this manual has incorporated elements of internal control in all the aspects of financial management. They include a range of activities as diverse as approvals, authorizations, separation of duties, documentation, reconciliations, supervision, and safeguarding of assets.

17.3.3 It is the responsibility of management and staff to ensure that these control activities are monitored. Monitoring occurs during the course of normal operations and through separate evaluations and includes review of the department's activities, systems, and transactions to determine whether controls are effective.

17.3.4 It is the responsibility of the Chief Budget Manager to implement effective and efficient internal controls to ensure the entity

objectives are met.

17.3.5 It is the responsibility of management and staff to ensure that these control activities are monitored. Monitoring occurs during the course of normal operations and through separate evaluations and 17.3.6 The accounting department staff are required to identify, assess and implement appropriate controls to mitigate against the entity's fiduciary risks and maintain them at an acceptable level to ensure achievement of the entity objectives.

17.3.7 The internal audit department within each entity plays a crucial role in checking whether these controls are working. Staff of the finance department should therefore cooperate with the internal audit department by providing required documentation and reports and volunteering information.

17.4 Internal Audits

17.4.1 Articles 115, 116 and 117 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations provide guidance on functions and role of internal audit. These are further complimented by the Government of Rwanda Internal Audit Charter and Ministerial Orders.

17.4.2 Pursuant to Article 115 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations, the internal audit staff in public entities are coordinated by the Chief Internal Auditor in MINECOFIN.

17.4.3 The Internal Auditor in charge of the internal audit unit should work in harmony and cooperation with the Chief Budget Manager and Head of Finance and shall report to entity administration on whether the systems and operations of the Administration are efficient, effective, economical and free from fraud and other malpractices.

17.4.4 The finance staff are expected to pro-

vide the Internal Auditor with relevant information required of them in reasonable time, and form.

17.4.5 The Internal Auditor must obtain management comments, from the Chief Budget Manager before finalization and submission of the audit report.

17.4.6 The audit function must be independent of activities that are audited, with no limitation on its access to offices, officers and information necessary in performance of its responsibilities.

17.4.7 The internal audit function shall coordinate with other internal and external providers of assurance services to ensure adequate coverage and to minimize duplication of effort.

17.4.8 In advising the Chief Budget Manager on maintenance of efficient and effective internal controls, the controls subject to evaluation by the internal audit must encompass, as a minimum: the information system environment; the reliability and integrity of financial and operational information; the effectiveness of operations; safeguarding of state property; and compliance with the Organic Law, the Regulations and other Laws on management of public finances and property and other Laws governing the operations of the entity.

17.5 Internal Audit Committees and relationship with finance managers

17.5.1 Article 117 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations mandates the Minister to monitor the establishment of audit committees in public entities and issue regulations on their proper functioning.

17.5.2 The article requires the audit committee to among other responsibilities, exercise oversight over the following:

- i. Effectiveness of the internal control systems;
- ii. Effectiveness of the internal audit function;
- iii. Effectiveness of the risk management procedures;
- iv. Adequacy, reliability and accuracy of the financial information provided to management and other users of such information;
- v. Any accounting and auditing concerns identified as a result of audits;
- vi. Institution's compliance with legal and regulatory provisions; and
- vii. Activities of the internal audit function, including its annual plan, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

17.5.3 Further, each audit committee member shall be appointed with written terms of reference, which deals, among other matters, membership of the audit committee, authority, responsibilities, rights, and remuneration. The audit committee has the explicit authority to investigate matters within its powers, as identified in the written terms of reference.

17.5.4 The audit committee shall report and make recommendations to the public entity's governing body and the Chief Budget Manager. It is however, the duty of the Chief Budget Manager to implement such recommendations.

17.5.5 An audit committee may communicate any concerns it deems necessary to the executive head, the Minister, and the Auditor General of State Finances.

17.5.6 Further detailed guidelines with regards to the audit committees are contained

in the model audit committee charter which pursuant to Article 117 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations shall be published by the Minister upon advice from the Chief Internal Auditor.

17.5.7 Accounting staff should implement recommendations provided by audit committees on financial statements based on financial reviews carried out by internal audit and provide update on implementation of audit recommendations through the CBM.

17.6 External Audit

17.6.1 External audit is carried out to obtain sufficient and appropriate evidence that will enable the Auditor General or any other auditor appointed by him/her to form an opinion regarding the truth and fairness of the financial position as presented by the entity administration.

17.6.2 The Office may express an unqualified or qualified audit opinion based on the results of the audit as indicated below. In addition the office issues a management letter indicating audit findings for management comment before issuance to parliament.

17.6.3 The office can issue three types of audit opinions include:

- i) Unqualified opinion - An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- ii) Qualified opinion - Qualifications included in an audit report do affect the auditor's opinion in the following different ways:
 - A qualified opinion should be expressed when the effect of any dis-

agreement with management, or limitation on scope is not as material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

- An adverse opinion should be expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements; and
- A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

17.6.4 The auditor may include reporting paragraphs and modify the audit report without qualifying it. This is done by including the following paragraphs in the report that do not affect the auditor's opinion:

- **Emphasis of Matter paragraph:** A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements; and

17.6.5 **Other matters paragraph:** A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding

of the audit, the auditor's responsibilities or the auditor's report. To support the audit of financial statements, the Accountant Staff are required:

- i. To ensure financial transactions are executed in accordance with laws regulations and procedures.
- ii. To prepare the financial statements, together with all supporting schedules and notes thereto in accordance with accounting framework and deadlines communicated by the Accountant General's Office; and submit them to the Chief Budget Manager for onward delivery to the Auditor General.
- iii. To arrange and provide all documents in the order in which the Auditor General requires them; and
- iv. To expeditiously and truly provide all answers, explanations, and proof that the Auditor General may require for purposes of completing the audit.
- v. To provide management comments on draft audit report indicating the action to be taken to close identified control gaps.
- vi. Implement agreed recommendations and provide quarterly updates on status of implementation to the Audit Committee with a copy to the Accountant General and the Chief Internal Auditor in MINECOFIN.

17.6.6 The Office of the Auditor General also has the mandate to carry out performance audits of revenues and expenditures of the State as well as local administrative entities, public enterprises, parastatal organizations and government projects in regard to economy, efficiency and effectiveness.

17.6.7 Entities should monitor and maintain adequate records on achievement of per-

formance indicators set for activities. Annual activity reports should indicate performance against targets set for the period.

17.7 Legislative oversight of the public financial governance of public resources

17.7.1 The legislative scrutiny of public financial management is primarily carried out by the Budget and National Patrimony committee and the Public Accounts Committee towards ensuring greater discipline by the executive in adherence to the budget calendar, adherence to the provisions of the organic and procurement laws and use of MTEF in planning and budgeting.

17.7.2 Public entities shall take all the necessary steps to facilitate the oversight committees in the execution of their role and responsibilities which can be highlighted follows;

- i) The Committee on National Budget and Patrimony is responsible for issues relating to:
 - Consideration of the draft budget of the Parliament;
 - Consideration of the draft State budget;
 - Follow-up on the Poverty Reduction Strategy Paper and other similar strategies;
 - Follow-up on national tax policy and related laws;
 - Follow-up on national debt policy;
 - Follow-up on census and national planning;
 - Make follow-up on the mainstreaming of gender policy into state budget.

ii) The Committee on Public Accounts is responsible for issues relating to:

- Analysis of the report of the Auditor General of State Finances with respect to the use of national budget and patrimony and preparation of draft recommendations within six (6) months of the date of submission of such reports to the Plenary Assembly;
- Follow-up on the implementation of resolutions adopted by the Plenary Assembly during the analysis of the report of the Auditor General of State Finances;
- Consideration, study and submission of report on general accounts of institutions which use national budget and patrimony;
- Preparation of reports on the use of national budget.
- Consideration, study and submission to Plenary sitting of report on accounts of institution which use national budget and patrimony;
- Performance of such other duties related to the use of national budget and patrimony within public institutions governmental organizations.

18 Appendices

Appendix i: Goods Received Note

(Paragraph 8.6.5)

Ministry XYZ GOODS RECEIVED NOTE No..... Date:..... Received against Purchase Order Number :..... We acknowledge receipt of the following goods from:				
Item	Particulars	Unit	Quantity	Remarks
1	Diesel	Litres	5000	
2	Tyre: 1800 x 70 ply 25	Piece	1	
3	Lubricants	Litres	40	
	Overalls	Pieces	30	
Receiving/Logistics Officer Names: Department: Works Signature:..... Date:.....				

Appendix ii: Accountable Imprest and Mission Advance voucher

(Paragraph 8.22.4)

XXX (Insert the name of Budget Agency)			
Imprest/Mission Voucher No:.....			
To be submitted to the appropriate head of department			
Department:.....		Name of officer requesting request:	
Date:.....		Signature:	
Schedule:			
No.	Purpose of the Imprest	Amount: Frw	Date the activity is expected to be completed
Total			
Authorisation is hereby granted for imprest to the above named officer and for purposes and date specified above:			
Chief Budget Manager:.....		Date:.....	
Head of department:.....		Date:.....	
Director of Finance:.....		Date:.....	
<i>Original: to person to whom imprest is issued.</i>			
<i>Duplicate: to file for audit purpose.</i>			

Appendix iii: Accountable Imprest and Mission advance Surrender Form

(Paragraph 8.22.6)

XXX (Insert the name of Budget Agency)		Form No:.....
Imprest/mission Surrender Form		
Name of imprest holder:		Imprest/mission Voucher No:.....
Date:..... Signature:		
Schedule:		
Ref	Breakdown of expenditure	Amount: Frw
1		xx
2		xx
3		xx
4		xx
5		xx
6		xx
7		xx
8		
Amount spent		xx
Amount advanced		xx
Balance		xx
Amount banked or paid in cash		xx
	Banked: Insert bank pay-in slip no.	
	Cash: Insert receipt no.	
Difference		xx
Explanation for difference:		
The expenditure above is hereby approved as per details provided above.		
Chief Budget Manager:.....		Date:.....
Head of department:.....		Date:.....
Director of Finance:.....		Date:.....
Original: to person to whom imprest is issued.		
Duplicate: to file for audit purpose.		

Appendix iv: Petty cash count certificate

(Sub - paragraph 12.16.6.11(iv))

Cash Count Form			
Date: DD MM 201x			
Currency: Frw			
Authorised cash threshold (maximum cash allowed) _____Frw 500,000_____			
	Denomination	Number	Total Value
Notes	5,000	xx	xx
	2,000	xx	xx
	1,000	xx	xx
	500	xx	xx
	100	xx	xx
Coins	100	xx	xx
	50	xx	xx
	20	xx	xx
	10	xx	xx
	5	xx	xx
	1	xx	xx
Total amount of cash counted (a)			
Add petty cash advances outstanding (b)			xx
Total cash in hand (c = a+b)			xx
Cash balance as per cash book (Sage Pastel) (d)			xx
Difference (e = c-d)			x
Action required/ explanation for the difference : xxxxxxxx			
Name	Signature	Date	
Cash counted by	xxxxx : (Director of Finance)	DD MM 201X	
Agreed by	xxxxx : (Cashier/accountant incharge of petty cash)	DD MM 201X	

Appendix v: Petty Cash Voucher

Sub-paragraph (12.16.6.6)

XYZ District					Voucher No.....005.....
Petty Cash Voucher					Date:.....15th Apr 2015.....
Name of payee:.....Akagera Stationers.....					
Expense CoA code:	Particulars	Unit	Quantity	Rate	Amount: Frw
221105	New papers	1	5	1,000	5,000
221101	Photocopying	1	50	200	10,000
221102	Milk	Litres	15	2,000	30,000
Total					45,000
Athorisation is hereby by granted for petty cash for purposes and date specified above: Executive Secretary:..... Date:..... Head of department:..... Date:..... Director of Finance:..... Date:..... Accountant in charge of petty cash:..... Date:..... <i>Original: to person to whom imprest is issued.</i> <i>Duplicate: to file for audit purpose.</i>					

Appendix vi: Petty Cash Replenishment Form

(Sub - paragraph 12.16.6.9)

XXX (Insert the name of Budget Agency) Petty cash replenishment request form		
Name of officer requesting request:		
Date:.....		Signature:
Schedule:		
Particulars		Amount: Frw
Amount advanced	(A)	xx
Amount spent to date (See detailed breakdown	(B)	xx
Balance	(C) = (A) - (B)	XX
Amount requested for		xx
<i>Amount requested must not exceed Frw 500,000 less (c) above</i>		
Authorisation is hereby granted for imprest to the above named officer and for purposes and date specified		
Chief Budget Manager:		Date:.....
Director of Finance:.....		Date:.....
<i>Original: to person to whom imprest is issued.</i>		
<i>Duplicate: to file for audit purpose.</i>		

Appendix vii: Register of destroyed documents

(Paragraph 5.10.14)

File Reference Number:	Name of Record	Date Retrieved from Archive	Retention Period	Destruction Date	Chief Budget Manager Signature

Appendix viii: Bank reconciliation report format

(Paragraph 12.1.11)

See the indicative bank reconciliation statement below:

Ministry of XYZ Bank Reconciliation Statement as at 30 June 2015 Bank Account 1000100023		
	Frw	Frw
Balance per bank statement		2,719,000
Add: Deposit not yet credited		375,000
		3,094,000
Subtract:		
Unpresented Cheques:		
Cheque 0026	400,000	
Cheque 0027	825,000	1,225,000
Balance per completed Cashbook		1,869,000
Prepared by:.....	Date.....	
Checked by:.....	Date.....	
Approved by:.....	Date.....	

Appendix ix: Cheque registers

(Paragraph 12.8.1)

Ref	Cheque book serial no. Range	Issued to: (Name of officer issued with the cheque book)	Date issued	Signature of issuing officer - HoF	Signature of receiving officer - Accountant	Remarks
1	000051 to 000100	Marcel M.	20th April 201x			
2	000101 to 000150	Vincent M.	30th April 201x			
3	000151 to 000200	Marcel M.	10th May 201x			
4	000201 to 000250					
5	000251 to 000300					
6						
7						
8						
9						
10						

Appendix x: Official receipt register

(Paragraph 5.10.9)

Ref	Receipt book serial no. Range	Issued to: (Name of officer with the cheque)	Date issued	Signature of issuing officer - HoF	Signature of receiving officer - Accountant	Remarks
1	2000051 to 2000100	Alisan N.	20th April 201x			
2	2000101 to 2000150	Lisa N.	30th April 201x			
3	2000151 to 2000200					
4	2000201 to 2000250					
5	2000251 to 2000300					
6						
7						
8						
9						
10						

Appendix xi: Invoice book register

(Paragraph 5.10.9)

Ref	Invoice book serial no. Range	Issued to: (Name of officer with the cheque)	Date issued	Signature of issuing officer - HoF	Signature of receiving officer - Accountant	Remarks
1	000051 to 000100	Paul C.	20th April 201x			
2	000101 to 000150	Jennifer M.	30th April 201x			
3	000151 to 000200					
4	000201 to 000250					
5	000251 to 000300					
6						
7						
8						
9						
10						

Appendix xii: Register of payment requests

(Paragraphs 5.10.9, 8.6.5)

Below is a format of payment request register that should be maintained by each public entity per requirement of Article 40 "Commitments and disbursement made in accordance with appropriations" of Financial Regulations No. 001/16/10/TC of 2016 "Each chief budget manager shall ensure that a register containing particulars of all payment requests including invoices is maintained and kept updated".

Ref No.	Payment Order	Date of approval by CBM	Name of Payee	Amount Frw	Status of payment	Remarks
1	OP0101/0001/2015	1 July 201x	Akagera Corporation	50,000,000	Paid	
2	OP0101/2036/2015	3 July 201x	Rwandair	2,000,000		
3						
4						
5						
6						
7						
8						
9						
10						

Appendix xiii: Official Revenue Receipt

(Paragraph 5.10.9)

FISCAL YEAR 		Receipt No. RCT N° 			
OFFICIAL REVENUE RECEIPT		Date 			
Received from: ➔	Name & address of Tax payer 				
Amount RwF		TIN 			
Amount in words: 					
MODE OF PAYMENT					
Bank transfer/deposit ✓	Date 	Bank account Name of bank & Branch 			
		Ref. No. of pay-in slip 			
Cash ✓					
[attach supporting assessment forms]					
	Ledger Codes				Amount
Revenue type	Level 1	Level 2	Level 3	Level 4	
TOTAL					
Cashier's (official rubber stamp must be affixed) Signature: Date:					

[illegible]

Appendix xv: Asset requisitioning form

Kigali, .../...../YEAR

Name of entity

Address :

Tel: Fax:

E-mail:

REQUISITIONING UNIT:.....

ASSET REQUISITION VOUCHER NO...../YEAR

N0	ITEM (DESCRIPTION OF ASSET AND TAG NUMBER)	QUANTITY REQUISITIONED	QUANTITY RECEIVED	OBSERVATION

REQUESTED BY:

Head of Unit

FOR APPROVAL

DIRECTOR OF FINANCE
AND ADMINISTRATION

ISSUED OUT BY:

LOGISTICS AND MAINTENANCE OFFICER

RECEIVED BY

(Name and title of staff receiving the asset)

Appendix xvi: Asset Handover Form

Kigali, .../...../YEAR

Name of entity:

Address :

Tel: Fax:

E-mail:

NON CURRENT ASSETS HANDOVER FORM

Name of staff: _____

Designation of staff: _____

Unit: _____

Ref	Asset Description	Asset code	Unit	Location	Comments on the condition of the asset
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					

HANDED OVER BY:

IMMEDIATE SUPERVISOR

RECEIPT AND INSPECTION OS ASSETS
BY LOGISTICS AND MAINTENANCE OFFICER

.....

NAME AND SIGNATURE

.....

NAME AND SIGNATURE

.....

NAME AND SIGNATURE

Appendix xvii: Form for issue of ICT assets and other shared assets/equipment

Kigali, .../...../YEAR

No.....

Name of entity:

Address :

Tel: Fax:

E-mail:

FORM FOR ISSUE OF ICT ASSETS

TYPE/NAME	CODE	SERIAL NO	FROM	TO	REASON	RETURN DATE

Issued by Logistics Officer:

Name:.....

Signature:

Authorized by the Director Finance & Administration:

Name:.....

Signature:

Received by:

Name:.....

Signature:

Appendix xviii:
Form for use for physical verification of assets

Kigali, .../...../YEAR

No

Name of entity:

Address :

Tel: Fax:

E-mail:

FORM FOR PHYSICAL VERIFICATION OF ASSETS

ASSET DESCRIPTION	ASSET CODE	ASSET LOCATION	DEPARTMENT/UNIT	CONDITION OF ASSET	COMMENTS

NAME AND DESIGNATION OF STAFF CONDUCTING VERIFICATION:

Name:..... DESIGNATION..... Signature:

REVIEWED AND APPROVED BY:

Name:..... DESIGNATION..... Signature:

[illegible]

Verified by:- Date

Appendix xx: Annual Operations & Maintenance Plan for Existing Assets

Name of Asset or Infrastructure	Projected Total Asset Value (RwF)	Maintenance Approach (Preventative or Corrective)	Expenditure Item	2014/15 Budget (RwF)
			Operation	
			Maintenance	
			Administration	
			Rehabilitation	
			Asset-related Receipts	
Name of Asset or Infrastructure		Maintenance Approach (Preventative or Corrective)	Expenditure Item	2014/15
			Operation	
			Maintenance	
			Administration	
			Rehabilitation	
			Asset-related Receipts	
Name of Asset or Infrastructure		Maintenance Approach (Preventative or Corrective)	Expenditure Item	2014/15
			Operation	
			Maintenance	
			Administration	
			Rehabilitation	
			Asset-related Receipts	

Appendix xxi: Annual Operations & Maintenance Plan for New Assets

Name of Asset or Infrastructure	Projected Total Asset Value (RwF)	Maintenance Approach (Preventative or Corrective)	Projected Expenditure over Lifecycle	Projected Cost over Lifecycle (RwF)
			Operation	
			Maintenance	
			Administration	
			Rehabilitation	
			Asset-related Receipts	
Name of Asset or Infrastructure	Projected Total Asset Value (RwF)	Maintenance Approach (Preventative or Corrective)	Projected Expenditure over Lifecycle	Projected Cost over Lifecycle (RwF)
			Operation	
			Maintenance	
			Administration	
			Rehabilitation	
			Asset-related Receipts	
Name of Asset or Infrastructure	Projected Total Asset Value (RwF)	Maintenance Approach (Preventative or Corrective)	Projected Expenditure over Lifecycle	Projected Cost over Lifecycle (RwF)
			Operation	
			Maintenance	
			Administration	
			Rehabilitation	
			Asset-related Receipts	

Appendix xxii:

Asset transfer form for transfer of assets between units

No	Office furniture/Equipment		IT and Computer Equipment		Current Location and Unit		New Location and Unit		Comments/ reason for the transfer
	Description of asset	Tag Number	Description of asset	Tag number	User	Condition	User	Condition	

TRANSFERRING UNIT

Returned by (Current user).....Date.....

Approved by Head of Unit.....Date.....

RECEIVING UNIT

Received by (New user).....Date.....

Approved by Head of Unit.....Date.....

FINANCE DEPARTMENT

Reviewed by by Logistics Officer.....Date.....

Authorised by Director of Finance and Administration.....
Date.....

ISSUING/TRANSFERRING INSTITUTION

..... Date

..... Date

..... Date

Prepared by Logistics and Maintenance Officer

..... Date

..... Date

Approved by Chief Budget Manager/Director General

Date

ISSUING/TRANSFERRING INSTITUTION

Approved by Chief Budget Manager/Director General Date

Appendix xxv: Classification of assets and Useful Lives

(Paragraphs/Sub-Paragraphs, 14.3.6.1, 14.3.6.2, 14.3.9.4(3))

Asset class	Examples of assets forming the asset class	Useful life (years)
LAND	This shall consist of the following categories of land defined in Organic Law N° 03/2013/OL of 16/06/2013 repealing organic law N° 08/2005 of 14/07/2005 determining the use and management of land in Rwanda:	
	Public land	N/A
	State land in the public domain (including national roads, national land (comprised of natural forests, national parks, protected swamps, State public gardens and tourist sites) and memorial sites)	N/A
	Land in the public domain of Decentralised Entities (including Districts and City of Kigali roads and arterial roads that connect Districts roads to rural community centres)	N/A
	State land in the private domain	N/A
	Land in the private domain of local authorities	N/A
	Public institutions land	N/A
SUBSOILS	- Proven reserves of oil, natural gas and coal - Metallic mineral reserves - Non-metallic mineral reserves	N/A N/A N/A
BUILDING & STRUCTURES		
Dwellings	Foreign mission dwellings	50
	Hostels	50
	Military personnel dwellings	50
	Prisons and rehabilitation facilities	50
	Residences (presidential, embassies)	50
	Residences (personnel) include garages and parking	50
Non-residential dwellings	Airport and associated buildings (Halls, Parking and Hangars)	40
	Border and customs control points	40
	Bus terminals	40
	Theatre halls	40
	Clinics and community health facilities	40
	Community centres and Social halls	40
	Driver and vehicle testing centres	40
	Fire stations	40
	Foreign mission offices	40

Asset class	Examples of assets forming the asset class	Useful life (years)
	• Hospitals and ambulance stations	40
	• Industrial buildings	40
	• Laboratories	40
	• Libraries	40
	• Mortuaries	40
	• Museums and art galleries	40
	• Office buildings (including air conditioning systems)	40
	• Public parking (covered and open)	40
	• Police stations (and associated buildings)	40
	• Railway and associated buildings	40
	• Research facilities (including weather)	40
	• Stadiums	40
	• Taxi ranks	40
	• Universities, colleges, schools etc.	40
	• Warehouses (storage facilities, including data)	40
INFRASTRUCTURE ASSETS		
Electricity generation & supply	• Electricity meters	20
	• Transformers (high and low voltage)	20
	• Thermal power plant generators	20
	• Hydro power plants	20
	• Thermal power plant	20
	• Power lines (high voltage and low voltage)	20
Water distribution	• Reservoirs	50
	• Perimeter protection	20
	• Dams	50
	• Water meters	20
	• Water pumping machines	20
	• Water canals	20
	• Water purification plant	20
	• Metalwork (steel stairs, ladders, handrails, weirs) Pump stations	20
Roads and bridges	• Asphalt layer (tarmac)	50
	• Concrete layer	20
	• Gravel surface	10

Asset class	Examples of assets forming the asset class	Useful life (years)
	• Street lights	25
	• Traffic lights	10
	• Traffic signs	20
	• Pavements	50
	• Bridges - Concrete	50
	• Bridges – Steel	50
	• Bridges - Timber	20
Railway	• Power supply units	20
	• Railway sidings	20
	• Railway tracks	20
	• Signaling systems	20
Drains	• Earthworks and Concrete culverts	50
	• Concrete lining	50
	• Underground pipes	25
Sewerage	• Sewers	50
	• Sewage pipes	20
	• Waste water treatment	40
Solid waste disposal	• Containers/Bins	10
	• Transfer stations and processing facilities	20
	• Weighbridge	20
	• Landfill site	25
	• Perimeter wall/fence	10
Airports	• Airports and radio beacons	25
	• Aprons (Aircraft parking area)	25
	• Runway surface	20
	• Runway base	50
	• Taxiways	20
	• Luggage movement equipment	25

Asset class	Examples of assets forming the asset class	Useful life (years)
	Communication equipment	10
	Perimeter protection/fence	10
TRANSPORT EQUIPMENT	Aircraft hull (body)	10
	Aircraft engines	Engine hours
	Airport transport equipment (stairs and luggage)	5
	Buses	4
	Emergency vehicles (Ambulances and fire engines)	4
	Motor vehicles	4
	Trucks	10
	Trailers and semitrailers	10
	Railway wagon	15
	Motorcycles	4
	Bicycles	4
	Office equipment (including fax machines)	5
OFFICE EQUIPMENT, FURNITURE AND FITTINGS	Office furniture	5
	Advertising boards	5
	Air conditioners (individual fixed & portable)	5
	Cutlery and crockery	5
	Domestic and hostel furniture (for university accommodation)	10
	Fabrics and soft furnishings	5
ICT EQUIPMENT, SOFTWARE AND OTHER ICT ASSETS	Paintings, sculptures, ornaments (residential homes and office)	10
	Desk top computers	3
	Laptops	3
	Printers	3
	Internet connectivity equipment	3
	Phone handsets	3
	Mobile phones	3
	External storage devices	3
	Computer software	3

Asset class	Examples of assets forming the asset class	Useful life (years)
OTHER MACHINERY AND EQUIPMENT	• Other ICT equipment	3
	• Medical/health equipment	10
	• Laboratory equipment	5
	• Sports equipment	10
	• Elevator systems	10
	• Farm/Agricultural equipment	5
	• Fuel tanks	10
	• Generators	10
	• Water pumps	10
	• Water tanks	10
	• Electricity meters	20
	• Fire Fighting equipment	5
	• Gardening equipment	5
	• Irrigation equipment	10
	• Kitchen appliances	5
	• Electric wire and power distribution equipment (compressors, generators & allied equipment)	5
	• Laboratory equipment - Agricultural	5
	- Medical testing	5
	- Water treatment	5
	• Machines for mining and quarrying	10
	• Machines for textile production	10
	• Medical and allied equipment	10
	• Music instruments	10
	• Photographic equipment	5
	• Learning, training support and library material (curriculum equipment)	10
	• Green houses	10
	• Domestic equipment (non-kitchen appliances)	5

Asset class	Examples of assets forming the asset class	Useful life (years)
HERITAGE AND CULTURAL ASSETS	National Parks	N/A
	Museums	N/A
	Works of Art	N/A
	Cultural collections	N/A
	National Monuments	N/A
INTANGIBLE ASSETS	Capitalized development costs Computer software	10
	Mastheads and publishing titles	N/A
	Patents, licenses, copyrights, brand names and trademarks	N/A
	Recipes, formulae, prototypes, designs and models	N/A
	Service and operating rights	N/A

[illegible]

Instructions on how to complete the assets register are provided below.

Instructions for completing each column of the assets register are provided below:

1. **Date of Acquisition / Improvement** – Insert the date the asset was acquired or the date it was refurbished or improved for further use (thereby extending its useful life)
2. **Supplier & Invoice No** – Insert the name of the supplier and invoice number. This information is important for maintenance of the asset or in case of use of the supplier warranty
3. **Details or warranty/guarantee** – Indicate if a warranty or guarantee is applicable and the duration of the warranty/guarantee
4. **Description of Asset** – insert the description of the asset. For instance, if a computer, indicate the full name and model e.g. Dell Laptop
5. **Tag/Code No.** – Insert the unique tag number assigned to the asset. For motor vehicles, include the vehicle registration number
6. **Location** – Insert the physical location of the asset. This is the location of the asset in the office building. For instance, 5th Floor. Where the entity has various office locations, indicate the location of the building as well. Hence, 5th Floor, Remera Office
7. **User of Asset/Unit allocated the asset** – Insert the title of the user of the asset and the department/unit the asset is located. For instance, ICT Officer, IFMIS Unit
8. **Opening Value** – This is the opening value of the asset at the beginning of the year
9. **Depreciation charge for the year** – This is the depreciation charge of the year
10. **Accumulated depreciation** – This is the cumulative depreciation which includes the accumulated depreciation at the beginning of the year plus the depreciation charge for the year
11. **Net book value** – This is the opening value less the depreciation charge for the year
12. **Present condition** – This is the physical condition of the asset. The condition should be either Good or Damaged or Lost or Disposed
13. **Date of Disposal** – Insert the date the asset was disposed
14. **Proceeds from Disposal** – Insert the proceeds from the disposal of the asset

Appendix xxviii:
Format for the assets reconciliation report
(Paragraph 14.3.9.2 (2))

Description of Asset	Tag No.	Physical Location of Asset	User of the Asset	Condition of the Asset	Tag number as physically verified	Location of the asset as per physical verification	Condition of the asset as per physical verification	Comments on discrepancies

Prepared by:-

Date

Verified by:-

Date

Appendix xxix: Format of the annual report on assets

(Sub – paragraph 14.2.1.2)

Note on moveable and immoveable assets (public property) for inclusion in the annual financial reports submitted to MINECOFIN (The format may be revised by the Accountant General as he or she may deem fit)

Name of entity _____

Date _____

The following are the net book values of noncurrent assets as at mm dd yy:

Asset class	Cost (FRW)	Depreciation(FRW)	Net book value mm dd yy (N) (FRW)	Net book value mm dd yy (N- 1) (FRW)
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total				

PREPARED BY:

APPROVED BY

Name and signature
Designation
Date

Name and signature
Designation
Date

Appendix xxx: Similarities between IPSAS and IFRS

(Sub- paragraph 14.3.1.5)

A comparison of IPSAS and IFRS requirements is summarised in the table below. It should be noted that the list is not exhaustive due to the fact that new standards keep being issued. The most updated table of similarities between IPSAS and IFRS can be obtained on minecofin website.

Key

Symbol	Meaning
■	Minor differences that result from terminology, definitions and additional guidance specific to public sector.
▲	Moderately differences arising from difference in recognition, measurement and/or disclosure requirements.
▶	Significant differences arising from difference in recognition, measurement and/or disclosure requirements.
≡	No equivalent standard.

IPSAS	IFRS	Similarities	Comments
IPSAS 5 - Borrowing Costs	IAS 23 - Borrowing Costs	▶	
Two accounting treatments are allowed:	Borrowing costs are recognized as expense when incurred.		Significant difference in where IPSAS provides for two options for accounting treatment while IFRS provides for only one option.
Expense model (benchmark treatment); and	Borrowing costs related to a qualifying asset shall be included as part of the cost of the asset.		
Capitalization model (alternative treatment)			
IPSAS 9 - Revenue	IAS 18 - Revenue	▲	
Title- Revenue from Exchange Transactions	Title- Revenue		Moderate differences where IPSAS has provided guidance for gains.
Revenue includes those that arise from ordinary activities and gains.	Revenue is limited only to those that arise from ordinary activities.		

IPSAS	IFRS	Similarities	Comments
IPSAS 13 - Leases	IAS 17 - Leases	▲	Difference resulting from the Exposure draft on Leases which is expected to change the accounting for leases.
Leases are classified into:	Leases are classified into:		
Operating Lease; or	Operating Lease; or		
Finance Lease	Finance Lease		
Income or expense related to operating lease is recognized on a straight line basis over the lease term	Income or expense related to operating lease is recognized on a straight line basis over the lease term		
	Exposure draft on Leases is expected to change the accounting for leases.		
IPSAS 16 -Investment Property	IAS 40 - Investment Property	▲	Moderate difference - Property held to provide a social service and which also generates cash inflows is not an investment property.
Investment property is a real property that is held by an entity for capital appreciation, for rental, or both.	Investment property is a real property that is held by an entity for capital appreciation, for rental, or both.		
Property held to provide a social service and which also generates cash inflows is not an investment property.			
IPSAS 17 and IPSAS 31 - Property, Plant and Equipment/ Intangible Assets	IAS 16 and IAS 38 - Property, Plant and Equipment/ Intangible Assets	▲	Moderate differences: IAS 16 does not have transitional provisions, heritage assets and guidance on frequency of revaluation of property, plant, and equipment.
IPSAS does not require or prohibit the recognition of heritage assets.	No guidance is provided on how to account for heritage assets.		
PPE and Intangible assets may be accounted for using either:	PPE and Intangible assets may be accounted for using either:		
Cost model; or	Cost model; or		
Revaluation model	Revaluation model		
Revaluation increases and decreases are offset on a class of asset basis	Revaluation increases and decreases may only be matched on an individual item basis		
Contains transitional provisions for both the first time adoption and changeover from the previous version of IPSAS 17.	IAS 16 only contains transitional provisions for entities that have already used IFRSs		

IPSAS	IFRS	Similarities	Comments
Specifically, IPSAS 17 contains transitional provisions allowing entities to not recognize property, plant, and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with IPSASs. The transitional provisions also allow entities to recognize property, plant, and equipment at fair value on first adopting this Standard.	IAS 16 does not include these transitional provisions		
IPSAS 17 contains definitions of “impairment loss of a non-cash-generating asset” and “recoverable service amount.”	IAS 16 does not contain these definitions. Commentary additional to that in IAS 16 has been included in IPSAS 17 to clarify the applicability of the standards to accounting by public sector entities.		
IPSAS 27 - Agriculture	IAS 41 - Agriculture	▲	
The definition of “agricultural activity” includes transactions for the distribution of	IAS 41 does not deal with such transactions.		
biological assets at no charge or for a nominal charge.			
IPSAS 27 requires entities to provide a quantified description of each group of biological assets.	IAS 41 encourages, but does not require, entities to provide a quantified description of each group of biological assets		
IPSAS 21 - Impairment of non-cash generating assets	IAS 36 - Impairment	≡	There is no equivalent standard under the IFRS framework
IPSAS 21 deals with the impairment of non-cash-generating assets.	IAS 36 deals with the impairment of non-financial assets.		
IPSAS 21 measures the value in use of a non-cash-generating asset as the present value of the asset’s remaining service potential using a number of approaches.	IAS 36 measures the value in use of a non-financial asset as the present value of future cash flows from the asset.		

IPSAS	IFRS	Similarities	Comments
Impairment testing is applied to individual assets.	IAS 36 uses the concept of cash generating unit.		
IPSAS 26 - Impairment of cash generating assets	IAS 36 -Impairment	▶	Significant differences - IPSAS 26 does not apply to cash-generating assets carried at revalued amounts and Goodwill is outside the scope of IPSAS 26.
IPSAS 26 does not apply to cash-generating assets carried at revalued amounts at the reporting date.	IAS 36 does not exclude from its scope assets carried at revalued amounts.		
Goodwill is outside the scope of IPSAS 26.	IAS 36 includes extensive requirements and guidance on the impairment of goodwill.		
IPSAS 23- Revenue from Non-exchange transactions	N/A	≠	There is no equivalent standard under the IFRS framework
Non-exchange transactions are transactions wherein an entity either receives value from another entity without directly giving approximately equal value in exchange.	N/A		
An entity shall recognize an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.	N/A		
Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system	N/A		

Appendix xxxi: Compliance checklist for Head of Finance (Paragraph 15.5.7)

Ref	Particulars	Yes	No	Comment if answer is No
1	Basic Financial Statements			
1.1	Is the financial statement prepared according to the format provided by MINECOFIN?			
1.2	Does the report contain a Statement of Revenue and Expenditure, Statement of Financial Position, a cash flow statement and notes to financial statements?			
1.3	Are the notes to the financial statements complete and tie to the Statement of Revenue and Expenditure and Statement of Financial Position?			
1.4	Have the financial report been reviewed by the Head of Finance and Chief Budget Manager before submission to Auditor General and to Accountant General			
1.5	Have adequate information explaining the variances been provided in the budget execution report.			
1.6	Has the report been submitted within the statutory deadlines?			
1.7	Have all Inter-Entity transactions been confirmed with the sending and receiving entity?			
2	Month-end and Year-end procedures			
2.1	Are all the prior year adjustments authorized by the Head of Finance?			
2.2	Are all journal vouchers authorized by the Head of Finance?			
2.3	Has the audit queries and audit adjustments been passed before submitting annual reports to Auditor General and to Accountant General?			
2.4	Have all outstanding commitments as at 30 th June been accrued as accounts payable?			
2.5	Has an aged accounts receivable and accounts payable report been reviewed by Head of Finance and Chief Budget Manager and provide along the annual financial statements?			
3	Filing			
3.1	Are all supporting documents for all transactions contained in the General Ledger available and properly filed?			
4	Laws and Regulations			
4.1	Has the financial report been signed off by the Chief Budget Manager, Project Coordinator, Head of Finance, Accountant and revenue officer as the case may apply?			

[illegible]

UI: Fruitless and wasteful expenditure currently under investigation
C: Fruitless and wasteful expenditure confirmed
DP: Disciplinary process initiated against responsible person
TR: Transferred to receivables for recovery
P: Paid in or in the process of paying in instalments; or
WO: Written off by the Chief Budget Manager as irrecoverable.

Name and signature
Designation
Date

Name and signature _____
Designation _____
Date _____

Appendix xxxiii:

Sample Letter for Delegation of Powers and Duties

(Use headed paper)

**The Head of the Subsidiary
Entity,
XXXXXX**

Subject: Delegation of Powers and Duties

In accordance with articles 21, 22, 25 and 26 of the organic law on State finances and property, having also reviewed the provision of Presidential Order No.77/01 of 30th September 2015 determining competent authority and modalities in delegating power in public services, you have been delegated with the powers to undertake the following duties on my behalf:

- 1) Preparing the annual operational budget and the medium-term expenditure framework of the subsidiary entity;
- 2) Exercising control over the execution of the operational budget of the entity under your responsibility;
- 3) Maintaining accounts and records of the Sector in accordance with the financial regulations in place;
- 4) Preparing and transmitting reports to the district as provided in the PFM policies and procedures manual issued by the Minister of Finance and Economic Planning and other laws, regulations or guidelines relating to public finance;
- 5) Preparing and implementing cash-flow plans in consultation with the district;
- 6) Managing effectively, efficiently and in a transparent manner all the public funds and assets under the control of the entity;
- 7) Establishing and maintaining effective, efficient and transparent systems of internal controls and risk management;
- 8) Providing any other information as may be required by the district;
- 9) Ensuring compliance with all the provisions of the PFM policies and procedures manual as they relate to the subsidiary entities.

The authority delegated is not subject to sub-delegation without my prior and express written consent.
The effective date of this delegation is (specify- normally date of signature) and shall run until xxxx unless revoked.
Sincerely,

[Name, signature and title of Chief Budget Manager of the District]

cc:

- Hon Minister of Finance and Economic Planning
- Executive Head of the Institution



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www.minecofin.gov.rw