

**VOTE 39**  
**MINISTRY OF DEFENCE AND NATIONAL SERVICE (JKT)**

**192. FOLLOW-UP ON OUTSTANDING MATTERS IN PREVIOUS  
AUDIT REPORTS**

**Para 183 – Management of Fixed Assets**

The fixed assets schedule disclosing the value of all fixed assets owned by the National service has not yet been compiled and submitted for audit examination as directed through Treasury letter ref. No. TA/30/362/2. The exercise of valuation was still in progress.

**193. AUDIT QUERIES**

A test check of the accounts and related records for the year 2003/04 resulted in the issue of 19 audit queries the more significant of which are commented upon in this report.

**194. OUT-TURN**

**194.1 Supply Vote**

The Supply Vote closed with a saving of Shs.331,563,851 arising from net expenditure of Shs.25,522,030,849 against reported net approved estimates of Shs.25,853,594,700. However, the actual exchequer, issues received during the year from the Treasury totalled Shs.25,522,108,908 leaving unspent balance of Shs.78,058.

**194.2 Reallocation Warrant Shs.500,000,000**

The Supply Vote Appropriation Account reflected an amount of shs.500,000,000 being reallocation warrant. However, audit scrutiny on the Reallocation Warrant No.4 of 2003/04 observed that only Shs.168,514,208 was reallocated to National Service. No remarks were given on the shortfall Shs.331,485,792.

**195. STATEMENT OF REVENUE:**

The revenue collection for the year totalled Shs.2,325,216 against the estimated revenue collection of Shs.3,000 thus reflecting an over collection of Shs.2,322,216 or 775% of the estimates. The estimates appear to have been under assessed.

## 196. STATEMENT OF ASSETS AND LIABILITIES

The Miscellaneous Deposit Account for the year ended 30<sup>th</sup> June, 2004 reflected two credit balances totalling Shs.7,409,286 as shown below:

| Cost Center No. | Description                 | Credit Balance<br>Shs.    |
|-----------------|-----------------------------|---------------------------|
| 6930 DO 1001    | Unclaimed salaries          | 644,234                   |
| 6930 DO 1001    | Treasury CPS Deposit Madeni | <u>6,765,052</u>          |
|                 | <b>Total</b>                | <b>7,409,286</b><br>===== |

Appropriate action is required to clear these credit balances.

## 197. IMPROPERLY VOUCHERED EXPENDITURE SHS. 92,132,095

A test check of payment vouchers for the year 2003/2004 revealed that the National Service incurred expenditure totalling Shs.92,132,095 without proper supporting documents. My four audit queries raised on this matter have not been replied.

## 198. QUESTIONABLE PAYMENT SHS. 5,895,600

A test check of records for the year under review disclosed questionable payments of Shs.5,895,600 arising from payment of accommodation and meals issued to several JKT officials. One query raised seeking explanation on the correctness of the expenditure has so far not been replied.

## 199. LOSS OF SALARIES SHS. 2,015,749

Payment of salaries totalling Shs.2,015,749 in respect of officers and soldiers were lost by the paying officer/clerk during the time of paying exercise. However, no action has been taken and no loss report has been submitted.

## 200. ACCOUNTS OF THE SUMA JKT CORPORATION SOLE:

### 200.1 Para 189.1 Follow up on outstanding matters in the previous audit report the year 1999/2000

Books of accounts mentioned at Para 157 2.3 of the report such as Capital, Reserve, Manufacturing, Farms and Contract Accounts have not yet been prepared to date.

**Para 189.2 Value of Fixed Assets not ascertained 1999/2000  
Shs.571,504,501 and 2000/2001 Shs.571,107,952**

The fixed assets register for the management, monitoring and controlling the movement of assets and acquiring information on the type of assets is still not maintained. Furthermore the individual assets were not coded/marked for identification purposes.

**200.2 Matters arising from Examination of Financial Statements**

**200.2.1 Year 2001/2002**

- (i) The figure of the value of Fixed Assets shs.640,729,802 shown in the consolidated financial statements was not confirmed due to the fact that the Fixed Assets Registers submitted for audit examination did not reflect the value of fixed assets.
- (ii) The financial statements showed farms valued at Shs. 526,200,000 which did not include the value of Unit – (XVI) Mgambo farm of 267 acres of orange trees detected during the audit inspection.
- (iii) Motor vehicles and tractor costing Shs.55,249,769 included balance of Shs.91,918 for Unit (11) – Kanda ya Kati but the Fixed Assets Register No. 8 maintained by Ujenzi Kanda ya Kati shows that there were two motor vehicles Scania Tipper STG 4354 and LWP STG 4357 ledger folio 07 and 08 respectively whose book value was Shs.1,912,238. The lorries were not physically seen at Kanda ya Kati during audit verification of assets.
- (iv) Unit (XII) Buhemba was one of the SUMA Units during financial year 1999/2000, 2000/2001 and 2001/2002. However, the units accounts were not incorporated in the statements. The value of assets of the unit as at 30<sup>th</sup> June, 1999 was as follows:-

| <u>Fixed Assets</u>  | <u>Shs.</u>   |
|----------------------|---------------|
| Farms                | 74,300,000.00 |
| Plant and Machinery  | 1,161,786.35  |
| M/Vehicle & Tractors | 64,564.20     |

**Current Assets**

|                         |                              |
|-------------------------|------------------------------|
| Debtors                 | 10,179,697.00                |
| Livestock               | 3,078,854.05                 |
| Capital                 | 46,867,778.30                |
| Creditor                | 547,350.00                   |
| Increase on Revaluation | <u>49,068,434.60</u>         |
| <b>Total</b>            | <b><u>185,268,464.50</u></b> |

Reasons for the exclusion of units (XII) Buhemba accounts in the financial statements for the period from 1999/2000 to 2001/2002 were not known.

**200.2.2 Year 2002/2003**

- (i) The value of fixed assets Shs.664,325,938 as shown in the financial statements was not confirmed as correct due to the following deficiencies:-
- Registers submitted for audit examination did not reflect the values of Fixed Assets. No valuation reports were available for confirmation of the assets value.
  - The individual assets were not coded/marked for identification purposes.
- (ii) Examination of the Statement of Assets and Liabilities as at 30<sup>th</sup> June, 2003 disclosed a consolidated figure of inter unit transfer of Shs.47,650,252 which has remained uncleared for a long time. Furthermore, there was no analysis schedule which shows aging of the transactions made available for audit. Efforts need to be made to ensure that the amounts transferred are recovered/cleared to giving accounts.
- (iii) Audit examination from the National Service Headquarters receipt book observed that the correct amount of management fees received from various units was Shs.19,693,539 not Shs.37,901,491 as reflected in the financial statements, hence the figure in the financial statements was overstated by Shs.18,207,952.
- (iv) The Headquarters Rental Income of Shs.13,880,000 was overstated by Shs.3,000,000 as receipt book maintained by Head Office had revealed total collection of Shs.10,880,000 only.

Further the rental Agreement contract documents were not submitted for audit when requested for verification.

- (v) The consolidated financial statements for the financial year 2002/03 showed that the turnover was Shs.1,597,525,902. However, audit detected that Shs.92,487,498 being total credit sales for the financial year 2002/03 had not been included in the figure of turnover contrary to Tanzania Financial Accounting Standards (TFAS) NO 13 (3.7). There were variances between the revenue receipt book and revenue figures shown in the financial statement as follows:

| Unit         | Figure as per<br>Receipt Book<br>Shs. | Figure as per<br>F/Statement<br>Shs. | Variance<br><br>Shs. |
|--------------|---------------------------------------|--------------------------------------|----------------------|
| KUNDUCHI     | 233,686,502                           | 264,869,032                          | 31,182,530+          |
| RUVU         | 157,564,961                           | 141,275,140                          | 16,289,821-          |
| MGULANI      | 50,793,285                            | 18,315,708                           | 32,477,577-          |
| KARIAKOO     | 42,321,390                            | 58,651,272                           | 16,329,882+          |
| <b>Total</b> | <b>484,366,138</b><br>=====           | <b>483,111,152</b><br>=====          |                      |

- (vi) A test check of the banking records for revenue collections made during the year, at Chang'ombe JKT Unit revealed that a total collection of Shs.8,984,500 and USD.600, was not confirmed to have been banked. The banking particulars could not be established / produced when requested for audit verification.
- (vii) The Final Accounts for RUVU JKT showed a total expenditure of Shs.127,840,738 only as against cash book and monthly report total expenditure of Shs.155,603,640 resulting in an explained variance of Shs.27,762,902.
- (viii) An amount of Shs.7,804,065 detected relating to Kanda ya Kaskazini was not reported among the debtors in the final accounts. The reason for omitting this unpaid amount was not justified.
- (ix) The correctness of the retention fund of Shs.10,933,310 which appeared in the financial statement was not confirmed since all vital records such as contract agreements were not available for scrutiny.
- (x) Revenues totalling Shs.25,761,059 collected during 2002/2003 in respect of the following projects were omitted in the financial statement without valid reason:

| Project | Unit         | Amount<br>Shs.             |
|---------|--------------|----------------------------|
| Timber  | Mafinga      | 8,662,240                  |
| Milling | Ruvu         | <u>17,098,819</u>          |
|         | <b>Total</b> | <b>25,761,059</b><br>===== |

**(xi) Outstanding Debt Shs.9,000,000**

According to an agreement dated November, 1998 between SUMA JKT and Mansoor Industries Ltd Mwanza, 9 fuel tanks were issued on hire basis by SUMA JKT vide issue voucher No.741032 and 741034 dated 3<sup>rd</sup> January, 1999.

However, audit verification observation that no payment was made by M/S Mansoor Industries Ltd of Mwanza for the whole financial year 2002/03 up to the time of writing this report December, 2004. The total cost of hiring the tanks up to 30<sup>th</sup> June, 2003 was Shs.9,000,000.

No serious effort was made to ensure that the total amount of Shs.9,000,000 was recovered.

**200.2.3 Non Submission of Consolidated Financial Statements for the SUMA JKT Corporation Sole For 2003/04**

Consolidated financial statements for the financial year 2003/04 have not yet been submitted for audit examination as required by Financial Regulations.

**201. PRIVATE AUDITOR'S REPORT ON JOINT PROJECT PERFORMANCE REVIEW**

According to M/S Martec & Co. Auditors Management audit report Ref. No. AU/TPL/094/2002/D dated 19/4/2002 and related records, the Tanansino United Pharmaceuticals (T) Ltd is an incorporated enterprise which was registered as a limited company on 17<sup>th</sup> September, 1997 under the Companies Ordinance Cap. 212. It is a joint venture project between the Government of the Peoples Republic of China represented by Shanxi Provincial Technical Renovation and Equipment Corporation and the Government of the United Republic of Tanzania represented by Shirika la Uzalishaji Mali SUMA JKT.

The initial funding of the company was an investment of USD 1,207,603 equivalent to Shs.1,963,827,972 financed as follows:

| Party   | Amount in USD                    | Amount in TShs.                      |
|---|----------------------------------|--------------------------------------|
| (i) Renovation and equipment corp.<br>(Chinese side) Shanks Provincial<br>Technical | 740,603                          | 1,660,154,659                        |
| (ii) SUMA JKT (Tanzania side)   | <u>467,000</u>                   | <u>303,673,313</u>                   |
| <b>Total</b>  | <b><u>1,207,603</u></b><br>===== | <b><u>1,963,827,972</u></b><br>===== |

The main objective of the company is to supply medical drugs of high quality at affordable prices to the Tanzania Armed Forces, Government Institution and the Public. To achieve this objective the company will:

- Manufacture all types of pharmaceuticals
- Sell pharmaceuticals manufactured by the company and those imported from China.

The over all management of the company is the Board of Directors whereas the day to day activities are managed and supervised by the General Manager.

Audit review of M/S Martec and Company Private Auditors' Report No. AU/TPL/094/2002/D of 19/4/02 and related records observed the following matters of the year ended 31<sup>st</sup> December, 2001.

- Deteriorating working capital from positive working capital of Shs.123,821,587 in 1998 to a negative capital of Shs. 648,040,389 in 2001.
- Land and buildings for shs. 728,906,593 were not supported by Title deeds.
- Fixed Assets Register was not being maintained.
- Turnover of top management was high.

The joint venture Memorandum of Understanding between the two parties Shanks Provincial Technical Renovation and Equipment Corporation and SUMA JKT was not made available for audit review.

Financial statements for the period from January, 2002 to date have not been submitted for audit thus making it difficult to ascertain the profit or loss suffered by the two governments and action being contemplated to sustain the joint venture.

**202.        AUDIT CERTIFICATE**

In my opinion, the Supply Vote, Revenue and Miscellaneous Deposit Accounts present fairly the financial position of Vote 39 as at 30<sup>th</sup> June, 2004. However, the accounts of SUMA JKT for the period ended 30<sup>th</sup> June, 2003 were awarded a qualified certificate.