

**VOTE 47  
MINISTRY OF WORKS**

**288. AUDIT QUERIES**

A system based audit approach was applied in examining the appropriation account for the year ended 30<sup>th</sup> June 2004. The accounts were examined on test check basis and assessment of internal control system was performed in order to ascertain effectiveness and reliability.

During the year under review 7 management letters were raised of which the unresolved salient matters, are included in this report.

The current status of outstanding management letters is as follows:

Year	Number of management letters
2001/2002	6
2002/2003	6

**289. FOLLOW UP ON PREVIOUS YEARS OUTSTANDING MATTERS**

The following significant matters which were reported in the previous audit report have not been finalized.

2001/2002 Report Paragraphs	Audit Observations	Outstanding Amount (Shs)	Audit Comment
286	Warrant of funds not accounted for Shs. 572,969,105	3,649,545	Expenditure statements for Shs. 3,649,545 not yet produced
288.2	Arrears of revenue Shs. 338,109,887 and USD. 851,270	83,137,090.65 and USD. 653,121	The Ministry has not confirmed the collection of arrears of revenue
290	Statement of Assets and Liabilities	Various	Treasury has not yet confirmed reconciliation of the variances.
292	Fictitious payment of salaries 7,342,236	7,342,236	Report from public services management awaited
295	Non delivery of Motor Vehicle	131,250,000	Court judgment awaited
296	Non-delivery of fuel worth Shs. 87,798,800	24,859,934.40	The Ministry has not confirmed delivery of the fuel

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303.4	Rent receivable Shs. 187,860,230	39,186,280	The Ministry has not confirmed receipt of rent.
303.3	Short delivery of Items of Stores Shs. 68,250,501	9,740,428	The stores have not yet been received.

### 290. OUTTURN

#### 290.1 Supply Vote

The Supply Vote account closed with real saving of Shs.68,008,759 with the Paymaster General account arising from net expenditure of Shs.63,165,864,190 against reported approved estimates as well as exchequer issues of Shs.63,233,372,953.

##### 290.1.1 Unreconciled Variance of Shs.716,134,485

The Supply Vote account showed net approved estimates of Shs.63,233,372,953. However, the supporting summary of appropriation account showed a net approved estimate figure of Shs.63,949,507,433 resulting into unreconciled variance of Shs.716,134,485. It was further noted that the supply estimates book as passed by the National Assembly reflects a net approved estimate of Shs.57,157,456,100.

#### 290.2 Development Vote

The years out turn on the Development Vote account was Shs.69,584,863,670 against approved estimates of Shs.140,853,860,462 an apparent saving of Shs.71,268,996,592. However, exchequer issues received during the year totalled Shs.69,612,100,885, thereby leaving a real cash balance of Shs.27,237,015 with the Paymaster General's Account.

##### 290.2.1 Unaccounted For Transfer of Funds Shs.9,531,797,062

An audit scrutiny of the general ledger, noted that returns in respect Shs.9,531,797,062/= transferred to the Chief Executive, TANROADS to finance development projects have not been rendered. It was not therefore possible to verify whether the funds were spent as intended.

**291. STATEMENT OF REVENUE**

**291.1 Shortfall in Revenue Collection Shs 1,565,711,137**

The statement of revenue for the year reflected total revenue of Shs. 2,120,243,273 being 58% of the approved revenue of Shs. 3,636,643,273 resulting in a shortfall of Shs. 1,565,711,137 against the approved revenue estimates. However, the amount of revenue actually reported in the General Ledger was Shs 2,161,597,300 resulting in an unexplained variance of Shs 2,365,509.

**291.2 Amount of Revenue Shs 1,561,782,842**

The statement of amount of Revenue reflected an amount of Shs. 1,561,782,842 was not collected as at 30<sup>th</sup> June 2000. However, the amount is supported with details showing the debtors and amounts due.

**292. STATEMENT OF ASSETS AND LIABILITIES**

**292.1 Discrepancy in Balances Shs 782,150**

The statement of assets and liabilities as at 30<sup>th</sup> June 2000 reflected a net balance of Shs. 774,555/-. However, this amount did not tally with the balance of Shs. 782,156,705/- reported in the consolidated balance sheet of the Government provided by the Treasury as at the time of the audit. As at February 2000 the difference of Shs 782,150 had not been explained.

**292.2 Variance in Receipts and Payments**

The supporting documents supporting the statement of assets and liabilities as at 30<sup>th</sup> June of 2000 and an analysis of receipts and payments of the Government's 2000 deposit accounts as follows:

Item	Amount as per Budgetary Analysis Shs.	Amount as per General Ledger Shs.
Receipts	1,650,247,543.62	11,326,411,200.00
Payments	7,342,202,075.23	17,001,250,000.00

In addition, deposit register that would show primary records of all transactions are not available for audit verification.

**293. LOSSES OF CASH AND STORES SHS.132,157,531**

The footnotes to the appropriation accounts disclosed cumulative losses amounting to Shs.136,757,031. Out of these, losses adding to Shs.135,049,500 relate to the financial year under review. As at 30<sup>th</sup> June 2004, losses amounting to Shs.4,599,500 had been written off leaving uncleared losses of Shs.132,157,531/=

**294. OUTSTANDING DEBTS SHS.2,886,692,224**

The footnotes to Appropriation Account disclosed an amount of Shs.2,886,692,224 as outstanding sundry creditors as compared to the previous years debts of Shs.1,823,470,478 or 58.3% increase. The statement did not disclose the age of the debts. Moreover, it was not possible to reconcile the current debts with those reported in the previous year since the format of presentation was not consistent.

**295. FIXED ASSETS ACCOUNTING AND RECORDING**

The Footnotes to the Appropriation Accounts disclosed fixed assets worth Shs.95,671,828 bought during the year under review but the cashflow statements on Recurrent and Development Accounts reflected purchases of Fixed Assets valued at Shs.1,152,726,978 and Shs.1,000,000,000, respectively. We could not verify the correctness of the stated figures due to inadequate reporting and recording of the Fixed Assets.

**296. UNRETIRED SPECIAL IMPRESTS SHS.11,550,000**

A test check of the accounts for the year under examination revealed that special imprests totalling Shs.11,550,000 were paid to various officers but retirement particulars were not made available to authenticate the expenditures incurred out of the imprests. I am still waiting for response to my management audit report raised on this matter.

**297. UNCONFIRMED DELIVERY OF SPARE PARTS SHS.81,354,351**

The Ministry of Works signed a loan agreement No. AL9066218 of Shs.81,354,351 with M/S Komatsu Ltd for supplying spare parts in respect of Same-Segera Road Project.

However, the expenditure was not supported with original invoices and delivery records to confirm receipt of the spares paid for. The ministry has been asked to confirm receipt and accountability of the spare parts ordered and paid for as well as original invoices to confirm that the loan had not been paid before.

## 298. POOR MAINTENANCE OF STORES RECORDS

The system of recording items of stores in the ledger is not adequate to enable an independent reviewer to trace transactions from the ordering stage to final use. As a result, it was noted that stores ledger folios are not cross-referenced to the LPO. Locally purchased goods worth Shs.174,513,446 could not be confirmed to have been taken on ledger charge.

## 299. IMPROPERLY VOUCHERED EXPENDITURE

A test check of payments made during the year revealed improperly vouchered expenditure totalling Shs.1,694,534,476 as follows:-

Account	Amount Shs.
Recurrent	456,673,727.00
Development	1,237,860,749.20
	<b>1,694,534,476.20</b>

The extent of this weakness entails existence of poor management of records and information flow.

## 300. QUESTIONABLE EXPENDITURE SHS.415,093,459

### 300.1 Ineligible Expenditure Shs.357,420,891

The Ministry paid M/S Impresa Del Benaco S.P.A Shs.372,143,940 vide C/N 365712 of 3<sup>rd</sup> June 2004, being settlement of a long outstanding debt relating to contract signed in May 1978 in respect of construction of Rusumo-Lusahunga road. Audit examination of the supporting certificates No. 51 of 15<sup>th</sup> Oct. 1984 and 52 of 10<sup>th</sup> Dec. 1984 revealed that the amount due to the contractor was Shs.14,715,049 only. Nevertheless, the Ministry could not advance reasons to support the extra payment of Shs.357,420,891. Moreover, the whole expenditure is doubtful because there is no evidence that the contractor is no longer in the country and there is no local receipt to acknowledge the payment.

### 300.2 Unallowable Extra Cost Shs.57,664,562

An amount of Shs.313,361,174 was paid to M/S Cowi Consulting Engineer and Planners A.S being consultancy charges in respect of Wazohill-Bagamoyo road project. The payment was made on the strength of addendum No. 8. and certificates No 18 and 19. An audit scrutiny of the payment records noted the following short comings:-

- The Ministry overpaid Shs.57,664,562 to the consultant since the two certificates add to Shs.255,691,612 and not the paid amount of Shs.313,361,174.
- The central Tender Board through its letter reference No. CTB/TEN/DSWHB/76/16 dated 26/3/2003, did not approve the used addendum No. 8.
- Tanzania Bureau of Statistics was not referred to in adjusting total payments due to inflation effect.
- The payment was made out of vote account while Wazohill – Bagamoyo road project was being financed by the European Union.
- Due to inflation effects the total payment was adjusted using consumer price index but there was no proof that documentary evidence to computation of consumer price index was obtained from the pertinent authorities.

In view of the above, shortcomings the whole transaction would appear to be questionable. I am still waiting for a response to my management letter issued on 2<sup>nd</sup> September, 2004.

### **301. VIOLATION OF PROCUREMENT REGULATIONS SHS.309,039,438**

During the year under review, nine vehicles and four motorcycles worth Shs.309,039,438 were bought through direct contracting with suppliers. Scrutiny of records revealed that the Ministerial Tender board was not involved contrary to clause 32 (1) of the Public procurement of goods and works regulations. In addition the unit rates exceeded the set procurement limit of Shs.3,000,000 for heads of department contrary to schedule (e) of the same regulations.

### **302. WARRANT OF FUNDS NOT ACCOUNTED FOR SHS.243,960,775**

A total amount of Shs.243,960,775 was released to up country stations through warrants of fund. However, it was noted that the warrant holders had not rendered statements of expenditure to account for the amount.

### **303. TANZANIA BUILDING AGENCY (TBA)**

#### **303.1 Late Submission of Financial Statements**

The financial statements as at 30<sup>th</sup> June 2004 were submitted in January 2005 three months after the statutory date. Viz: 30<sup>th</sup> September 2004. No reasons were advanced for the late submission.

### 303.2 Fixed Asset Management

The financial statements reflected a net value of Fixed Assets worth Shs.33,356,037,840 as at 30<sup>th</sup> June 2004. However, in the absence of a Fixed Assets Register we could not verify this figure and confirm whether there has been proper record of all Fixed Assets owned by the Agency.

### 303.3 Short Collection of Revenue – Shs.1,238,777,601

Total revenue collections during the year amounted to shs.7, 408,690,703 as compared to the approved revenue estimates of shs.8,647,408,304, resulting in a short collection of shs.1.238,777,601 or 14.3% of the approved estimates.

### 303.4 Unbanked Cash Collections Shs.7,054,421.30

An examination of revenue collection and banking records revealed under banking of cash amounting to Shs.7, 054,421.30. I have not received a reply to my management letter thereon.

### 303.5 Arrears of Revenue

Footnotes to the financial statements disclosed arrears of revenue of Shs.177,066,995.50 and USD 356,671 for both local and foreign currency respectively. This amount is on the higher side and therefore suggests laxity over revenue collection. If this trend is left to continue, losses of revenue in form of bad debts, may occur.

### 303.6 Bank Reconciliation Statements

Bank reconciliation statements in respect of revenue Collection Account on the sale of Government houses reflected the following items which have not been cleared as at 30<sup>th</sup> June 2004.

Receipts in Bank Statement not in cash book	22,935,287.50
Payments in cash book not in bank Statement	1,400,000,000.00
Payments in bank not in cash book	1,400,000.00
Receipts in cash book not in bank statement	24,498,500.00

The uncleared items have a high potential risk of affecting the correctness of the financial statements.

**304. GOVERNMENT STORES FUND AS AT 30<sup>TH</sup> JUNE 2003****304.1 Ineligible Expenditure Shs.1,661,005,910**

The fund account cash book showed total payments of Shs.10,008,683.80 used for procurement of unallocated stores. However this amount disagrees with the figure of gross purchases shown in the statement of receipts and payments as Shs.8,347,702,774.12; resulting into ineligible expenditure of Shs.1,661,005,910. A test check of the fund payment records revealed expenditure adding to Shs.254,367,540 made for purposes other than the main objective of stocking unallocated stores for subsequent sale to government organs.

**304.2 Unreconciled Remittances of Revenue**

Records relating to remittance of revenue from Regional Stores Officers showed large variances up to Shs.119,000,000 per Region per year when compared to the records maintained at central store. Similarly, large differences were noted between sales final Account and cash book, both maintained at the Central Store. However, no action is being taken to reconcile the differences though some date back to the financial year 2001/2002. These differences affect the correctness of the financial statements besides the high risk of loss of revenue without detection. The following are the details of the unreconciled variances.

<b>MWANZA</b>	<b>Actual Remittances (1)</b>	<b>Sales Final Account Shs. (2)</b>	<b>Cash book Shs. (3)</b>	<b>Difference Shs. (1-2)</b>	<b>Difference Shs. (1-3)</b>	<b>Difference Shs/ (2-3)</b>
2001/2002	384,433,286	407,649,746.30	383,308,131.05	23,216,459.08	1,125,154.05	24,341,614.80
2002/2003	572,386,877	673,387,935.65	591,660,444.40	101,001,058.65	19,253,567.40	81,727,491.25
<b>KAGERA</b>						
2001/2002	238,034,277.20	264,850,259.50	234,304,305.70	26,816,032.03	3,729,876.50	30,545,908.08
2002/2003	357,888,441.50	411,764,457.55	395,012,558.50	53,876,016.05	37,124,117.00	16,751,899.05
<b>ARUSHA</b>						
2001/2002	265,189,800	343,283,635	435,777,081.30	78,098,835	170,587,281.30	92,493,446
2002/2003	501,637,107	758,013,910	901,047,539	256,376,803	399,410,432	143,033,629
<b>KILIMANJARO</b>						
2001/2002	293,345,035.25	359,023,842.50	448,924,724.35	65,678,807.25	155,579,689.10	89,900,881.85
2002/2003	396,407,456.10	550,857,776.06	665,248,194	154,450,319.96	268,840,737.90	114,500,313.40
<b>TANGA</b>						
2001/2002	161,015,519.10	169,674,222.09	288,697,941.60	8,658,702.99	127,682,422.50	119,297,718.70
2002/2003	228,917,065	320,024,515	371,352,597.03	91,107,450	142,435,532.03	51,328,082.03
<b>MBEYA</b>						
2001/2002	264,586,806	415,958,246	365,647,845	151,371,440	101,061,039	50,310,401
2002/2003	456,613,186	678,355,699.50	511,448,678.80	221,742,513.50	54,835,487.80	166,907,025.70
<b>IRINGA</b>						
2001/2002	138,389,765.25	145,140,832.50	136,210,870.10	6,751,067.25	2,178,895.25	8,929,962.40
2002/2003	348,053,225.50	445,495,700.50	412,135,190	97,442,475	64,081,964.50	33,360,510.50

### **304.3 Extra Cost on Purchase of Stores Shs.12,620,000**

Examination of purchase orders revealed excess payments totalling Shs.12,620,000 above the quoted prices. However, there were no good reasons for exceeding the prices quoted on the local purchase orders.

### **304.4 Sales Receipts Banked in Expenditure Account Shs.8,875,898.40**

An amount of Shs.8,875,898.40 being revenue transferred from Morogoro Regional Stores was banked in on expenditure account No.6501001520 instead of revenue collection account No.6501051518.

### **304.5 Stores Not Accounted For Shs.53,601,260**

An audit verification of physical stores at Dar es Salaam, Dodoma and Morogoro depots, revealed that items of stores bought are not recorded promptly. As at inspection date, May 2004, various items worth Shs.53,601,260 received in the depots during the year under review had not been brought account.

### **304.6 Invalid Orders**

An appraisal of purchasing system noted that various LPO's are raised after expiration of the order validity period authorized by the Central Tender Board. It was evident that same CTB purchase authorities dating back to 1995 were used to support LPOs raised in the year 2002.

## **GOVERNMENT STORES FUND AS AT 30<sup>TH</sup> JUNE, 2004**

### **304.7 Outstanding Debtors Shs.3,168,186,324**

The Balance Sheet as at 30<sup>th</sup> June 2004 reflected cumulative Sundry Debtors adding to Shs.2,168,186,324. Out of this amount Debtors amounting to Shs.1,206,929,531.19 or 75.33% of the previous years figure relates to the year under review. The existence of large uncleared debtors implies that no serious effort is being made by management to shorten debtors collection period in order to improve cash flow of the fund. In addition, such a weak policy over debts collections has a potential risk of losses resulting from debts falling bad.

### **304.8 Dormant and Obsolete Stock Shs.653,132,775**

The value of dormant, obsolete and unserviceable stores during the year increased by shs.188,195,395 or 40% as compared to the previous year figure of Shs.464,937,378.95. However, the management did not state clearly what

action is being taken to reduce losses which could occur as a result of the increasing redundant stores.

### **304.9 Unverified Suspense Account Shs.1,628,009,400**

The balance sheet as at 30<sup>th</sup> June 2004 had a balancing figure of Shs.1,628,009,400.62 on the Assets side shown as a balance under a suspense account. Technically, a suspense account is a temporary account which must be cleared before closure of the accounts. Nevertheless, the nature and origin of this amount could not be verified in the absence of proper documentation to support its presentation in the balance sheet. As such the accuracy of the balance sheet is materially affected.

### **304.10 Quantity Adjustment Shs.101,977,003**

Unallocated stores (receipts and issues) account as at 30<sup>th</sup> June 2004 included a quantity adjustment amount of Shs.101,977,003.00 without supporting documents. It would appear that this is a balancing figure and therefore affects the correctness of the financial position of Government Stores Fund.

### **304.11 Overstated Opening Stock Shs.50,000,000**

The opening stock figure for the year 2003/2004 was shown as Shs.3,733,517,617 different from the previous year closing balance by Shs.3,683,517,617 without any evidence of prior year adjustments. The discrepancy resulted in overstatement of the amount of opening stock by a sum of Shs.50,000,000 thus effecting the correctness of the receipts and issues account.

### **304.12 Under banking of Revenue Shs.1,798,715**

A number of cases were noted where Revenue collectes in Kigoma and Tabora regions were not banked promptly and intact. A test check of records revealed that total of Shs.1.798,715 has not been credited in the revenue collection bank account.

### **304.13 Unconfirmed Receipt of Stores Shs.15,731,200**

A test check of issues of stores to Regional Stores officer's has revealed that items worth Shs.15,731,200 were not delivered. My letter requesting confirmation of receipt and accountability is still awaited.

### 305. TREASURY STOCK VERIFICATION UNIT

- (a) Verification carried out at Regional Electrical, and Mechanical Engineer's Office – Shinyanga in December 2004 revealed the following irregularities:-
- (i) Private contractors hired plants and vehicles from E & M Office Shinyanga but the hire charges of Shs. 10,065,000.50 were yet to be paid
  - (ii) Bills amounting to Shs. 41,817,262.15 for repair and maintenance charges by private garages through E & M Division were outstanding up to the date of this verification.
- (b) Verification carried out at Regional Government Stores, Mara in March, 2004 revealed the following irregularities:
- (i) Stores worth Shs. 1,583,615 including blankets and office glue were found deficient when physical stock and ledger balances were compared.
  - (ii) Office furniture, typewriters and weighing scales worth Shs. 6,275,900.00 were entered in ledgers without their supporting receipt vouchers.
- (c) Verification carried out at Regional Electrical and Mechanical Engineer's Division, Arusha in April, 2004 revealed the following irregularities:-
- (i) Gear box oil and grease worth Shs. 440,000.00 received from Government Stores Arusha were neither taken on ledger charge nor could their utilization accounts be produced.
  - (ii) Various stores worth Shs. 455,300.00 were outstanding on loan for a long period.

### 306. AUDIT CERTIFICATE

In my opinion, except for the matters raised in the preceding paragraphs, the Supply Vote, Development Vote, Revenue, and Miscellaneous Deposit account present fairly the financial position of Vote 47 as at 30<sup>th</sup> June 2004.