

**VOTE 49**  
**MINISTRY OF WATER AND LIVESTOCK DEVELOPMENT**

**324. AUDIT QUERIES**

A test check of the accounts and related records for the year 2003/2004 resulted in the issue of 69 audit queries and one management letter. The examination included assessment of compliance with accounting and internal control systems. Significant matters noted are included in this report. In addition, a review of accounts of Government Agency Drilling and Dam Construction Agency (DDCA) was made to which significant matters are included in this report. As at the time of writing this report, the position of outstanding audit queries and management letters relating to previous years accounts were as follows:-

<b>Year</b>	<b>Audit queries</b>	<b>Management letter</b>
2000/2001	-	1
2001/2002	9	4
2002/2003	86	1
	<b>95</b>	<b>6</b>

**325. OUT-TURN**

**325.1 Supply Vote**

The Supply Vote account closed with an apparent saving of shs. 78,740,617 arising from net expenditure of shs. 16,242,002,083 against the approved estimates of shs. 16,320,742,700. However, exchequer issues received during the year totalled shs. 16,244,244,562, leaving a real saving of shs. 2,222,479 being cash with the PMG's Account.

Apart from the above results, it was revealed that the net expenditure wrongly included imprests amounting shs. 299,058,343 extracted from the relevant imprests registers, which on payment, were charged directly to expenditure code contrary to regulation 98(2) of 2001 of the Public Finance Act 2001. Consequently, the net expenditure was overstated by shs. 299,058,343

**325.2 Overstated Re-allocation Warrant . No.4 Shs. 76,518,138.**

The amount of reallocation to the Vote according to appropriation accounts was noted to be shs. 1,372,611,300 whereas in R/W No. 4 the amount was shs. 1,296,093,162 (difference of shs. 76,518,138 noted). In addition, two transactions amounting to shs. 453,481,900 were not booked/recorded in the appropriation accounts. These are:

<b>Reallocation to</b>	<b>Amount Shs.</b>
4001-310800-310820 – Rehabilitation/water scheme	153,481,900
7001-260400-260401 Vaccines	300,000,000
<b>Total</b>	<b>453,481,900</b>

### **325.3 Exchequer Issues not Acknowledged Shs. 939,152,054**

The exchequer issues listed below have not been acknowledged by issuing exchequer receipt vouchers (ERVs) though the relevant amounts were book/recorded in the statement/accounts of 2003/2004.

	<b>Date</b>	<b>Exchequer issue no</b>	<b>Amount (Shs.)</b>
1.	P.E. 14 NOV, 2003	EB/AG/159/2/156	358,973,774
2.	O.C. 17/04.2003	EB/AG/159/2/119	380,000,000
	24 NOV. 2003	EB/AG/159/2/170	195,778,000
3.	Retention	EB/AG/159/2/163	4,400,280
	17 NOV. 2003		
<b>Total</b>			<b>939,152,054</b>

### **325.4 Development Vote**

The Development Vote account closed with an apparent saving of shs. 7,254,687,062 arising from net expenditure of shs. 38,820,875,038 against net approved estimates of shs. 46,075,562,100. However, actual exchequer issues received during the financial year totalled to shs. 38,823,865,530 resulting in a cash balance of shs. 2,990,492 with the Paymaster General's Account.

## **326. FOOTNOTES TO THE APPROPRIATION ACCOUNTS.**

### **326.1 Outstanding Imprest Shs. 306,192,706**

Though no figures relating to outstanding imprests were reflected in the footnotes to the appropriation accounts, examination of the relevant records disclosed outstanding imprests amounting to shs. 306,192,706 as detailed below:-

<b>Category</b>	<b>Account</b>	<b>Outstanding Amount Shs.</b>
Safari imprests	Supply Vote	85,720,968
Safari imprests	Deposit Account	7,134,363
Special imprests	Supply Vote	213,337,375
<b>Total</b>		<b>306,192,706</b>

Appropriate clearance action is required.

### 326.2 Arrears of Water User's Fees Shs. 1,816,438,591

An amount of 1,119,388,674 being uncollected water users' fees for the financial years 2000/2001-2002/2003 were still uncollected as at 30.6.2004 as indicated below:-

Financial year	Amount shs.
2000/2001	647,861,431
2001/2002	175,976,677
2002/2003	295,550,566
<b>Total</b>	<b>1,119,388,674</b>

In addition, during the financial year 2003/2004 a further sum of shs. 697,049,917 was not collected from water users as indicated below though no figure was reflected in the appropriation accounts.

Date	Bill	Amount Shs.	Water user's name
2/9/2003	00864225	3,344,851	M.D – Mtwara
2/9/2003	00864226	7,473,350	M.D-Tabora
2/9/2003	00864227	2,814,087	M.D-Songea
2/9/2003	00864228	10,785,230	M.D-Shinyanga
2/9/2003	00864229	2,755,964	M.D-Sumbawanga
2/9/2003	00864230	750,085	M.D-Lindi
2/9/2003	00864231	8,714,350	M.D-Kigoma
24/02/2004	00864232	660,412,000	M.D-DAWASA
	<b>Total</b>	<b>697,049,917</b>	

Urgent action to collect these arrears of revenues is required.

### 327. STATEMENT OF ASSETS AND LIABILITIES AS AT 31.6.2004

Analysis of Miscellaneous deposit account as at 30<sup>th</sup> June, 2004 reflected a total of credit amounting to Shs. 2,220,947,938 and a total debit of Shs. 1,404,276,446 creating a difference of Shs. 816,671,493 (debit balance) which was indicated as cash book balance, not confirmed. This figure of Shs. 816,671,493 should be reconciled and confirmed.

**328. UNVOUCHED AND IMPROPERLY VOUCHERED EXPENDITURE  
SHS. 2,662,193,492**

The footnotes to the Appropriation Account for the year 2003/2004 did not show any amount of unvouched and improperly vouched expenditure. However, test check of payment vouchers noted payment vouchers amounting to Shs. 2,662,193,492 as unvouched and improperly vouched expenditure as follows:-

Category	No. of queries	Account	Amount (Shs.)
1. Missing payment vouchers	1	Deposit	5,839,286
	1	Supply	12,093,098
		<b>Sub-Total</b>	<b>17,932,384</b>
2. Expenditure supported by unsigned paylists.	6	Supply Vote	992,656,363
	2	Development Vote	3,253,264
		<b>Sub – Total</b>	<b>995,909,627</b>
3. Expenditure not supported by relevant documents	6	Supply Vote	1,628,375,981
	1	Deposit account	10,516,500
	2	Development Vote	9,459,000
		<b>Sub-Total</b>	<b>1,648,351,481</b>
		<b>Grand-Total</b>	<b>2,662,193,492</b>

**329. ACKNOWLEDGMENT RECEIPTS NOT PRODUCED  
SHS. 928,988,125**

Acknowledgment receipts for payments amounting to Shs. 928,988,125 to various payees such as TANESCO, T.T.C.L, NOR Consult, Toyota Tanzania Ltd etc. were not produced for audit to confirm that the payments due were actually received by them.

**330. UNSUPPORTED PAYMENTS TO WATER PROJECTS AND UP-COUNTRY STATIONS – SHS. 3,932,895,428**

An amount of shs. 3,932,895,428 (Development Vote shs. 3,078,450,072, Supply Vote 854,445,356) was paid through banking system as drafts/T.T and cheques to various water projects, up-country stations and other stakeholders based on the project estimates schemes during the year. However, it was not possible to confirm that the funds were received by the bonafide payees and properly accounted for, in the absence of payment vouchers, acknowledgment receipts, statements of expenditure approved/progress reports and audited accounts. My eight audit queries thereon have not been replied.

### **331. CUMULATIVE LOSS ON PROCUREMENT OF THREE (3) AIR COMPRESSORS SHS. 1,765,654,721 – USD 1,796,191**

During the financial year 2000/2001 para 322 of my audit report revealed a loss on procurement of three (3) air compressors which amounted to shs. 716,390,650 – (USD 881,277/71).

In the financial year 2002/2003, the Ministry again paid to M/s Soft Trade Inco. of Canada an extra amount of shs. 515,500,000 – (USD 407,913.66) as payment due to travelling and hotel claims (which were questionable) of an agent of M/s Soft Trade Inco. as per PV No. 6827/4 vide cheque no. 00212568. Further, in this financial year 2003/2004 cheque no. 022891 of 15/8/2003 vide PV. No. 23/8/2003 of shs. 428,764,071/6 (USD 407,000) was paid to EDC Account (Export Development Canada Account No. 38836645) in connection and settlement of these claims. Apart from the above payment cheque No. 00327787 of 26/2/2004 vide PV. No. 3006422/2 amounting to shs. 125,000,000 (included bank charges of shs. 8,000,000) or USD 100,000 was issued as case charge proceedings in the court of Canada against Soft Trade Incorp. Therefore, a total amount of shs. 553,764,071 (USD 507,000) were paid without supporting documents in connection with this issue.

It is apparent that the Government has so far incurred a cumulative loss of shs. 1,765,654,721 (USD 1,796,191.37) computed as follows:-

Loss report in previous years	USD	Tshs
Report (CAG's report 2000/2001	881,277.71	716,390,650
Questionable payments in the year 2002/2003	407,913.60	515,500,000
Questionable payments in the year 2003/2004	507,000	533,764,071
<b>Cumulative loss todate</b>	<b>1,796,191</b>	<b>1,765,654,721</b>

It is my view that the Ministry should treat the above loss as nugatory payment against public funds in conformity with regulation No. 21 of the Public Finance No. 6 of 2001.

### **332. PAYMENTS OF COMPENSATION NOT SUPPORTED SHS. 990,446,995**

The Ministry paid a total sum of shs. 990,446,995 (Supply Vote – shs. 981,702,507; Development Vote shs. 8,744,488) to DAWASA and Director of N.M.B respectively to enable them to meet compensation on payments to the residents of Mlandizi, Visiga, Kibaha, Misungwi etc whose properties were demolished to allow implementation and construction of the "Upper/Lower Ruvu (Establishment of DWSSP) transmissions main project and Kahama – Shinyanga emergency water project. Examination of the relevant documents disclosed that the total sum requested by DAWASA for the purpose was shs. 1,232,815,900. (Ref. DAWASA/PGA/DF/04180 of 4.06.2004) and the total sum paid was shs. 981,702,507. Although the above sum was paid, the relevant

valuation reports duly authorised and receipted compensation schedules were not produced for audit verification.

### **333. QUESTIONABLE ACQUISITION OF TANZANIA POSTAL BANK BUILDING AT DODOMA – SHS. 650,000,000**

A sum of shs. 100,000,000 was paid to the Director, Tanzania Postal Bank as part payment for acquisition of a Postal Bank building at Dodoma. Examination of payment vouchers and attached minute sheet disclosed that the purchase price was agreed at a total sum of shs. 650,000,000, therefore the remaining balance is shs. 550,000,000.

However, the following shortcomings were noted and require immediate attention:-

- (i) No agreed contract was produced to audit despite several requests.
- (ii) No Authority from Treasury was sought to legalise the payment, as the acquisition is over and above the purchasing power of the Accounting Officer.
- (iii) No consultation with the Tanzania Building Agency TBA or MOW was made in the process, as is required.
- (iv) It is not clear for audit whether the amount paid was budgeted for in the financial year 2003/2004 and it is not confirmed when the payment will be concluded or finalised.
- (v) It was noted from the attached minute sheet that the building contains defects from the lower to upper ground, and the costs of repairing these defects were not disclosed for audit.

### **334. PAYMENTS TO DRILLING AND DAM CONSTRUCTION AGENCY SHS. 941,455,727.**

The Ministry paid a total sum of shs. 941,455,727 (Development vote shs. 609,655,982, supply vote shs. 331,799,745) to DDCA as cost of drilling, construction and rehabilitation of various dams, boreholes and wells at Mwanyahima, Mugumu, Mwanza, Nyamagana etc basing the payments on the estimated schedules during the year 2003/2004. In the absence of acknowledgement receipts approved development activities plan, completion and pump testing reports, Audit failed to ascertain the propriety of the expenditure.

**335. PROCUREMENT FROM THE CHIEF SUPPLIES OFFICER-  
MAJI CENTRAL STORES BASED ON ESTIMATED  
SCHEDULE/ PLANS OF THE WATER PROJECTS -  
SHS. 300,745,839**

A sum of shs. 300,745,839 (Development Vote shs. 39,311,340; Supply Vote shs. 261,434,499) was paid to C.S.O - Maji Central Stores for procurement of water treatment chemicals, pipes/fittings, pumps and fuel to be supplied to various up-country stations, water projects and urban water authorities based on estimates/plans of activities and proforma invoices during the year 2003/2004. In the absence of actual CRINS, delivery notes, acknowledgment receipts and other appropriate information, full accountability of the funds and material purchased could not be confirmed by audit.

**336. GOODS PROCURED FOR UP-COUNTRY STATIONS BUT  
DELIVERY NOT CONFIRMED SHS. 90,841,702**

A test check on expenditure vouchers revealed that a sum of Shs.90,841,702 was effected for procurement of various spare parts, pumps etc from international and local suppliers, for Mtwara, Kigoma Towns and to other water projects managed by the Ministry.

However, audit could not confirm its accountability of the same due to absence of delivery notes, ledger folio indication on the payment vouchers and other appropriate information.

**337. STORES NOT TAKEN ON LEDGER CHARGE –  
SHS. 1,349,428,111**

A test check of payment vouchers for the year under review revealed that stores purchased worth shs. 1,349,428,111 were not accounted for in the stores ledger due to non-indication of ledger folios on the payment vouchers and other relevant information.

Consequently, their utilization records were not available for audit verification. This is an indication of serious weakness in the stores management.

**338. DRILLING AND DAM CONSTRUCTION AGENCY –  
F/Y 2001/2002**

**338.1 Weak Internal Control**

The internal control system is weak in the absence of permanent employees in the accounts section, and lack of effective internal audit section.

**338.2 Unconfirmed settlement of sales invoices  
Shs. 1,626,708,601 and USD 173,425.**

Settlement of sales invoices amounting to shs. 1,626,708,601 and USD 173,425 were not confirmed.

**338.3 Expenditure not properly supported shs. 68,789,394.**

Payment vouchers totalling shs. 68,789,394 were not supported by essential documents.

**338.4 Outstanding imprests- shs. 56,771,130**

Imprests amounting to shs. 56,771,130 were not retired or surrendered

**338.5 Goods not accounted for shs. 187,178,939**

Stores purchased worth shs. 187,178,939 were not brought to account in the stores ledger and as a result, receipt and utilisation of the supplies could not be confirmed.

**338.6 Fixed Assets not confirmed shs. 2,605,508,521**

Fixed Assets were shown at net book value of shs. 2,605,508,521. However, the value and existence of all the assets could not be confirmed.

**339. TREASURY STOCK VERIFICATION UNIT**

**(a) Unsupported Receipts of Stores Shs.6,990,190.00**

Stores worth Shs.6,990,190.00 received from various sources were taken on ledger charge without their supporting receipt vouchers as follows:-

(i) Water Laboratory Department – DSM (Sept.2003)	Shs.	5,627,500.00
(ii) River Basin Management Department – DSM (July 2003)	Shs.	<u>1,362,690.00</u>
	<b>Shs.</b>	<b><u>6,990,190.00</u></b>

**(b) Unreceipted Issues of Stores Shs.10,890,130.00**

Stores worth Shs.10,890,130.00 were issued from the stores, but the issue vouchers were not signed by both the requisitioning and receiving officers.

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(i) Water Laboratory Department – DSM (Sept.2003)	Shs.	5,405,910.00
(ii) River Basin Management Department – DSM (July 2003)	Shs	<u>5,484,220.00</u>
	<b>Shs.</b>	<b><u>10,890,130.00</u></b>

**(c) Unposted Issues of Stores Shs.10,015,920.00**

Items worth Shs.10,015,920.00 issued from the store were not posted in their relevant ledgers as follows:-

(i) Water Laboratory Department – DSM (Sept.2003)	Shs.	5,873,210.00
(ii) River Basin Management Department – DSM (July 2003)	Shs.	<u>4,142,710.00</u>
	<b>Shs.</b>	<b><u>10,015,920.00</u></b>

**(d) Unaccounted for Purchases of Stores Shs.6,979,680.00**

Various stores worth Shs.6,979,680.00 locally purchased were neither taken on ledger charge nor could their utilization accounts be produced for verification as follows:-

(i) Water Laboratory Department – DSM (Sept.2003)	Shs.	2,715,213.00
(ii) River Basin Management Department – DSM (July 2003)	Shs	<u>4,264,467.00</u>
	<b>Shs.</b>	<b><u>6,979,680.00</u></b>

**(e)** Verification carried out at Water Laboratory Department (Dar es Salaam) in September, 2003 revealed that a sum of Shs.8,963,480.00 was paid to various suppliers but the LPOs used to support payment were not embossed with an official seal.

**(f)** Verification carried out at River Basin Management Department (DSM) in July, 2003 revealed the following irregularities:-

- i. Stores worth Shs.857,798.00 were found deficient when physical and ledger stock balances were compared.
- ii. Various stores worth Shs.7,815,000.00 were locally purchased without seeking competitive quotations.

### **340. AUDIT CERTIFICATE**

In my opinion, subject to clearance of matters raised above, the Supply Vote, Development Vote, Revenue and Miscellaneous Deposit accounts, present fairly the financial position of Vote 49 as at 30<sup>th</sup> June, 2004.