

Vote 52
MINISTRY OF HEALTH

356. OUTSTANDING MATTERS IN THE ANNUAL REPORT FOR THE YEAR 2002/2003

Period	Para	Item	Amount Queried Shs.	Balance Shs.
2000/2001	355	Treatment Abroad	732,104,775	13,742,423
		Poor recording of office equipment and furniture	19,217,087	9,718,170
2001/2002	363	Treatment Abroad	733,540,672	14,568,122
2002/2003	338	Outstanding imprests and advances	1,078,138,389	1,078,138,389
	339	Questionable payments	156,896,799	156,896,799
	340	Losses	5,730,941,520	5,730,941,520
	342	Irregular and Questionable payments	335,703,674	335,703,674
	343	Procurement of various drugs and vaccines not delivered.	5,586,470	5,586,193,470
	344	Procurement not made on the basis of required minimum priced quotations.	29,793,800	29,793,800
	345	Stores not accounted for.	58,280,624	58,380,624

357. AUDIT QUERIES

A test check of the accounts, statements and related records for the year 2003/2004 resulted in the issue of 28 queries, the more significant matters of which, are referred in the succeeding paragraphs.

At the time of writing this report (November, 2004) 28 audit queries and 2 management letters, relating to the previous years, were still outstanding.

358. OUT TURN

358.1 Supply Vote

The Supply Vote account for the year under review, closed with net expenditure of Shs.84,582,456,769 against approved estimates Shs.85,574,927,146. However, during the year exchequer issues received similarly totalled Shs.85,574,927,146 resulting in an unspent budget of Shs.992,470,377. At the close of the financial year there were outstanding imprests of Shs.598,209,113. These imprests were directly charged to expenditure items resulting into a cash balance of Shs. 394,216,264, with the PMG Account.

358.2 Development Vote

The Development Vote closed with net expenditure of Shs.43,854,183,114 against the approved estimates of Shs.44,701,294,800 resulting in an unspent budget of Shs.847,111,689. Actual exchequer issues received during the year amounted to Shs.44,019,852,719 leaving a cash balance of Shs.165,669,605 with the PMG's account.

358.3 Statement of Revenue

The actual revenue collected was Shs.649,677,266 against the estimated revenue of Shs.644,753,000 reflecting an overcollection of Shs.4,924,266.

359. WEAKNESSES IN THE INTERNAL MANAGEMENT CONTROLS

A review of internal management controls has disclosed cases of weakness over the issue and accountability of imprests, procurement of goods and services and irregularities on motor vehicles fuel consumption as follows: -

359.1 Imprests charged directly to accounts as final expenditure Shs.126,448,937

Contrary to financial regulations, imprests amounting to Shs.126,448,937 were directly charged to expenditure accounts, resulting in overstatement of actual expenditure by the same amount.

359.2 Unretired Imprests issued to Public Officers through Sub-Treasury Shs.27,678,250

An amount Shs.27,678,250 of imprests issued to three Ministerial Officials through the Sub-Treasury Morogoro was outstanding as follows:-

S/No.	Name of Official	Amount Outstanding (Shs.)
1	Linda Nakara	5,233,800
2	Dr. Kabuka	14,935,850
3	Dr. Makono	7,509,000
Total		27,678,250 =====

359.3 Irregular Accountability of Stores Procured Shs.16,932,974

Payments amounting to Shs.16,932,975 to four suppliers for the procurement of stores, were not actually delivered, although the stores ledger records show issues were simultaneously recorded on the date of receipt.

359.4 Lack of Control over Fuel Consumption

A test check to evaluate the issuing and consumption of fuel by the Ministry's motor vehicles disclosed the following:-

- There are cases whereby a motor vehicle was being issued fuel twice or three times in a day up to 210 litres, from different fuel ledgers
- In other cases motor vehicles were issued with fuel at the Ministry headquarters while their logbooks showed they were on safari at upcountry stations on the same dates.

359.5 Improper Accountability of drugs and medical funds Shs.515,769,495

During the year 2002/2003 an amount of Shs.515,769,495 was paid to Medical Stores Department for the supply of drugs and medical supplies to government and designated hospitals upon the Ministry instructions.

Audit visits to 47 hospitals detected the following:-

- Unaccounted for receipt of drugs and medical supplies valued at Shs.430,468,985
- Drugs and hospital supplies valued at Shs.85,300,510 could not be traced in the ledgers.

360. UNVOUCHED AND IMPROPERLY VOUCHERED EXPENDITURE SHS.16,599,798,915

A test check of the year's payment vouchers revealed missing vouchers and similar payments amounting to Shs.16,599,798,915 as detailed below:-

Particulars	Recurrent Shs.	Deposit Shs.	Total Shs.
Unvouched Expenditure (i.e. vouchers completely missing from the batches)	228,120,304		228,120,304
Inadequately Vouchered Expenditures (i.e. their supporting documents are missing)			
(a) payment on Goods and services	15,428,880,327	478,954,672	15,907,834,999
(b) Medical Treatment Abroad	431,497,612	32,346,000	463,843,612
	16,088,498,244	511,300,672	16,599,798,915

Replies to 9 audit queries raised on this matter are still being awaited.

361. PAYMENTS NOT ACCOUNTED FOR SHS.651,235,602

An amount of Shs.651,235,602 was paid by the Ministry to Medical Stores Department (MSD) for clearing and distribution service of drugs and medical supplies. During the year the Medical Stores Department only utilized Shs.44,625,191 on the intended purpose. The utilization accounts for the balance amount Shs.606,610,411 were not available.

362. IRREGULAR AND QUESTIONABLE PAYMENTS SHS.561,088,414

The Ministry of Health made payments totalling Shs.561,088,414 to a contractor for the construction of a pediatric ward at Muhimbili National Hospital and servicing computer, computer accessories and air conditioners. A signed contract listing serviced equipments and a certificate of performance were not available to enable confirmation of the work performance of the expenditure incurred as follows:-

	Amount Shs.
• Payment to contractor for construction works not completed	544,845,914
• Payments of services and repairs to computers and air conditioners without service level agreements or certification of work completion.	16,242,500
Total	561,088,414 =====

363. MISSING SUPERVISION / PROGRESS REPORT ON IMPLEMENTED PROJECT – SHS.1,156,322,088

In the year under review the Ministry of Health made payments amounting to Shs.1,156,322,088 to contractors and consultants assigned to undertake construction, renovations and rehabilitation of building projects.

However, the projects completion or supervision / activity reports on the projects were not available.

Under the circumstances it was not possible to ascertain and confirm whether the disbursed amount was properly spent.

364. GOODS PROCURED BUT NOT DELIVERED SHS.11,827,838,892

During the year under review goods and services were procured from various suppliers worth Shs.11,827,838,892. However as at audit date, September, 2004 there was no evidence of delivery of the goods and services paid for. No replies have been given to my seven queries raised on this matter.

365. STORES NOT TAKEN ON LEDGER CHARGE SHS.1,874,606,805

A test check of payment vouchers for the year 2003/2004 disclosed that goods purchased for Shs.1,874,606,805 which included fuel, stationery and items of pharmaceutical nature were not recorded in the stores ledgers and consequently their delivery could not be confirmed.

My audit query raised on this matter, is still outstanding.

366. FIRST HEALTH REHABILITATION PROJECT, ADF LOAN NO.F/TAN/HEA (-1)-REH/98/26

366.1 Payment of Interest on Delayed Payments USD.92,948.74 (Nugatory Expenditure)

The contract for construction and rehabilitation of various buildings at the Muhimbili National Hospital, provides for payment of interest due after lapse of 60 days at commercial borrowing rates. (Sub-clause 43.1). Nonetheless, this condition was not observed since most of the interim Payment Certificates (IPCs) lodged by the contractor were not paid timely. The calculations of the interest due to the contractor as at 30th June, 2004, at an average rate of 19% per annum, amounted to USD.92,948.74, which essentially, amounts to a nugatory expenditure.

Similarly we noted that it takes the project manager considerably long to process IPCs submitted by the contractor. For instance, as at the date of site visit i.e. 31st January, 2005, IPC no.17 and 18 submitted on 01st October, 2004 and 02nd November, 2004 respectively had not been settled. This translates to cumulative processing time of 104 and 72 days respectively. In addition, part of the delay was attributed to the late disbursement of funds by BADEA and OPEC,

If this trend is left unattended, the total project costs might exceed the total budget; and therefore, it is likely that the planned activities shall stall.

367. FINANCING GAP – USD.79,457.91

Records maintained by the project manager showed a financing gap of USD.79,457.91 between the amounts claimed by the contractor up to IPC No.15 and actual payments made. It was explained that the agreed financing / payment ratio between GOT, BADEA and OPEC was 22.6%, 31.4% and 46% respectively but was later changed to 20%, 32.5% and 47.5%. However BADEA refused to adopt the new plan and reverted to original agreed payment ratio thus leaving a portion of works already performed without a financier. Furthermore, authority to support the change of the original plan was not available for verification. This situation poses a risk of freezing the project before some activities are finalized.

368. TREASURY STOCK VERIFICATION UNIT

a) Unsupported Issues of Stores Shs. 17,500,180.00

Stores worth shs. 17,500,180.00 were struck off ledger charge without supporting issue vouchers as follows: -

i)	Psychiatric School of Nursing, Dodoma (March 2004)	Shs. 1,231,300.00
ii)	Center Education Development in Health, Arusha (Jan 2004)	Shs. 13,275,000.00
iii)	Government Chemist Laboratory Agency DSM (Dec 2004)	Shs. 479,080.00
iv)	Clinical Officer Training Centre, Lindi (Jan 2004)	Shs. <u>2,514,800.00</u>
		Shs. <u>17,500,180.00</u>

b) Unaccounted for Purchases of Stores Shs. 25, 474,076.00

Stores worth shs. 25,474,076.00 locally purchased, were neither taken into ledger account nor produced as surplus on hand during verification as follows: -

i)	Psychiatric School of Nursing, Dodoma (March 2004)	
		Shs.2,004,450.00
ii)	Center Educational Development in Health, Arusha (Dec. 2003)	Shs.
		6,476,416.00
iii)	Public Health Nursing School Hospital, Korogwe (Sep, 2003)	Shs.
		2,160,760.00
iv)	Government Chemist Lab. Agency, DSM (Dec 2003)	Shs.
		7,705,000.00
v)	Mkomainda Clinical Officer Training (Nov. 2003)	Shs.
		6,739,950.00
vi)	Primary Health Nursing School, Mtwara (Nov 2003)	Shs.
		<u>387,500.00</u>
		Shs. <u>25,474,076.00</u>

c) Unaccounted for Receipt of Stores Shs. 11,624,083.00

Stores worth Shs. 11,624,083.00 received from different sources were not taken into ledger account as follows: -

i)	Centre for Educational Development in Health - Arusha (Jan. 2004) (CEDHA)	Shs. 2,705,700.00
ii)	Government chemist Laboratory Agency DSM (Dec 2003)	Shs. <u>8,918,383.00</u>
		Shs. <u>11,624,083.00</u>

d) Unreceipted issues of stores shs. 3,613,072.00

Stores worth Shs. 3,613,072.00 were issued to various users but the issue vouchers used, lacked the signature of due recipients as follows:

- i) Center for Educational Development in Health, Arusha (Jan 2004) Shs. 583,000.00
- ii) Government Chemist Laboratory Agency, DSM (Dec 2003) Shs. 3,030,072.00
Shs. 3,613,072.00

e) Unsupported Receipts of Stores Shs. 5,466,240.00

Stores worth shs. 5,466,240.00 as detailed below were entered in the stores ledger without their supporting receipts vouchers:-

- i) Public Health Nurse, Same (August 2003) Shs. 1,060,440.00
- ii) Government Chemist Lab. Agency DSM (Dec 2003) Shs. 4,405,800.00
Shs. 5,466,240.00

f) Stores not in inventory charge Shs. 47,757,000.00

Verification revealed that office furniture and equipment worth shs. 47,757,000.00 were neither taken on ledger nor inventory charge as follows: -

- i) Public Health Nursing Hospital, Korogwe (Sept 2003) Shs. 6,592,000.00
- ii) Government Chemist Lab. Agency, DSM (Dec. 2003) Shs. 39,200,000.00
- iii) Primary Health Nursing School Mtwara (Nov. 2003) Shs. 1,965,000.00
Shs. 47,757,000.00

g) Verification carried out at the Government Chemists Laboratory Agency DSM in December, 2003 revealed that, stores worth shs. 858,500.00 were issued to various officers but the same were not taken in the departments ledger account.

h) Verification carried out at Public Health Nurse Training School, Same in August, 2003 revealed that, books and periodicals worth shs. 1,462,160.00 were outstanding on loan for a long period, when even the borrowers of the books were not employees or student of that school.

369. AUDIT CERTIFICATE

In my opinion, except for matters raised in the preceding paragraphs, the Supply Vote, Development, Vote Miscellaneous Deposit and Revenue accounts present fairly the financial position of Vote 52 as at 30th June, 2004.