

**THE UNITED REPUBLIC OF TANZANIA**  
**NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON  
THE FINANCIAL STATEMENTS OF THE MINISTRY OF WORKS  
AND AFFILIATED BODIES  
(VOTE 47)**

**FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE, 2005**

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**DAR ES SALAAM.**

February, 2006

## **Office of the Controller and Auditor General**

The National Audit Office,  
United Republic of Tanzania

*(Established under Article 143 of the Constitution of the URT).*

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No 6 of 2001

### **Our Vision**

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

### **Our Mission**

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

### **Therefore, our Core Values are .....**

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

### ***We do this by.....***

- contributing to better stewardship of public funds ensuring that ministries, departments, agencies, and public authorities are accountable for the resources entrusted to them;
- helping to improve the quality of public services by supporting innovation on the use of Public Resources;
- providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit circles and
- Providing audit staff with adequate working tools and facilities that promote independence

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## Abbreviations

Financial statements means the following statements, notes and supporting schedules of the Ministry of Works and Affiliated Bodies for the year ended 30<sup>th</sup> June, 2005.

- Statement of Vote Account - Supply
- Statement of Vote Account - Development
- Cash Flow Statement for Recurrent Account
- Cash flow Statement for Deposit Account
- Summary Statement of Revenue
- Summary Development Appropriation Account
- Summary Recurrent Appropriation Account
- Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of composition of Fund
- Statement of Assets and Liabilities
- Cash flow Statement for Development
- Notes to the Financial Statements

These financial statements form part of this report.

Ministry means the Ministry of Works and Affiliated Bodies

Regulations means the Regulations of the Public Finance Act issued under GN number 259 of 2003.

Act	Public Finance Act No. 6 of 2001
ATTI	Appropriate Technology Training Institute
BOT	Bank of Tanzania
CAG	Controller and Auditor General
CRB	Contractors Registration Board
ERB	Engineers Registration Board
F/Y	Financial Year
Forex	Foreign Currency
G.N.	Government Notice
INTOSAI	International Organisation of Supreme audit Institutions
ISA	International Standard on Auditing
MWTI	Morogoro Works Training Institute
NCC	National Construction Council
NBMM	National Board for Material Management
OC	Other charges
PE	Personal Emoluments
PMG	Paymaster General
TANROADS	Tanzania National Road Agency
T.B.A.	Tanzania Building Agency
TRDC	Tanzania Petroleum Development Corporation
URT	United Republic of Tanzania
USD	United State dollar

## 1.0 BACKGROUND INFORMATION TO THE AUDIT

### 1.1 Introduction

We have completed the audit of the annual accounts of the Ministry of Works for the year ended 30<sup>th</sup> June, 2005. Audit findings arising from examination of accounting records, and evaluation of the Internal control system which require management's attention and action are set out under Part 3 of this report.

### 1.2 Brief history of the client establishment

The Ministry of Works was established by the President of United Republic of Tanzania on 23<sup>rd</sup> November 2000. The President reestablished the Ministry of Works pursuant to article 55 of the Constitution of URT through an Instrument published under GN No. 467 of 1<sup>st</sup> December, 2000 issued as a special supplement no. 4 in the Official Gazette No. 48 Vol.81 dated 1<sup>st</sup> December 2000.

### 1.3 Operational objectives

- Formulation of policies, plans and strategies towards the development, upgrading and management of the construction sector covering short, medium and long terms.
- Monitoring and supervision of construction and maintenance of roads, bridges and Government buildings.
- Monitoring and supervision of activities of Road Fund Board, Tanzania National Roads Agency (TANROADS), Tanzania Buildings Agency (TBA) and other agencies to be formed under the Ministry.
- Setting standards and quality compliance in construction, Rehabilitation and maintenance of roads, ferries, plant, equipment and buildings.
- To ensure coordination of various institutions which are under the Ministry of Works e.g National Construction Council, Contractors registration Board, Engineers Registration Board, Architect and Quantity Surveyors Registration Board and National Board for Materials Management.

### 1.4 Financing

The main sources of funds for the budget under the Ministry of Works is through appropriation from the Exchequer and Development partners/donors. Budget against actual expenditure for the year 2004/2005 was as follows:

	<u>Estimate (Shs)</u>	<u>Actual (Shs)</u>
Recurrent expenditure	79,421,226,800	78,999,170,436
Development expenditure	178,683,520,600	122,517,338,252
<b>Total Shs.</b>	<b><u>258,104,747,400</u></b>	<b><u>201,516,508,688</u></b>

## **1.5 Management structure**

The Ministry of Works is headed by the Minister, and the day to day activities are managed by the Permanent Secretary who is also the Accounting Officer for Vote 47. The organization structure of the Ministry of Works is shown as Annexure I attached.

## **1.6 Brief description of internal control system**

### **1.6.1 Accounting System**

The Ministry of Works (HQ) is using an Integrated Financial Management System. All accounting information is generated from the computer system and the financial statements are compiled in accordance with the generally accepted accounting practices.

### **1.6.2 Internal Audit**

The Ministry of Works has an Internal Audit Section which reviews day to day operations so as to evaluate the adequacy and effectiveness of internal control.

### **1.6.3 Audit Committee**

The Ministry of Works has already established an Audit Committee as per requirement in the Regulation No.28.

### **1.6.4 Procurement Management Unit**

At the moment the Ministry has established procurement management unit and it is functioning. Also, Ministerial Tender Board is in operation.

## **1.7 Financial Performance Issues**

### **Statement of Vote Account**

The Supply Vote Account closed with an apparent saving of Shs.422,056,363.69 arising from a net expenditure of Shs.78,999,170,436.31 against approved estimates of Shs.79,421,226,800. The exchequer issues received during the year totalled Shs.79,018,011,604.49, resulting in a saving of Shs.18,841,168.18, representing cash balance with the paymaster General's account . There was an increase in expenditure by Shs.15,833,806,241.9 compared to that reported in the last year.

### **Development Account**

#### **(i) Unreleased fund Shs.55,643,709,980.82**

Total development funds received during the year was Shs.123,039,810,620.18 against approved estimate of Shs.178,683,520,600 resulting in unreleased funds of Shs.55,643,709,979.82 being 31.14% of the budget. The statement of expenditure showed that net expenditure for the year was Shs.122,517,338,251.96 against the exchequer issues received of

Shs.123,039,810,620.18 resulting in unspent issues of Shs.522,472,368.22 being cash balance with the Paymaster General's account.

### **1.8 Audit mandate**

By virtue of the provision of article 143 of the constitution of the United Republic of Tanzania and section 30 (1) of the Act No. 6 of 2001 the Controller and Auditor General is the appointed auditor of all Government Revenue and expenditure.

### **1.9 Audit Objectives**

The basic objective of the audit is to enable the CAG to express a professional opinion on the appropriation accounts as at June 30, 2005 and in particular:-

- To evaluate the internal control procedures and determine if they provide management with a reasonable assurance on the proper use of public funds.
- To determine whether transactions were executed in accordance with management authorization, approval and properly recorded in the book of Accounts.
- To verify and confirm whether adequate control is maintained over the Assets.
- Review and evaluate tendering system and confirm compliance with Public Procurement Act No.3 of 2001 and its related regulations.

### **1.10 Audit Scope**

The audit was carried out in accordance with ISA and procedures that are consistent with those recommended by the INTOSAI. The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the Ministry of Works, examination and verification of the accompanying financial statements to the appropriation account, and other auditing procedures as was considered necessary under the circumstances, therefore, the audit findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to audit. As auditors, we are not required to search specifically for fraud, therefore our audit cannot be relied upon to disclose all such matters. However, our audit was planned in such a way that we would have a reasonable expectation of detecting material misstatements in the financial statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the management of the Ministry of Works who are responsible for setting up and maintaining an adequate system of internal control.

### **1.11 Audit methodology**

Our audit included such tests of the accounting records, site visits and other procedures in order to satisfy the objective of the audit. Our procedures included the following:

- (a) Carrying out substantive verification of the balances reported by the Ministry of Works in order to obtain reasonable assurance regarding the amounts and disclosures included in the financial statements.
- (b) Review the internal control system in place and testing whether it is in compliance with the Act and Public Procurement Act No.3 of 2001.
- (c) Examination of payment vouchers with their related supporting documents.
- (d) Planning the audit to obtain an adequate understanding of the Ministry of Works, its activities and operations and obtaining an assessment of the major risk areas.
- (e) Comparing budgets against actual revenue or expenditure and investigate the variance.
- (f) Obtaining bank reconciliation statement for the Accounts and note any exceptions regarding reconciling items.
- (g) Appraisal of the previous audit recommendations to determine whether the management has taken adequate corrective action.
- (h) Hold entrance and exit meetings with the auditee to discuss the audit objectives and results of the audit exercise respectively.

### **1.12 Presentation of audit findings**

The audit was carried out according to the mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation.

The audit findings are divided into two parts. The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

The second part comprises the detailed findings on the gaps and shortfalls in the internal control system which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

## 2. AUDIT REPORT AND FINANCIAL STATEMENTS

To the Permanent Secretary,  
Accounting Officer of Vote 47.  
Ministry of Works

**Re: Audit Report on the Financial Statements of the Ministry of Works for the year ended 30<sup>th</sup> June, 2005.**

I have audited the financial statements of the Ministry of Works shown on pages 12 through 25 for the year ended 30<sup>th</sup> June, 2005.

### **Responsibilities of the Accounting Officer**

Section 25(4) of the Act places responsibility to the Accounting Officer to prepare the financial statements based on Generally Accepted Accounting Standards.

In addition, Regulation 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the Ministry of Works and the affiliate bodies.

### **Responsibilities of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures adopted by the Ministry of Works based on the audit. According to section 30 of the Act my specific responsibilities are to examine, inquire into, audit and report on the accounts of the Ministry of Works.

In addition, section 31 of the Act requires me to satisfy myself that the accounts have been kept in accordance with generally accepted accounting practice; reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, that the laws, directions and instructions applicable thereto have been duly observed, expenditures of public monies has been properly authorized; and to satisfy myself whether the funds appropriated to the Ministry of Works were used exclusively and judiciously to meet eligible expenditures with due regard to economy and efficiency.

### **Basis of Opinion**

The audit was conducted in accordance with the ISA and procedures that are consistent with those recommended by the INTOSAI. Those standards require that I plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the significant estimates and judgments made in the preparation of the

financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Ministry of Works consistently applied and adequately disclosed, evaluating the overall financial statements presentation, and assessing the extent of compliance with the relevant statutory requirements. I believe the audit provides a reasonable basis for my opinion.

The financial statements have been prepared and presented based on the cash basis of accounting pursuant to Regulation 53. Under the cash basis, cash receipts are recognised when they are received and cash payments are recognised when they are paid.

### **Qualification**

In my opinion, except for the matters specified below, the financial statements of the Ministry of Works and related bodies have been prepared based on the generally accepted accounting standards and that they fairly reflect, in all material respects, the results of its operations and cash-flows for the year ended on 30<sup>th</sup> June 2005, and the financial position as at that date.

Further to my opinion, except for the construction of 391 government houses in Dodoma and Dar es Salaam, the procurement of ferry boats, tickets vending machines, office equipment, technical equipment and accessories was generally done in accordance with the Public Procurement Act No. 21 of 2004 and the related Regulations.

### **Limitation of scope of Audit and non-compliance with Laws:**

1. An amount of Shs. 16,956,000,000 was used for rehabilitation of regional roads but itemized expenditure showing analysis of respective roads rehabilitated was not available.
2. Statement of expenditure was not submitted to account for a total amount of Shs. 22,264,000,000 remitted to the chief Executive, TANROADS to finance Development Projects.
3. There was revenue under collection of Shs. 1,422,510,899 against a revenue budget of Shs. 3,109,484,000 apparently indicating weakness in revenue collection or unrealistic revenue estimates.
4. There was arrears of revenue of Shs. 2,218,335,954 and outstanding debtors of Shs. 3,233,923,497 as at 30<sup>th</sup> June, 2005 contrary to the Finance Regulations.
5. Dormant and obsolete stock as at 30<sup>th</sup> June, 2005 was valued at Shs.647,554,663. If immediate action is not taken to dispose these

- stores through auction sale the stores will loose more value, thus more loss to the Government.
6. TBA on behalf of the Ministry awarded contracts to Ms. National Service Construction Department and Prisons Construction Department for the construction of 391 residential houses in Dodoma and Dar es Salaam. The appointment of the contractors was not in accordance with the Public Procurement Act No. 21 of 2004 and the related Regulations.

**Dr. Frank Mosses Hiza Mhilu**

**Ag: CONTROLLER AND AUDITOR GENERAL**

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Office of the Controller and Auditor General  
National Audit Office,  
Dar es Salaam

February, 2006

**STATEMENT OF RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE, 2005**

These Financial Statements have been prepared by the management of the Ministry of Works in accordance with the provisions of Section 25(4) of the Public Finance Act. No 6 of 2001. The Financial statements comply with the generally accepted accounting practices as required by the said Act and are presented in a manner consistent with the International Standards on Financial Reporting under the Cash Basis of Accounting.

The management of the Ministry of Works is responsible for establishing and maintaining a system of effective Internal Control designed to provide reasonable assurance that the transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by the Ministry of Works.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the Accounts and underlying records provide a reasonable basis for the preparation of the Financial Statements for the 2004/2005 financial year.

I accept responsibility for the integrity of the Financial Statements, the information it contains, and its compliance with the Public Finance Act No. 6 of 2001 and the instructions issued by the Treasury in respect of the year under review.

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**Signed by Accounting Officer**

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**Date**

2.2 Financial statements

2.3 Accounting policies and notes to the financial statements

**VOTE 47 - MINISTRY OF WORKS  
STATEMENT OF VOTE ACCOUNT  
RECURRENT EXP. - (BALANCE SHEET)  
AS AT 30 JUNE 2005**

2003/2004			NOTE	2004/2005	
59,689,799,900.00		Original Approved Estimates		62,099,569,100.00	
3,789,373,053.00		Add reallocation Warrant No. 1, 2 & 3		17,470,340,300.00	
245,800,000.00		Less: Reallocation Warrant No. 3		148,682,600.00	
<b>63,233,372,953.00</b>		Net approved estimates	1	<b>79,421,226,800.00</b>	
	63,233,372,952.93	Issue received in year	2		79,018,011,604.49
	63,165,364,194.41	Less Net Expenditure	3	78,999,170,436.31	78,999,170,436.31
	<b>68,008,758.52</b>	Unutilizes Budget Issues		<b>422,056,363.69</b>	<b>18,841,168.18</b>
		Represented by			
		Outstanding Imprest		-	
		Advances		-	-
	<b>68,008,758.52</b>	Cash in hand with PMG	4		<b>18,841,168.18</b>

**J.W.H.V. KIJAZI  
ACCOUNTING OFFICER**

DATE:.....

**VOTE 47 - MINISTRY OF WORKS  
STATEMENT OF VOTE ACCOUNT  
DEVELOPMENT EXP. - (BALANCE SHEET)**

<b>2003/2004</b>			<b>NOTE</b>	
126,611,470,000.00		Original Approved Estimates		184,249,658,600.00
23,000,000,000.00		Add Reallocation Warrant No.3		9,752,000,000.00
8,757,609,538.00		Less: Reallocation Warrant No.3		15,318,138,000.00
<b>140,853,860,462.00</b>		Net Approved estimates	1	<b>178,683,520,600.00</b>
	69,612,100,885.44	Issue received in year	2	123,039,810,620.18
	69,584,863,870.02	Less: Net Expenditure	3	
	<b>27,237,015.42</b>	Unutilizes Budget Issues		<b>55,643,709,979.82</b>
		Represented by		
		Outstanding Imprest		
		Advances		
	<b>27,237,015.42</b>	Cash in hand with PMG	4	

**J.W.H.V. KIJAZI  
ACCOUNTING OFFICER**

DATE:.....

**MINISTRY OF WORKS**  
**CASHFLOW STATEMENT FOR RECURRENT FOR THE YEAR ENDED 30TH JUNE 2005**

ACTUAL EXP.	CASH FLOW FROM OPERATING ACTIVITIES	NOTE	ACTUAL EXP.	APPROVED EST.
2003/2004				
	Receipts			
	Taxation			
	Non tax			
	Grants			
63,333,372,952.93	Exchequer Issues	2	79,018,011,604.49	79,421,226,800.00
	Interest Received			
	Other receipts			
<b>63,233,372,952.93</b>	<b>Total Receipts</b>		<b>79,018,011,604.49</b>	<b>79,421,226,800.00</b>
	Payments			
2,035,163,942.03	Personal Emoluments		2,369,826,938.91	2,403,842,800.00
	Pensions			
853,662,418.96	Suppliers-goods, works & c/Services		1,030,188,845.65	1,330,110,936.00
54,574,906,370.93	Current transfers and subsidies		72,969,370,871.40	73,032,930,300.00
	Interest paid			
4,548,904,484.59	Other Payments		2,629,783,780.35	2,654,342,764.00
<b>62,012,637,416.51</b>	<b>Total Payments</b>	3	<b>78,999,170,436.31</b>	<b>79,421,226,800.00</b>
<b>1,220,735,536.42</b>	<b>Net Cash flow operating activities</b>		<b>18,841,168.18</b>	-
	Cash flow from investing activities			
1,152,726,777.90	Purchases of assets			
	Proceeds from sale of Assets			
	Proceeds from sale of investments			
	Purchase of foreign currency securities			
	Capital grants			
<b>68,008,758.52</b>	<b>Net Cash flow investing activities</b>			

Cash flow from financing activities

	Proceeds from borrowings
	Repayment of borrowings
	Net cash flow from financing activities


Net increase/(decrease) in cash and cash equivalents

	18,841,168.18	

Receipts and Cash equivalents at the beginning of the period


Cash and Equivalents at the end of the period

4	18,841,168.18	
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**J.W.H.V. KIJAZI**  
**ACCOUNTING OFFICER**

DATE:.....

**MINISTRY OF WORKS**  
**CASHFLOW STATEMENT FOR DEVELOPMENT YEAR ENDED 30TH JUNE 2005**

ACTUAL EXP.	CASH FLOW FROM OPERATING ACTIVITIES	NOTE	ACTUAL EXP.	APPROVED EST.	VARIANCE APPROVED/ACTUAL
2003/2004					
	Receipts				
	Taxation				
	Non tax				
	Grants				
69,612,100,885.44	Exchequer Issues	2	123,039,810,620.18	178,683,520,600.00	55,643,709,979.82
	Interest Received		-	-	-
	Other receipts		-	-	-
<b>69,612,100,885.44</b>	<b>Total Receipts</b>		<b>123,039,810,620.18</b>	<b>178,683,520,600.00</b>	<b>55,643,709,979.82</b>
	Payments				
	Personal Emoluments				
	Pensions				
10,471,950,566.65	Suppliers-goods, works & c/Services		104,865,496,459.71	158,557,520,600.00	53,692,024,140.29
	Current transfers and subsidies				
	Interest paid				
58,112,913,303.37	Other Payments		17,651,841,792.25	20,126,000,000.00	2,474,158,207.75
<b>68,584,863,870.02</b>	<b>Total Payments</b>	3	<b>122,517,338,251.96</b>	<b>178,683,520,600.00</b>	<b>56,166,182,348.04</b>
<b>1,027,237,015.42</b>	<b>Net Cash flow operating activities</b>		<b>522,472,368.22</b>	<b>-</b>	<b>(522,472,368.22)</b>
	Cash flow from investing activities				
1,000,000,000.00	Purchases of assets				
	Proceeds from sale of Assets				
	Proceeds from sale of investments				
	Purchase of foreign currency securities				
	Capital grants				
<b>27,237,015.42</b>	<b>Net Cash flow investing activities</b>				

Cash flow from financing activities

	Proceeds from borrowings				
	Repayment of borrowings				
	Net cash flow from financing activities				
Net increase/(decrease) in cash and cash equivalents			522,472,368.22		
Receipts and Cash equivalents at the beginning of the period					
Cash and Equivalents at the end of the period		4	522,472,368.22		

**J.W.H.V. KIJAZI**  
**ACCOUNTING OFFICER**

**DATE:.....**

**MINISTRY OF WORKS**

**CASHFLOW STATEMENT FOR DEPOSIT FOR THE YEAR ENDED 30TH JUNE 2005**

<b>ACTUAL EXP.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>NOTE</b>	<b>ACTUAL EXP.</b>	<b>APPROVED EST.</b>	<b>VARIANCE APPROVED/ACTUAL</b>
2003/2004					
	Receipts				
	Taxation				
	Non tax				
	Grants				
	Exchequer Issues				
	Interest Received				
7,979,976,631.13	Other receipts	5	32,332,623,979.32	-	(32,332,623,979.32)
<b>7,979,976,631.13</b>	<b>Total Receipts</b>		<b>32,332,623,979.32</b>	<b>-</b>	<b>(32,332,623,979.32)</b>
	Payments				
	Personal Emoluments				
	Pensions				
	Suppliers-goods, works & c/Services				
	Current transfers and subsidies				
	Interest paid				
7,342,202,075.23	Other Payments		9,042,631,422.01	-	(9,042,631,422.01)
<b>7,342,202,075.23</b>	<b>Total Payments</b>		<b>9,042,631,422.01</b>	<b>-</b>	<b>(9,042,631,422.01)</b>
637,774,555.90	Net Cash flow operating activities		<b>23,289,992,557.31</b>	<b>-</b>	<b>(23,289,992,557.31)</b>
	Cash flow from investing activities				
	Purchases of assets				
	Proceeds from sale of Assets				
	Proceeds from sale of investments				
	Purchase of foreign currency securities				
	Capital grants				
637,774,555.90	Net Cash flow investing activities		23,289,992,557.31		

	Cash flow from financing activities
	Proceeds from borrowings
	Repayment of borrowings
637,774,555.90	Net cash flow from financing activities
Net increase/(decrease) in cash and cash equivalents	
Receipts and Cash equivalents at the beginning of the period	
Cash and Equivalents at the end of the period	

	23,289,992,557.31		
	637,774,555.90		
	<b>23,927,767,113.21</b>		

**J.W.H.V. KIJAZI**  
**ACCOUNTING OFFICER**

DATE:.....

**VOTE 47 - MINISTRY OF WORKS  
SUMMARY STATEMENT OF REVENUE FOR 2004/2005**

<b>ACTUAL COLLECTION 2003/2004</b>	<b>SUB VOTE</b>	<b>DESCRIPTION</b>	<b>BUDGET</b>	<b>ACTUAL COLLECTION</b>	<b>VARIANCE</b>	<b>COLL. AS % OF BUDGET</b>
217,342,172.43	1001	Administration and General	502,000.00	3,144,001.60	(2,642,001.60)	626.29
1,546,296,148.37	2001	Electrical and Mechanical	2,692,382,000.00	1,398,721,108.38	1,293,660,891.62	51.95
395,593,542.26	3001	Supplies and Services	416,600,000.00	285,107,990.86	131,492,009.14	68.44
<b>2,159,231,863.06</b>		<b>TOTAL</b>	<b>3,109,484,000.00</b>	<b>1,686,973,100.84</b>	<b>1,422,510,899.16</b>	<b>54.25</b>

**J.W.H.V. KIJAZI  
ACCOUNTING OFFICER**

DATE:.....

**VOTE 47 - MINISTRY OF WORKS  
SUMMARY APPROPRIATION ACCOUNTS FOR 2004/2005 BY SUB VOTE  
RECURRENT EXPENDITURE**

<b>ACTUAL EXPENDITURE 2003/2004</b>	<b>SUB VOTE</b>	<b>DESCRIPTION</b>	<b>BUDGET</b>	<b>ACTUAL EXPENDITURE</b>	<b>VARIANCE</b>	<b>EXP. AS % OF BUDGET</b>
1,323,825,848.00	1001	Administration and General	1,024,048,300.00	1,018,796,835.53	5,251,464.47	99.49
251,758,879.32	1002	Finance and Accounts	198,860,100.00	198,290,944.26	569,155.74	99.71
294,976,872.02	1003	Policy and Planning	241,869,500.00	237,753,308.06	4,116,191.94	98.3
3,167,479,261.41	2001	Electrical and Mechanical	3,128,658,933.00	2,909,405,589.88	219,253,343.12	93.69
1,314,901,332.87	3001	Supplies and Services	1,022,553,700.00	923,259,689.08	99,294,010.92	88.53
1,779,713,236.90	5001	Buildings	16,581,040,067.00	16,572,794,409.28	8,245,657.72	99.95
53,517,536,823.01	6001	Trunk Roads	56,228,411,400.00	56,154,609,376.60	73,802,023.40	99.87
1,515,171,940.88	7001	Regional Roads	995,784,800.00	984,260,283.62	11,524,516.38	98.84
<b>63,165,364,194.41</b>		<b>TOTAL VOTE</b>	<b>79,421,226,800.00</b>	<b>78,999,170,436.31</b>	<b>422,056,363.69</b>	<b>99.47</b>

**J.W.H.V. KIJAZI  
ACCOUNTING OFFICER**

DATE:.....

**VOTE 47 - MINISTRY OF WORKS  
SUMMARY APPROPRIATION ACCOUNT FOR 2004/2005  
DEVELOPMENT EXPENDITURE**

<b>ACTUAL EXPENDITURE 2003/2004</b>	<b>SUB- VOTE</b>	<b>DESCRIPTION</b>	<b>APPROVED ESTIMATES</b>	<b>ACTUAL EXPENDITURE</b>	<b>VARIANCE</b>	<b>EXP. AS % OF APPROVED ESTIMATES</b>
-	2001	Electrical and Mechanical	4,120,000,000.00	2,499,989,865.98	1,620,010,134.02	60.68
-	5001	Buildings	1,335,000,000.00	25,000,000.00	1,310,000,000.00	1.87
58,121,643,870.02	6001	Trunk Roads	143,153,598,600.00	102,438,574,848.80	40,715,023,751.20	71.56
11,463,220,000.00	7001	Regional Roads	30,074,922,000.00	17,553,773,537.18	12,521,148,462.82	58.37
<b>69,584,863,870.02</b>		<b>TOTAL VOTE</b>	<b>178,683,520,600.00</b>	<b>122,517,338,251.96</b>	<b>56,166,182,348.04</b>	<b>68.57</b>

**J.W.H.V. KIJAZI  
ACCOUNTING OFFICER**

DATE:.....

## NOTES ON THE FINANCIAL STATEMENTS

### NOTE 1: Net Approved Estimates

Rec.- P.E.	- Tshs. 2,403,842,800.00)	
OC	- Tshs. 77,017,384,000.00)	- 79,421,226,800.00
Dev. Local	- Tshs. 94,271,000,000.00	
Forex	Tshs. 84,412,520,600.00	- <u>178,683,520,600.00</u>
<b>Total Approved Estimates</b>		<b>- 258,104,747,400.00</b>

### NOTE 2: Exchequer Issues during the year

Rec. – PE	- Tshs. 2,372,408,953.00	
OC	- Tshs. 76,645,602,651.49	- 79,018,011,604.49
Dev. – Local	- Tshs. 28,768,814,420.18	
Forex	- Tshs. 94,270,996,200.00	- <u>123,039,810,620.18</u>
<b>Total Exchequer</b>		<b>- 202,057,822,224.67</b>

### NOTE 3: Net Expenditure

Rec. PE	- Tshs. 2,369,826,938.91	
OC	- Tshs. 76,629,343,497.40	- 78,999,170,436.31
Dev. – Local	- Tshs. 93,748,523,831.78	
Forex	- Tshs. 28,768,814,420.18	- <u>122,517,338,251.96</u>
<b>Total Expenditure</b>		<b>- 201,516,508,688.27</b>

#### (A) Recurrent Cash Flow

Suppliers – In the financial year 2005  
Office acquired new Office Equipments to various  
Offices in replacement for the old ones.

F/Y 2004 - 853,662,418.90  
F/Y 2005 – 1,030,188,845.65

#### (B) Other Payments – in the financial year 2005 funds allocated was less compared to year 2004.

F/Y 2004 – 4,548,904,684.59  
2005 – 2,629,783,780.35

#### (C) DEVELOPMENT Cash Flow

Supplies – During the current year funds for Special Projects for Construction of Roads increased in the year 2005 Ministry Procured and Rehabilitated Boat ferries.

F/Y 2004 – Shs. 68,584,863,870.05  
2005 – Shs. 104,865,496,459.71

**(D) DEVELOPMENT Cash Flow**

Other payment in f/y 2005 funds allocated for various activities other than supplies was less compared to f/y 2004 because our main objective is Road Construction.

F/Y 2004 – 58,112,913,303.37

2005 – 17,651,841,792.25

**NOTE 4: Cash and Cash Equivalent**

Rec.	-	18,841,168.18
Dev.	-	522,472,368.22
Deposit	-	23,927,767,113.21

**(A) Dev – Cash Refund to Exchequer**

F/Y 2005 - 522,472,368.22

The amount refunded to Exchequer in the F/Y 2004/2005 is more compared to F/Y 2003/2004. The amount was caused due to overestimated compensation.

**(B) Deposit – Cash**

During the F/Y 2004/2005 there was commitment for an utilized Special Project. The funds was transferred to Deposit due to late submission of certificate for the contractors payments.

**NOTE 5: Summary statement of Revenue**

Under collection was caused by frequent breakdown of Boats and Ferries (Pangani & Kilombero) and open market few vehicles are sent to M.T. Depot for maintenance and repairs.

### 3.0 AUDIT FINDINGS AND RECOMMENDATIONS

#### 3.1 Follow up of previous year's Audit findings

Responses to audit findings raised in previous year's audit report for the period ended 30<sup>th</sup> June, 2004 were not yet received as at the time of writing this report, January 2006.

##### Recommendation

The replies to the audit report should be submitted earliest for verification.

#### 3.2 Current year's findings

##### (ii) Non disclosure of Investment Shs. 1,799,514,965.50

A total amount of shs. 1,799,514,945 was used during the year for purchase of ferry boats and ticket vending machines as follows:-

Purchase of Assets	Amount (Shs)
Kilambo ferry	58,629,000.00
New ferry boat plying	1,561,781,198.20
Kigongo & Busisi	
Ticket Vending Machine	179,104,767.40
	<u>1,799,514,965.50</u>

This expenditure would appear to be of investment nature for generation of income, thus would have been shown under investing activities in the cash flow statement under purchase of assets. However, this expenditure was included in the payments to suppliers of goods, works and services under operating activities.

##### Implication

The amount of expenditure in respect of supplies of goods, works and services have been overstated by the amount of Shs. 1,799,514,965.50.

##### Recommendation

The management of the Ministry of works should comply with instructions and guidelines issued in respect of preparation of financial statements issued by the Ministry of Finance.

##### (iii) Non disclosure of Itemised Expenditure

**Shs. 16,956,000,000**

A sum of Shs.16,956,000,000 was spent by the Ministry of Works under rehabilitation of regional roads. It was however revealed that the appropriation accounts did not disclose the itemized expenditure under sub vote 7001-4132 so as to show the entire analysis of roads which were expected to receive rehabilitation funds.

##### Implication

Follow up to ascertain physical implementation of the work done may not be possible.

**Recommendation**

The itemised expenditure of Shs.16,956,000,000 and physical performance report should be submitted for audit examination.

**(iv) Funds not accounted for Shs.22,264,000,000.25**

A sum of Shs.22,264,000,000.25 was transferred to Chief Executive, TANROADS in order to finance Development projects under the Ministry of works. It was however noted that the agency has not yet submitted expenditure statements in order to justify actual utilization of the Development funds.

**Implication**

In the absence of expenditure statements, it is not possible to ascertain whether the funds were utilized for the intended purposes and whether there were any unspent balances.

**Recommendation**

TANROADS Management should account for the amount of Shs.22,264,000,000.25 in order to ascertain propriety of the expenditure.

**3.2.1 Statement of Revenue****(i) Undercollection of revenue Shs.1,422,510,899**

The statement of Revenue showed actual collection of Shs.1,686,973,100.84 during the year against a budget of Shs.3,109,484,000, resulting in a short collection of Shs.1,422,510,899.16 being 45.7% of the budget.

**Implication**

The revenue estimates might have been overstated or there was not enough efforts in collection of revenue.

**Recommendation**

Ministry of Works should have realistic revenue budget and increase efforts in the collection of revenue by strengthening internal controls.

**(ii) Arrears of Revenue Shs.2,218,335,954.65**

The statement of arrears of revenue reflected that a total amount of Shs.2,218,335,954.65 was outstanding as at 30<sup>th</sup> June, 2005.

**Implication**

It appears that the Ministry of Works is not putting enough efforts in collection of revenue.

**Recommendation**

The Ministry's management should put more efforts in the collection of public revenues.

### **3.2.2 Losses of Cash and Stores Shs.132,157,531.30**

The statement of Losses for the year ended at 30<sup>th</sup> June 2005 showed two outstanding losses of cash totalling Shs.132,157,531.30 which occurred in the previous years. One of the loss involving an amount of Shs.131,250,000 is in the court of law. We have not been informed the status of the case in court. There was no losses of cash reported during the year under review.

#### **Implication**

Finalization of the losses will take a long time apparently due to inadequate follow up.

#### **Recommendation**

A follow up is needed to ensure that the losses are cleared at the earliest.

### **3.2.3 Outstanding Debts Shs.1,453,125,294.84**

Footnote to the appropriation account disclosed outstanding debts amounting to Shs.1,453,125,294.84 as at 30<sup>th</sup> June 2005. The amount is less than Shs.1,433,566,928.79 as compared to that of Shs.2,886,692,223.63 reported in the last financial year.

#### **Implication**

The large amount of the outstanding liability has a direct impact on the financial status of Vote 47 in the subsequent financial years.

#### **Recommendation**

Management of the Ministry of Works should enhance payment of the outstanding debts and in future should comply with cash management system as per requirement with Integrated Financial Management System in order to avoid unpaid bills.

### **3.2.4 Statement of Assets and Liabilities**

#### **(i) Unreconciled ledger balance Shs.454,847,340.50**

The statement of Assets and liabilities as at 30<sup>th</sup> June 2005 showed closing balance of Shs.23,927,767,113.21 whereas the General ledger report reflected a balance of Shs.23,472,919,772.72 resulting in a difference of Shs.454,847,340.50. To date (Dec 2005) the difference has not yet been reconciled.

#### **Implication**

The difference implies that the accounting entries might have been posted in the wrong account codes.

#### **Recommendation**

The difference of Shs.454,847,340.50 should be reconciled and analysis of miscellaneous deposits adjusted accordingly.

## (ii) Unreconciled variance

The amount reported in the Miscellaneous deposit Register differed with that reported in the statement of Assets and liabilities as per details below:-

Item	Description	Balance (Shs.)		Variance (Shs)
		Register	Statement	
1001	Unclaimed Salary	35,818,896.50	35,428,454.94	390,441.56
1002	Retention Money	156,839,787.11	120,948,673.11	35,891,114.00
1008	Road safety	87,102,570.50	35,336,973.65	51,765,596.86
1020	Wighbridge	8,980,587.00	742,000.00	8,238,587.00
1022	Stale cheques	67,085,062.53	73,265,548.13	(6,180,485.60)
1024	Finance & Accounts	331,012.00	245,485.75	85,526.25
2026	Domestic debts	-	110,069,005.57	(110,069,005.57)
2029	o/i Vigunguti	22,326,940.00	12,974,609.00	9,352,331.00
2030	GTA	13,107,062.00	625,983.30	12,481,078.07
2031	MT Depot	10,731,936.00	24,036,277.00	(13,304,341.00)
2032	o/i Magogoni	20,106,006.68	20,100,806.68	5,200.00
1033	o/i Electrical	39,517,666.75	2,210,400.60	37,307,266.15
2034	o/i Corporation Sole	30,528,691.49	117,674.48	30,411,017.01
2035	DMECH	-	9,589,649.66	(9,589,649.66)
2036	Nangurukuru-Mbwemkulu	9,076,231,927.18	9,296,135,222.64	(219,903,295.46)
2038	Somanga-Masaninga	9,844,899.96	0.01	9,844,899.95
2043	Total	9,578,553,045.70	9,741,826,764.52	163,273,718.82

In view of significant variances noted between the balances in the Deposit Register and the Statement of Assets and liabilities we could not ascertain the correctness of individual depositors account.

### Implication

The variance is the result of improper recording of the transactions in the book of accounts that led to accounting information not fully disclosed.

### Recommendation

Management of the Ministry of Works should investigate the variances and make reconciliation thereon.

### 3.2.5 Fuel not recorded in the fuel register 11,076,240

The Ministry of Works purchased fuel worth Shs.11,076,240 from Chief Supplies Officer, Government Stores during the year under review. Verification of the fuel register revealed that the fuel purchased was not accounted for in the register.

### Implication

We could not confirm whether the fuel purchased was used for official activities of the Ministry and therefore losses due to misuse cannot be ruled out.

### **Recommendation**

Management should investigate on the fuel purchased during the year and demonstrate whether there is no loss arising from fuel transactions.

#### **3.2.6 Apparent use of funds for unintended purpose shs.1,005,229,045.20**

Ministry of Finance released a total sum of Shs.16,000,000,000 to Tanzania Buildings Agency through the Ministry of Works in order to meet construction cost of Government Buildings.

It was, however, noted that out of Shs. 16,000,000,000 released by Treasury, an amount of Shs.14,994,770,954.80 only was receipted by Tanzania Buildings Agency leaving a balance of Shs.1,005,229,045.20, apparently utilized by the Ministry of Works for un intended activities.

### **Implication**

The amount of shs. 1,005,229,045.20 would appear to have been utilized for unintended purposes.

### **Recommendation**

The Accounting Officer should ensure that funds issued for specific purposes are used only for the intended purposes. In addition, Public Finance Regulation 4 (3) & (4) should be adhered to.

#### **3.2.7 Improperly vouched expenditure shs. 10,298,713,419**

During the year under review payments amount to Shs. 10,298,713,419 as shown below, were inadequately supported as shown below.

Account	Amount (Shs.)
Recurrent	64,601,200
Development	<u>10,234,112,219</u>
	<u><b>10,298,713,419</b></u>

### **Implication**

Public Funds might have been used without authority or approval.

### **Recommendation**

The missing supporting documents should be traced and submitted to auditors for verification otherwise the expenditure should be treated as unvouched expenditure. Refer Public finance Regulations No.95(4).

#### **3.2.8 Warrant of funds not accounted for shs.235,868,043.55**

Warrant of funds amounting to Shs.235,868,043.55 were issued to warrant holders for various expenditures. However, no expenditure statements were submitted to the Ministry to confirm the actual expenditure incurred as at 30<sup>th</sup> June 2005. In this circumstance we were unable to confirm whether the funds released to the warrant holders were fully accounted for during the year.

**Implication**

It implies that unauthorized and unintended expenditure might have been incurred by the warrant holders.

**Recommendation**

The Ministry should obtain and submit statements of expenditures for audit verification.

**3.2.9 Apparent over payment Tshs.452,452,808.5**

The Ministry of Works paid a total sum of Shs.800,448,76 to M/S Spencon Services Limited vide payment vouchers shown below:-

PV No.	Cheque No	Amount Shs.
4005065	576713	700,763,957.30
4005094	576714	<u>99,684,804.00</u>
	<b>Total Shs.</b>	<b><u>800,448,761.00</u></b>

The payments were in respect of 52.1% local component amounting to USD 309,930.87 (Tshs.347,995,953) payable under Interim Certificates No.35 and 36 as follows:-

1 PC No. 35	USD 343,891.00 x 52.1%	- 179,167 (Tshs. 201,171,928.80)
1 PC No. 36	USD 250,986.31 x 52.1%	- <u>130,763.87 (Tshs.146,824,024.20)</u>
	<b>Total USD</b>	<b><u>309,930.87 (Tshs.347,995,953)</u></b>

In the circumstance, there appears to be an overpayment of Tshs.452,452,809. (TShs.800,448,761 less TShs. 347,995,953).

**Implication**

If the overpayment is confirmed the Government has suffered a loss for payment in respect of services which have not been received.

**Recommendation**

The Ministry should investigate the matter and recover the overpayment as appropriate.

**3.2.10 Unvouched expenditure shs.19,032,114**

Payment vouchers in respect of the following payments totaling Shs.19,032,144 were not available for audit, therefore, we could not confirm the propriety of the expenditure.

Cheque	Payee	Amount (Shs.)
574771	Deputy Director Foreign account (BOT)	18,232,114
575251	Director of Trunk Road	<u>800,000</u>
		<b><u>19,032,114</u></b>

**Implication**

Public funds might have been used without authority or approval.

**Recommendation**

The payment vouchers with their relevant supporting documents should be traced and made available to Auditors for verification.

**3.2.11 Central Government Stores Fund****Unanalysed balance of suspense account shs.1,623,009,400.60**

The balance sheet as at 30<sup>th</sup> June 2005 disclosed a balance of Shs.1,623,009,400.60 in respect of a suspense account on the asset side. This amount has not been analysed, apparently it has been used as a balancing figure in the balance sheet.

**Implication**

The existence of fundamental errors in the accounts, might result in misrepresentation of the financial statements.

**Recommendation**

The suspense account balance of Shs.1,623,009,400 should be analysed and reconciled in order to give fair presentation of the accounts.

**3.2.12 Overstatement of opening stock shs.19,981,998.20**

The opening stock was taken as Shs.4,470,285,465.33 instead of Shs.4,450,303,467.13 reported as closing stock as at 30<sup>th</sup> June 2004, resulting in an overstatement of Shs.19,981,998.20

**Implication**

The value of assets in the balance sheet is overstated.

**Recommendation**

This difference should be reconciled in the stock account and adjustment particulars submitted for audit examination.

**3.2.13 Outstanding debtors shs.3,233,923,496.75**

The Balance Sheet as at 30<sup>th</sup> June 2005 showed sundry debtors balance of Shs.3,233,923,496.75. Out of which a sum of Shs.1,001,775,081.90 has been abandoned by Resolution No.9/2005 dated 28/7/2005. Hence the current balance should read as Shs.2,232,148,414.85.

**Implication**

The existence of large uncollected amount of debtors implies that the working capital of the stores fund has been tied up and that not much effort is made in collection of debts.

**Recommendation**

The Accounting officer should liaise with Treasury to seek a solution in settling the long outstanding debts as most of the debtors are government Ministries and Departments.

**3.2.14 Dormant and obsolete stock shs.647,554,662.78**

Stores valued at Shs.647,554,662.78 were reported as dormant, obsolete and unserviceable as at 30<sup>th</sup> June 2005. There is a small decrease of

Shs.5,578,112.05 only as compared with the amount of Shs.653,132,774.83 that was reported in the previous financial year ended on 30<sup>th</sup> June 2004.

#### **Implication**

It appears that the purchase of stores by the Management of Central Stores do not meet customer's needs, specification and preference.

#### **Recommendation**

Procurement cycle should be observed in line with customers requirement in order to avoid unnecessary loss due to passage of time. We also recommend to the management that the stock should be auctioned publically so as to recoup the tied up capital.

### **3.2.15 Rehabilitation of Songwe - Tunduma Road**

#### **Results of financial operations**

A total sum of NOK 105,553,104.37 was disbursed from the grant to the project accounts as at 30<sup>th</sup> June 2004 against cumulative expenditure of NOK 64,772,168.13 resulting in outstanding balance of NOK 40,580,936.24.

### **3.2.16 Late submission of project accounts**

The project's accounts for the three consecutive years 2001/2002, 2002/2003 and 2003/2004 were submitted for audit on 24 August 2005.

#### **Implication**

Audit of the accounts of this project was not done in time so that matters arising from the audit which needed management attention and action could not be attended earlier. This is a violation of best practices is required by the Act.

#### **Recommendation**

It is recommended that project accounts should be submitted within prescribed period.

#### **Management's Response**

Basically the rehabilitation works on the road are substantially completed. The remaining work is the rectification of failures in high air voids in the asphalt concrete wearing course.

The progress of works has been very slow mainly due to difficulty in crushing of aggregates because of the hard stone found in the area; difficulty in producing binder and wearing course of an acceptable quality and to some extent inclement weather. The Employer has commenced deduction of Liquidated Damages as provided for in the contract. Meanwhile discussions are ongoing between TANROADS, the Consultant and the Contractor on how to remedy the failures and the way forward for the project.

## **Comment**

The management response do not adequately address our concern on late submission of accounts. Even final accounts for financial year 2004/2005 are yet to be submitted for audit examination.

### **3.2.17 Non-Contractual Payments Tsh. 2,366,188,805**

It was observed that the Contractor had been paid a total of TSh.2,366,188,805 in respect of bill items 317(1) and 317(2) (asphalt concrete and asphalt binder for surfacing respectively). However, laboratory tests of these items failed to meet specifications especially in the test for air Voids which, according to Section SS.317.03 of the Special Specifications, should have been given more emphasis.

The management, during progress meeting held on 22<sup>nd</sup> November 2004, despite the test results, decided to pay the Contractor at 70% of the rate specified in the Contract for the above bill items. We were not provided with information justifying decision to pay 70% of the rates in these bill items.

The consultant rejected the Asphalt concrete wearing course due to non-uniform and non-homogeneous surface because of the mix segregation and high air voids.

Up to the time of audit no remedial action has been taken to make the gravel wearing course meet the specifications.

## **Implication**

The failure in meeting the specifications may result in reduced service life span of the road.

## **Recommendation**

The management should ensure that high standards are observed during roads construction. Further consultant's recommendation should be implemented by contractors.

## **Management's Response**

Management has taken note of the recommendation. We would however like to point out that the decision to pay the Contractor 70% of the certificate amount was reached in a joint meeting involving the Employer, the Contractor and the Consultant. This decision was based on the fact that the tests carried out on the laid asphalt concrete met the specifications substantially at that time. The main problem according to the Engineer was that the surface looked open and it was felt that it would reduce the life of the pavement. According to the Engineer and an independent team that was appointed by the Financier (NORAD), the open surface area was 20% to 30% of the whole paved area. In order not to frustrate the Contract therefore it was decided to pay the Contractor 70% of any certificate raised until the issue of surface texture is resolved. The Engineer has recommended that a seal coat be applied over the entire road and the cost be shared between the Contractor and

the Government based on the proportion of the failed area. This would make the road last longer and the surface would be uniform. Discussions are still going on with the Contractor on how to rectify the defects and bring the project to a successful end.

#### **Comment**

The decision to pay the contractor at 70% of the rate specified in the contract was not stated in the condition of the contract. The payment should have been effected on the actual work certified by the engineer/Consultant. We have not yet received final resolution on discussion made with the contractor on how to rectify the defects.

#### **3.2.18 Delayed Completion of the Project (Over 284 Days)**

It was observed that the contract completion date was 30<sup>th</sup> May 2004. However, up to the time of audit (10<sup>th</sup> May 2005) works were still in progress and neither extension of time has been granted to the Contractor nor charges for the Liquidated Damages have been imposed on the Contractor. This is contrary to Sub-Clause 47.1 of the Conditions of Contract.

Furthermore, according to the Appendix to Form of Tender, the amount of Liquidated Damages is US\$ 20,000 per day. The limit of Liquidated damages is 15% of the Contract Price (i.e. 15% of TShs.10,193,291,383 = TShs.1,528,993,707) which is equivalent to 85 days delay. This period has already been exceeded. (i.e so far actual delay is 284 days).

#### **Implication**

The delay may result into cost implication such as price fluctuation of materials.

#### **Recommendation**

The management should ensure that the Liquidated Damages amounting to TShs.1,528,993,707 is paid to the Employer and that the Contract is administered in accordance with the conditions of the contract.

#### **Management's Response**

Management has taken note of the recommendation. We have commenced the deduction of Liquidated Damages as provided for in the contract with USD 300,000 deducted in IPC No. 19. However the Contractor is disputing the imposition of Liquidated Damages on grounds that some of his Claims have not been covered exhaustively and he has requested the Client to re-evaluate the claims related to the extension of time. The Consultant has engaged another Engineer to re-evaluate the Claims for extension of time which were earlier submitted by the Contractor to the Resident Engineer. Confirmation with the deduction of liquidated damages therefore will depend on the outcome of the re-evaluation that is being carried out by the appointed Engineer and the deduction will be made from monies owed to the Contractor.

### **Comment**

Management has not adequately replied to the paragraph on recovery of liquidated damages as no references were quoted to confirm the deductions made to date. Apparently the TANROAD management has not addressed problems pertaining to this contract.

#### **3.2.19 Special Trunk Roads Projects**

##### **The Design and Build Contract of Mbwemkulu-Lindi-Mingoyo Road Contract No. 10010/2002/2003**

The Ministry of Works on behalf of the Government of the United Republic of Tanzania entered into a contract with M/S M.A. Kharafi and sons to execute contract works at a contract sum of Shs.51,487,695,000. It was agreed that the contract should be executed within a period of 32 months with effect from 24<sup>th</sup> February 2003 to 24<sup>th</sup> October 2005.

However during the site visit conducted on 14<sup>th</sup> March 2005 it was observed that the approved program of works was not adhered to because all the works were behind schedule. According to the Resident engineer, the project delay is more than 14 months, beyond the agreed completion date.

### **Implication**

Failure to meet completion date may result in extra cost due to rise in prices of materials.

### **Recommendation**

It is recommended that a revised programme of work should be submitted by the contractor and that the Management of the Ministry should make a close follow up to ensure that the contractor meets the deadline so that the works shall be completed within the agreed contract period.

#### **3.2.20 Maintenance of existing road**

Responsibility of the maintenance of the existing road rests with the contractor as per section 1502 of the contract. It was however noted during site visit conducted on 15/3/2005 that the entire road from Mchinga towards Mbwemkuru was in the pathetic condition making accommodation of public traffic unsafe and impassable.

### **Implication**

The contractor might be paid for the works which were not executed.

### **Recommendation**

The contractor should carry out his obligation of maintaining the existing road in order to ensure that it is safe and passable.

#### **3.2.21 The design and Building Contract of Nangurukuru-Mbwemkulu Road Contract No.10009/2002/2003**

The United Republic of Tanzania finances the project through the Ministry of Works at a contract sum of Tshs.39,239,310,314 to cover a

distance of 95.3 km beginning at Nangurukuru Km 148 + 700 and ending at the bridge across the Mbwemkulu River Km 244. The Nangurukulu - Mbwemkulu Road Project was expected to cover a period of 32 months from 25<sup>th</sup> February 2003 to 28<sup>th</sup> October 2005. As at the date of inspection 14<sup>th</sup> March 2005, the time elapsed was 24 months out of 32 months with remaining period of 8 months only. For the 24 months period value of work certified was Shs.11,187,850,347 being 28.51% of the total contract price.

#### **Implication**

It implies that the project will not be completed as at 28<sup>th</sup> October 2005 as there are still more activities to be executed as compared to the remaining contract period.

#### **Recommendation**

Revised programme of works should be submitted to the resident engineer.

### **3.2.22 Tanzania Buildings Agency (TBA)**

#### **Unvouched expenditure Shs.24,735,698.40**

Payment vouchers in respect of payments amounting to Shs.24,735,698.40 were not made available to the auditors as at the time of audit.

#### **Implication**

The Public funds might have been used without authority or approval.

#### **Recommendation**

The Accounting Officer should ensure that the missing payment vouchers are traded and submitted to audit for examination.

### **3.2.23 Unrefunded Advances Shs. 15,907,000**

A total sum of Shs.15,907,000 was paid as advances to the Permanent Secretary Ministry of Works. As at the time of writing this report a sum of Shs.5,457,000 was still outstanding.

#### **Implication**

Use of funds intended for budgeted activities for payment of advances imply there will be delay or non implementation of some of the planned activities

#### **Recommendation**

The Agency should recover a sum of Shs.5,457,000 from the Permanent Secretary. In future funds should not be used for unbudgeted activities.

### **3.2.24 Purchase of 2 Residential Houses Shs.410,000,000**

Examination of payment vouchers revealed that the Agency purchased two houses at a price of Shs.410,000,000 as shown below:

Payment Voucher	Cheque	Amount (Shs)	Plot No	Payee
02/7	312289	220,000,000	106 Uganda SIMU Avenue	Oysterbay 2000 LTD
25/8	333512	<u>190,000,000</u>	474 Mindu street	
		<u>410,000,000</u>	Upanga area	TPDC

This acquisition of the houses was not provided in either business plan nor performance agreement between the Agency and the Ministry of Works. In addition the purchase is not within the mission and vision of the Agency. On enquiry we were told that the purchased houses were later sold on loan to two officials but the selling prices were not disclosed.

### Implication

There could be difficulties in making follow up of loan recovery from the officials to whom the houses were sold.

### Recommendation

- The selling prices of the house should be disclosed in order to follow up recovery of the loans.
- Section 32 (1) and (2) (a) of Public Finance Act No. 6 of 2001 with regard to provision of documents and information to auditors, should be complied with consistently.

### 3.2.25 Delay in Banking Shs.55,398,000

Audit test on revenue collection revealed that a sum of Shs.55,398,000 was collected by TBA (HQ), however, the amount was not banked promptly as per requirement in the Regulation 78.

### Implication

Revenue collected may be at risk of being lost before banked.

### Recommendation

The Chief Executive should ensure that daily collection are banked preferably within 24 hours as required by the Regulation.

### 3.2.26 Construction of 300 houses in Dodoma and 91 houses in Dar es Salaam

Memorandum of understanding was signed between Permanent Secretary - Ministry of Works and National Service Construction Department for construction of 250 houses in Dodoma at a contract sum of Shs.10,726,471,922 at a contract period of 9 calendar months with effect from May 2004 and M/S Magereza for construction of 50 houses in Dodoma at a contract sum of Shs.2,089,218,785 at a contract period of 6 months. In addition, M/S National Services Construction Department

was awarded another contract for construction of 91 houses in Dar es Salaam at a contract sum of Shs.6,817,600,000.

It has been noted that the procedure used for engaging these contractors was direct contracting for works. However, the criteria used for applying this method was not explained.

#### **Implication**

Procurement procedures might have been violated in the selection of the contractors.

#### **Recommendation**

The Management should ensure that in future, Procurement is being conducted using competitive tendering procedures to achieve economy, efficiency and effectiveness.

#### **3.2.27 Operational performance**

Audit could not establish the performance of the Ministry as the statements submitted were not prepared in line with the requirements of the Accountant General.

#### **4. CONCLUSION**

The detailed audit findings presented above have been communicated to management of the Ministry of Works during our exit meeting. Management of the Ministry of Works has promised to take appropriate action with a view to rectify the situation. We shall appreciate to receive formally the actions taken in this respect.

Lastly, I would like to express my appreciation for the cooperation given to the audit team. It is my hope that such good working relationships will be extended during future audits.

Dr. Frank Mosses Hiza Mhilu  
**ACTING CONTROLLER AND AUDITOR GENERAL**

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5.0

ANNEXURE I

**ORGANIZATIONAL STRUCTURE OF THE MINISTRY OF WORKS**  
 (Approved by the President on 14<sup>th</sup> November 2002)

