

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE MINISTRY OF LANDS AND
HUMAN SETTLEMENTS DEVELOPMENT
(VOTE 48)**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

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February, 2006

Office of the Controller and Auditor General,
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 by ensuring that our clients 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 cycles; and
- providing audit staff with adequate working tools and facilities that promote independence.

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	The financial statements, notes to the financial statements and organization structure.	

Definition of Terms and Abbreviations

Financial Statements means the following statements, notes and supporting schedules of the Ministry of Lands and Human Settlement Development for the year ended 30th June 2005.

- Responsibility for the Financial statements
- Statement of Vote Account - Recurrent
- Statement of Vote Account - Development
- Cash flow statement for Recurrent Account
- Cash Flow Statement for Deposit Account
- Summary Statement of Revenue
- Summary Statement of Losses
- Notes to Financial Statements

These Financial Statements are attached as annexure No. 1 to this report

Act - Means the Public Finance Act No. 6 of 2001 as amended in 2004

Regulations means the Regulations of the Public Finance Act issued under G.N Number 259 of 2003.

Ministry means-Ministry of Lands and Human Settlement Development.

URT - United Republic of Tanzania

IFMS - Integrated Financial Management System

PDRF - Plot Development Revolving Fund

F/Y - Financial Year

MTEF - Medium Term Expenditure Framework

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction:

We have completed the audit of the Ministry of Lands and Human Settlements Development for the year ended 30th June 2005. Audit findings arising from examination of accounting records appraisal of the Vote 48 (MLHSD) activities as well as an evaluation of the internal control system which require management attention and action are set out under Chapter 3 of this letter.

1.2 Brief history of client establishment

The Ministry of Lands and Human Settlements Development is responsible for providing with efficiency, land development services to customers for their social and economic development and to create a conducive environment for the development of sustainable human settlements. Ministry of Lands and Human Settlements Development was established in accordance with the Constitution of the United Republic of Tanzania, 1977 - Instrument made under article 55(i) of the United Republic of Tanzania 1977 empower the President to establish and disestablish such office of Minister in the Government of the URT as he may, from time to time, by instrument under his hand and the Public Seal.

1.3 Operational Objectives

The core objectives of the Ministry are :-

- (i) To have an improved land management and delivery system.
- (ii) To have efficient land surveying and mapping services.
- (iii) To create conducive environment for development of sustainable human settlements, promotion of low cost housing and efficient land use.
- (iv) To create conducive working environment and human resources development.
- (v) To put on place well coordinated policies, plans and programmes.
- (vi) To have an efficient land revenue collection and financial management system

1.4 Financing

During the financial year 2004/2005, the Ministry of Lands and Human Settlements Development received a total sum of Shs. 6,496,298,645/= in the form of Exchequer Issues from the Ministry of Finance as follows:-

Supply Vote.....	Shs.5, 996,298,645/=
Development Vote.....	<u>Shs. 600,000,000/=</u>
Total Exchequer received	<u>Shs.6, 596,298,645/=</u>

1.5 Management Structure

The ministry of Lands and Human Settlement Development is headed by the minister of Lands and Human Settlement Development who is assisted by deputy minister and a Permanent secretary who is the appointed Accounting Officer of this Vote. Under the permanent Secretary there are different operating units as shown in the organization structure of the ministry of Land and Human Settlement Development (See annexure II).

1.6 Brief description of Internal Control system

Part IV of the public Finance Regulations requires Accounting Officers to establish an internal audit unit and audit committee to assist in strengthening the system of internal control.

Audit Committee

Ministry of Lands and Human Settlements Development does not have an audit committee in place. Contrary to the Public Finance Regulation No. 32 of 2001, about three years since enactment of the Public Finance act. This scenario indicates that audit committee functions/duties as stipulated in Regulation 32 (i) (a) - (g) were not performed for the mentioned period. This has seriously affected the effectiveness of internal controls.

Internal Audit Unit

The function of internal audit office amongst others, is to review and report on the proper control over receipts, custody and utilization of all financial resources of the Ministry.

However at this ministry the internal audit unit is under staffed with only one officer. This implies that review of the system of internal controls, safeguard of assets as well as reliability of accounting records which underlie the preparation of final accounts were not adequately and properly reviewed

1.7 Audit Mandate

By virtue of the provision of Article 143 of the Constitution of the United Republic of Tanzania and section 30(i) and 37(i) of the Public Finance Act No.6 of 2001, the Controller and Auditor General is empowered to audit all government revenue and expenditure of all public entities, the appointed auditor of all Government revenue and expenditure of all public entities including the Ministry of Lands and Human Settlements Development.

1.8 Audit Objectives

The main objective of conducting the audit is to enable me express an independent opinion on the annual accounts of the Ministry of Land and Human Settlement Development for the year ended 30th June, 2005 and in particular:-

- To determine whether transactions were executed in accordance with proper authorization and recorded in the books of accounts to permit

the preparation of the financial Statements in accordance with international accounting principles and the existing financial legislation.

- To determine whether funds received have been used exclusively to meet eligible expenditures as per approved and passed budget by National Assembly.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of all transactions
- To evaluate whether the Internal Control procedures instituted are effective to provide relevant and reasonable information to the management for implementing and monitoring activities and that, the assets of Ministry of Land and Human Settlement Development are adequately safeguarded against losses and from unauthorized use or disposition.

1.9 Audit Scope

The audit was carried out in accordance with ISA. The audit covered the evaluation of effectiveness of the financial accounting system and internal control over the activities of the Ministry examination and verification of the accompanying financial statements and carrying out other auditing procedures as was considered necessary for the purpose of forming an opinion on the financial statements. The audit was conducted on a test-check basis; therefore, the audit findings are confirmed to the extent that records and information requested for the purpose of the audit were made available to us.

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 so that we would have a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities or fraud. The responsibility for detecting and preventing fraud or irregularities rest with the Ministry Management who are responsible for setting up and maintaining an adequate and effective system of internal control.

1.10 Audit Methodology

In auditing the financial statements together with the related records and schedules, the following steps were followed:-

- Review of legal documents
- Examination of receipts and payments to confirm compliance with existing legislation, financial regulations and other instructions or directives.
- Review of Internal control structure by assessing significant policies and procedures and determine its adequacy.
- Conduct compliance tests on the system.
- Interview some key personnel.

- Hold entrance conference and exit meetings with the management to discuss the audit objectives and results of the audit exercise respectively.

1.11 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 that, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

2.0 AUDIT REPORT OF THE FINANCIAL STATEMENTS

To: The Permanent Secretary,
Accounting Officer of Vote 48,

Re: **Audit Report on the Financial Statements of Ministry of Lands and Human Settlement Development for the year ended 30th June, 2005.**

I have audited the financial statements of the Ministry of Lands and Human Development shown as Annexure I for the year ended 30th June, 2005.

Responsibilities of the Accounting Officer

Section 25(4) of the PFA 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 Lands and Human Development.

Responsibilities of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures 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 Lands and Human Development

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, that all expenditures of public monies has been properly authorized; and to satisfy myself whether the funds appropriated to the Prisons Service Department 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 about whether the financial statements are free of material misstatements. 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 Lands and Human Development 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 recognized when they are received and cash payments are recognized when they are paid.

Qualification

In my opinion, except for the material matters specified below, the financial statements of the Ministry of Lands and Human Settlement Development 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 30th June, 2005 and the financial positions as at that date.

Further to my opinion, except for the Procurement of fuel coupons, Land documents and Consultancy services, the procurement of goods and services was generally done in accordance with Public Procurement Act No.21 of 2004.

Material disagreement and non-compliance with the Law.

1. The management of the PDRF and Housing Loan Revolving Fund including record keeping in respect of the transactions thereon has not complied with the Regulations.
2. Records in respect of revenues collected on Land rents receivable were observed to be incomplete.
3. Questionable procurement of fuel, coupons and lands documents amounting to Tsh. 18,845,895 was observed.
4. Non compliance with Procurement Act no. 21 (2004) and the Regulations thereon on the procurement of consultancy services worth Tshs.105,594,580 and anomalies on the contract with the Director of Mwanza City council amounting to Tsh. 830,000,000.
5. Non-disclosure of arrears of revenue amounting to Tsh. 88,139,688. The arrears are in respect of sampled centers of Mbeya Municipal Council and Tanga Municipal Council for the years 1997/1998-2004/2005

The details of these matters and others are given in part 3 of this Report.

Exception Report: Relationship with the CAG

The responses given by the management on the Audit findings do not depict a sense of responsibility on the part of the Ministry management.

Dr. Frank Mosses Hiza Mhilu
Ag: CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam,
February, 2006

3.0: AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Follow-up of previous years Audit Findings

Audit Verification made from the previous audit reports revealed the following outstanding issues:

Para	Audit Observation	Audit Recommendation	Management replies	Status
287.2.1 of 2002/03	<u>Bank reconciliation Statement.</u> Debit in bank statement not in cash book Shs. 87,452,980	The Ministry was requested to take prompt action to clear all the outstanding items.	The matter was reported to Police investigation was done but was found that no one has a case to answer and the matter was closed by the Police. After that the Ministry formed an inquiry team to investigate the issue and two officers were suspended. The report of the team of inquiry does not reveal such a loss of revenue except weakness in the system. The Ministry has taken measure to strengthen Internal Control System and the suspended staffs have been returned to work. The copy of the report of the inquiry team will be submitted to Audit for verification.	I am waiting for a report of the task force team formed by the Ministry of Finance to investigate the matter.
287.2.3	<u>Questionable bank withdrawal</u> Audit examination form the bank statement of Revenue Account revealed withdrawal of Shs. 87,452,980 from A/C No. 6501900001 for unknown transactions Audit could not rule out the possibility of loss of Public Funds.	The Ministry should submit the transactions prompted the withdrawal of the monies.	The matter was reported to Police investigation was done but was found that no one has a case to answer and the matter was closed by the Police. After that the Ministry formed an inquiry team to investigate the issue and two officers were suspended. The report of the team of inquiry does not reveal such a loss of revenue except weakness in the system. The Ministry has taken measure to strengthen Internal Control System and the suspended staffs have been returned to	Verification not yet done

			work. The copy of the report of the inquiry team will be submitted to Audit for verification.	
289	Irregular and questionable Expenditure Shs. <u>56,891,712.00</u> Audit query No. J. 58 of 2002/03 of Shs. 4,400,000.	Awaiting for the reply of query No. J. 58	The outstanding audit query No.58 was closed.	The reply is satisfactory
293.2	Misallocation of funds Shs. <u>23,720,740</u> An amount of Shs. 23,720,740 was paid out of Development Vote to meet accommodation cost for Ministry staff who were attending Management short courses, the transactions were of recurrent nature audit query no. J. 66 and J.67 issued were outstanding	Replies to two audit queries No. J.66 and J. 67 are awaited	The Outstanding queries were replies and closed on 10/06/2004 and 10/01/2005	The reply is satisfactory

Recommendation

The ministry has to ensure that these matters are settled fairly quickly.

3.2 Current audit findings

3.2.1.1 Revenue

Incorrect reporting of over collection

Land rents and other related land charges are the main sources of the Ministry's revenues. A review of the statement submitted revealed that a total amount of Shs.8,841,187,723/= shown below was collected against a budgeted amount of Shs.5,896,650,000/= resulting in an over collection of Shs.2,584,537,723/= which is 43% more compared to the estimated revenue.

Sub Vote	Description	Budget (Shs.)	Actual (Shs.)	Over/under (Shs.)	%of Variation
1001	Administration and General	34,150,000	3,852,290	(30,297,709)	(75%)
2001	Land Development Service	5,803,500,000	8,477,335,432	2,673,835,432	46%
2002	Survey and Mapping	59,000,000	0	(59,000,000)	(100%)
Total		5,896,650,000	8,481,187,723	2,584,573,722	

The reported performance under item 2001 Land Development Services indicated over collection of 46% against budget. It was further highlighted that the reported collection includes arrears (Refer Note 6(b) of the accounts).

Implication

The comparison of budget against actual is misleading.

Recommendation

In order to have a fair view of reported performance on land development which is 46% over and above the budget it is recommended that actual collection should be net of arrears collected during the period as reflected in note 6(b) of the accounts.

Management Response

The ministry has started to compile data to identify all surveyed plots. After completion of building a data base of land rent collection our estimate will be more realistic. The 46% over collection came after launching a special program for rent collection between March- June 2005.

3.2.1.2 Accounting of receipts in the wrong Account

The following items were budgeted for the period under review.

Code No.	Description	Budget Figure Shs.
1001-90201	Receipts from Training	33,000,000
2002-80101	Sales of printing and news	9,000,000
2002-90202	Receipts from Production services	10,000,000
2002-90220	Receipts from Cadastral and Technical fees	40,000,000
	Total	92,000,000 =====

However the actual collection was accounted for in the Account of Plot Development Revolving Fund.

Implication

The performance achieved for items transferred to PDRF could not be ascertained.

Recommendation

In order for the Ministry to gauge performance achieved against predetermined level (budget) all items to be indicated individually.

Management Response

In consultation with Treasury we will ensure the IFMS gauge performance by item and not in consolidation and improve the statement to physical output.

3.2.1.2 Recurrent Expenditure

The recurrent expenditure for the year 2004/05 closed with unutilized budget issue of Shs.17,126,472/60 arising against net approved estimates of Shs.6,013,421,800 and net expenditure of Shs.5,996,295,327.40.

However, the actual exchequer issues received during the year totaled Shs.5,996,298,645/= resulting in verified cash balance of Shs.3,317.60.

Further out of net expenditure of Shs.5,996.295, 327.40 a sum of Shs.1,891,464,517 or 31.54% of the net expenditure, was in respect of Personal Emoluments.

3.2.1.3 Development Expenditure

The Development Vote account closed with an expenditure of Shs. 595,307,897 against net approved estimates of Shs.673,000,000 resulting in an apparent saving of Shs.77,692,102. However, exchequer issues received during the year resulted in a balance of Shs.4,692,102.20 being cash in hand with the Paymaster General's Account.

3.2.2 Financial Control Issues

3.2.2.1 Undisclosed arrears of revenue Tshs 88,139,688

The statement of arrears of Revenue for the year 2004/05 does not report any outstanding arrears. However, a sample of two centers visited namely Mbeya Municipal council and Tanga Municipal Council shows various arrears from 1997/98 to 2004/2005 amounting to 88,139,688 (made up by Shs.22,713,378 for Mbeya and 65,426,310 for Tanga) Ref Letter MK101/25.

In the financial year 2003/2004, the Ministry did not report the existence of Revenue arrears, however, foot note No. 6(a) to the Financial Statements indicated over collection of Shs.2,405,517,000 including arrears from previous years. The Arrears referred in note no.6(a) of the financial Statements could not be understood when read together with the statement of arrears of Revenue for the year 2004/05

Implication

This severely affects the performance reported and does not bridge the gap of expectations by the users.

Recommendation

The Ministry should identify all land rent defaulters at all Revenue collection Centres, and take appropriate measure to recover the money and where appropriate to notify the Accountant General on the difficulties being faced in

collecting the Revenue Outstanding as required under the Regulations No.58 and 59.

The Reported Statement of Arrears should be made to reflect the correct position as at 30th June 2005.

Management Response

The Ministry is setting up a data-base which will enable to prepare Revenue outstanding arrears statement in future for this F/Y the Ministry will start with 6 pilot centers to identify all land rent defaulters, Dar es Salaam, Mbeya, Morogoro, Arusha, Moshi and Mwanza.

3.2.2.2 Statement of Assets and Liabilities

The statement of Assets and liabilities among other items includes Plot Development Revolving Fund (PDRF) which closed with a cash book balance of Shs.990,811,368.40. However, the accuracy of the balance could not be verified due to the following:-

(i) Overstated PDRF Capital Shs.631,844,966.70

The Statement of assets and liabilities as at 30th June 2004 reported capital balance amounting TShs.50,000,000 one year later the Balance reported as at 30th June 2005 is Shs.681,844,966. No explanation is given with regards to such increase.

Implication

The differences affect the correctness of the subsequent financial period since it understates the opening cash balance.

Recommendation

The trust of Final accounts with its supporting records is to show true and fair view of the state of affairs for the period under review. The Management should take urgent action to make corrections so as to make the correct reflection of balances.

Management Response

There was an error on recording Shs. 681,844,966.70 as capital instead of Shs. 50,000,000 and Shs.1,285,944,378 as opening balance instead of Shs. 604,099,412 which was last financial year closing balance. The statements have been adjusted accordingly.

3.2.2.3 Improper Accounting and recording of housing Loan Revolving Fund

The audit sample made on the housing loan outstanding schedule as at 30th June 2005 revealed the following anomalies.

- (i) Opening balances of some individual staff were not brought forward or erroneously omitted in the books of accounts

- (ii) No deductions at all were effected/received for the whole financial year 2004/2005 from the debtors.

Implication

- a) Non- deduction/collection from loaned staff denied the opportunity to other staff that could benefit from the fund.
- b) Government money remaining in the hands of individual staff unnecessarily which may lead to risk hence a loss to Public money.

Recommendation

- The Ministry should record appropriately in the books of accounts all transactions pertaining to the Loan Fund.
- The Ministry should institute strong measures to recover all outstanding public funds from the Loaned Staff, and where appropriate to notify the Ministry of Finance in case of difficulty on loan recoveries.

Management response

More efforts will be executed to make sure loans are recovered in time and transactions are recorded properly.

3.2.2.4 Overstated Opening Balance of Plot Development Revolving Fund Receipts and Payment Account Shs.681,844,965.

According to last financial year 2003/04 PDRF closing balance as at 30th June, 2004 (audited figure) was Shs.604,099,412. The figure was erroneously brought forward (opening balance) as Shs.1,285,944,378.

Implication

This severely affected true and correct view of PDRF receipts and Payment for the year ending 30th June 2005 by overstating the cashbook balance.

Recommendation

The Management should make adjustment to the Account accordingly so that it reflects the correct picture.

Management Response

There was an error on recording Shs. 1,285,944,378.36 as opening balance instead of Shs. 604,099,412.66 which was last financial year closing balance. The statements have been adjusted accordingly.

3.2.2.5 Improperly Vouched Expenditure Shs.818,603,431

A test check of accounts showed a large amount of Shs.818,603,431 as improperly vouched expenditure as detailed below:-

Audit query No.	Recurrent A/C	Total
J.1	506,489,400	
J.5	2,472,076	
J.8	101,000,000	
J.10	<u>6,072,505</u>	616,033,981
	Deposit A/C	
J.11	14,895,000	
J.12	145,014,000	
J.14	13,800,450	
J.15	18,000,000	
J.6	<u>10,860,000</u>	202,569,450
	GRAND TOTAL	<u>818,603,431</u>

Implication

In the absence of proper documentation I have been denied the opportunity to ascertain the legitimacy and propriety of such expenditure.

Recommendation

The missing supporting documents should be traced and submitted for audit verification.

Management Response

The referred queries nos. J.1, J.5, J.8, J.10, J.11, J.12, J.14, J.15, and J.16 have been replied and submitted for audit verification.

3.2.2.6 Misallocation of funds Shs.82,004,930/=

Audit test check made on payment vouchers revealed that the sum of Shs. 12,376,050 was paid from Development funds to meet expenditure of recurrent nature.

It was further revealed that the sum of Shs.69,628,880/= was borrowed from deposit Account to meet various expenses, however, the borrowed amount was not refunded to the respective deposit item, contrary to the applied Regulation. Audit queries No.J.3 and J.17 raised have not been replied.

Implication

This affected the performance of the expected progress of the respective development projects.

Recommendation

The misallocated funds should be refunded immediately to the respective accounts.

Management Response

Two audit queries issued no. J.3 and J.17 have been replied and submitted for audit verification.

Audit Comment

The replies for Audit query no.J.17 have been received, but it is still under Verification. On the other hand audit query no. J.3 is still outstanding.

3.2.2.7 Unvouched Expenditure Shs.3, 368,251/=

The Mbeya Municipal Council bank account was debited with an amount of Shs.3,368,251/= but physical payment vouchers could not be produced for audit when called for.

Implication

The authenticity of the respective transactions could not be ascertained.

Recommendation

All the missing payment vouchers are required for audit purposes.

Management Response

Missing payment vouchers are at Mbeya Municipal Council.

3.2.2.8 Questionable and Irregular payments Shs. 109,039,400

A test check of the payment during the year 2004/2005 revealed irregular and questionable payments amounting to Shs. 109,039,400 which were questionable due to violation of accounting principles.

Our audit queries raised on this matter remained unreplied as shown below.

AQ. No	RECURRENT A/C	REMARKS
J. 1	103,989,400	Variance on Warrant of funds
J.9	450,000	Overpayment of Shs.500,000
J. 4	4,600,000	Authority required.
TOTAL	109,039,400	

Recommendation

The management should regularize the payments and recover the amount overpaid of shs.500,000.

Management Response

Audit queries issued no. J.1, J.9, J.4 have been replied and submitted for audit verification.

3.2.3 Operational performance issues

The Ministry explicitly shows actual performance regarding to objectives, however, the information given does not indicate the predetermined performance targets level to be achieved.

Implication

It is difficult to gauge actual performance achieved against predetermined targets.

Recommendation

The Ministry should produce the Annual Business plans, which indicate what have been achieved in a fiscal year under review against predetermined targets.

Management Response

Planned and Achieved targets have been clearly indicated in the statement of performance in the Statement of Accounts presented. In consultation with Treasury we will work on to see how IFMS can produce predetermined target when setting the budget in the system. However budget estimates (MTEF) 2005/2006 - 2007/2008 outlined the achievement made against planned targets.

3.3 Procurement of Goods, Works and Consultancy

The Ministry consistently implements procurement and Public Finance Acts with appended Regulations. However, issues noted below are contrary to the trust of value for money.

3.3.1 Stores not accounted for Shs.38, 723,470/=

In the year under review the Ministry of Lands and Human Settlements Development purchased several items of stores which included fuel coupons, lands documents and various items.

The following seven (7) audit queries and management audit letter issued on this matter were still outstanding:-

AQ NO	AMOUNT (SHS.)		
	RECURRENT A/C	DEVELOPMENT A/C	DEPOSIT A/C
J.22	5,847,200	-	-
J.23	11,748,825	-	-
J.24	5,788,000	-	-

J.6	3,556,250	-	-
J.2	-	2,990,000	-
J.16	-	-	5,830,000
J.18	-	-	1,500,000
TOTAL SHS.	26,940,275	2,990,000	7,330,000

Also stores worth 1,463,195 at Tanga Municipal Council were not accounted for (Ref.MK101/25.)

Implication

In the absence of ledger folios references the purchased stores could not be confirmed to have been accounted for and used as intended.

Recommendation

It is recommended that the Ministry Management produce utilization particulars of stores worth Shs.38, 723,470/=.

Management Response

Queries issued nos. J.22, J.23, J24, J.6, J.2, J.16, and J.18 have been replied and submitted for audit verification.

3.3.2 Payment for consultancy services Shs .105,594,580.

The Ministry of Lands and Settlement Development engaged different consulting firms to carry out cadastral survey of Dungu Farm Mwongozo in Temeke Municipality with a total cost of Shs.105,594,580.

However, audit noted that the Ministry did not publish invitation for the said services contrary to the Public procurement (Selection and employment of consultants) Regulation No. 7 of 2005.

Implication

Non- compliance of Public Procurement (selection and employment of consultants) regulation of 2005 means that the Government did not get the fair deal on the whole process.

Recommendation

It is recommended that all Government expenditure should follow stipulated procurement procedures, Regulations, circulars and relevant provisions of the act.

Management Response

The Query issued (no. J.20) has been replied and submitted for audit verification.

3.3.3 Contract agreement reviews

The Ministry of Lands and Human Settlements Development entered into contract with the City Director of Mwanza City on 23/2/05 whereas Lender (PS

MLHSD) issued a loan of Shs.830,000,000/- to the borrower (City Director Mwanza City Council) for execution of works for implementation of a project to survey 3,500 plots in Mwanza City.

However, audit scrutiny made on the transactions referred to revealed the following abnormalities:-

- (i) There was no financial plan agreed between the parties.
- (ii) The contract agreement does not show Rights and obligation for the contracting parties.
- (iii) The contract does not show the period covered by the contract.
- (iv) The Ministry of Finance as a custodian of Public Money was not involved, contrary to Public Regulation No.105-108 of 2001.
- (v) The contract does not show schedules for recovery for loaned amount and corresponding profit margins payable.
- (vi) Legal Officer was not involved as required by applicable regulations.

Implication

The implication of the agreement to the government is as follows:

- In case of any default by the borrower Ministry has no legal power to take appropriate action since the contract does not show obligation of the contracting parties.
- On such volatile Agreement, the Ministry is likely to spend more in the form of follow up costs.

Recommendation

The Ministry should explain on the noted irregularities and in future all necessary information should be taken into consideration while entering into agreement. Also the prevailing financial regulation should be adhered to.

Management Response

Queries issued no. j.13, has been replied and submitted for audit verification.

Audit Comment

The replies have not been received to the date of this report.

3.4 Weakness in internal controls

3.4.1 Audit Committee

Ministry of Lands and Human Settlements Development does not have an Audit Committee in place. Contrary to the Public Finance Regulation No. 32 of 2001, about three years since enactment of the Public Finance act. This scenario indicates that audit committee functions/duties as stipulated in Regulation 32 (i) (a) - (g) were not performed for the mentioned period. This has seriously affected the effectiveness of internal controls.

3.4.2 Internal Audit Unit

The function of internal audit office amongst others, is to review and report on the proper control over receipts, custody and utilization of all financial resources of the Ministry.

However at this ministry the internal audit unit is under staffed with only one officer.

This implies that review of the system of internal controls, safeguard of assets as well as reliability of accounting records which underlie the preparation of final accounts were not adequately and properly reviewed

Implication

The management of the Ministry is not complying with the provisions of the Public Finance Act, Public Procurement Act and the related regulations.

Recommendations

It is recommended that, The Ministry's management has to comply to the provisions of the Laws.

5.0: CONCLUSION

The detailed audit findings presented above have been communicated to management of the Ministry of Land and Human Settlement during exit meeting held on 13th January 2006. The Management of the Ministry 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 Moses Hiza Mhilu
Ag: CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam

February, 2006

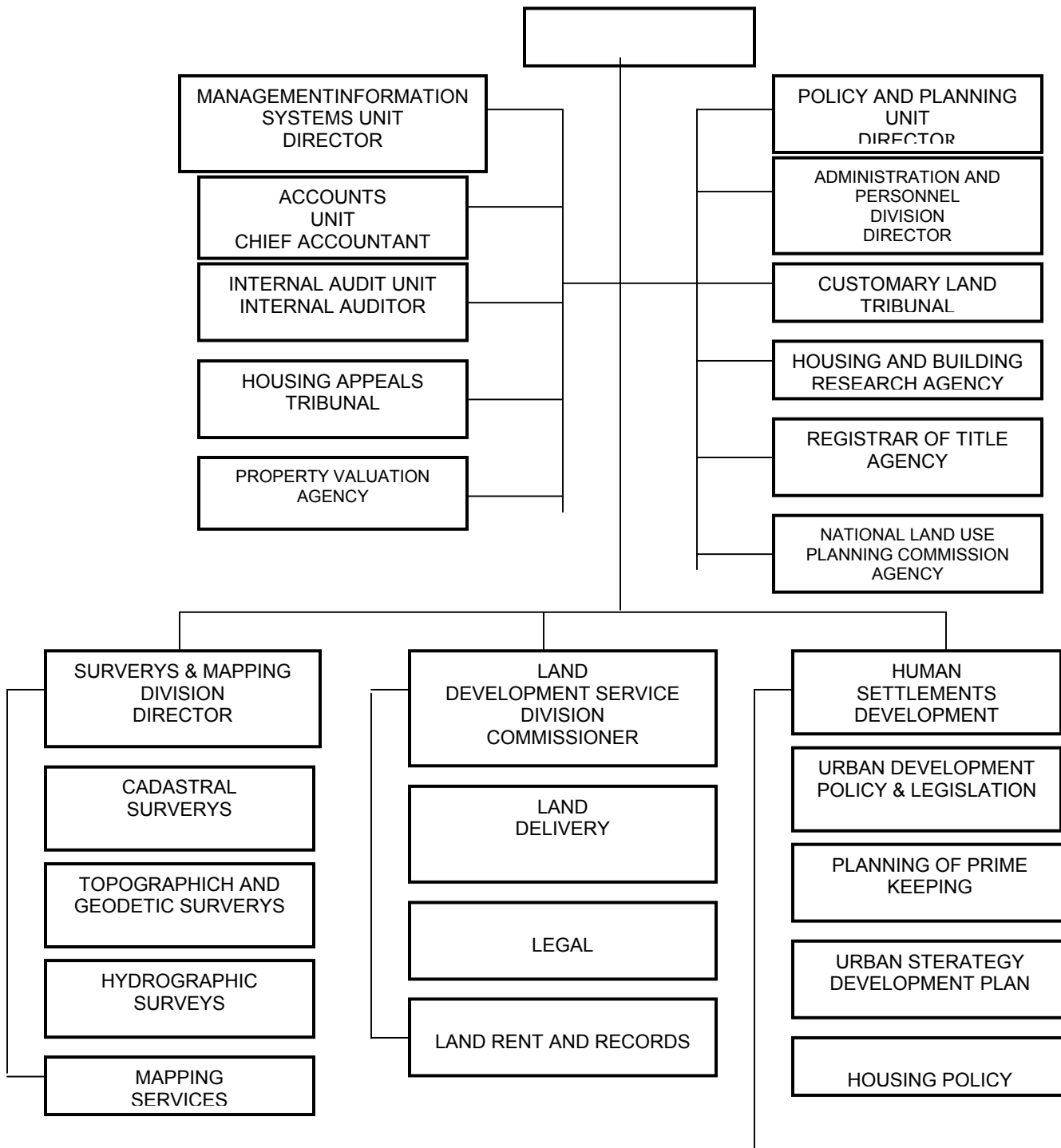
5.0 ANNEXURES

- Financial statements and notes to the financial statements-**Annexure I**
- organization structure-**Annexure II**

- Financial statements and notes to the financial statements

ANNEXURE II

THE ORGANIZATION STRUCTURE OF THE MINISTRY OF LANDS AND HUMAN SETTLEMENT DEVELOPMENT.



REVOLVING HOUSING

Appendix I

Code No.	Name	(Closing Balance) Loan Outstanding as at 30/6/2004	Opening balance Loan Outstanding 2004/05
2006	D.A. Ntukamazina	370,000	1,500,000
2014	I. Hatibu	-	2,228,198.40
2031	David J. Mahenge	1,830,312.80	2,500,000
2051	Thomas Raymond	-	681,569.20
2063	Ryoba Mseti	-	35,075.70
2070	Christopher Nyirabu	-	1,934,482.55
2088	Emil Luyangi	-	1,147,936.50
2093	Sudi Lugando	-	977,868.00
2101	Esau Mligo	-	773,795.75
2104	Wilfred Kabunda	1,158,062.80	1,700,000
2113	Dr. A. Amur	989,000	1,500,000
2128	Iddi Y. Mshale	-	1,000,000
2142	J. Mhize	-	260,437.50
2145	Mkurugenzi NHC	-	1,169,469.80
2152	Elias Saibul	241,021.55	1,500,000
2166	Flora Kirumbi	81,443.75	200,000
2204	Afraim M. Hayuma	2,711,171.03	3,525,336.30
2118	Modest Mugyabuso	2,428,666	4,732,583.40
2229	Charles Kileo	5,000,000	5,458,866
2234	Uwesu Abdalla	-	531,206.25
2238	Lazarus Mollel	2,078,139.45	2,147,341.00
2239	Jabil M. Ugonile	-	1,305,144.90
2254	Isidori Kika	-	1,546,558
2261	Abdallah Mbeya	-	1,772,864.50
2269	Pancrasia Tairo	-	667,863.90
2270	George T. Rweyamba	1,0050,474.91	5,000,000

NO RECOVERIES OF THE LOAN RECEIVED FOR 2004/2005

Code No.	Name	Loan Outstanding
2003	Habikael Nyenye	463,100.00
2004	Donasian Mwita	1,9987,190.50
2005	Anastas P. Guve	1,944,316.20
2006	D.A. Ntukamazina	1,500,000
2007	Selestine Mtobesya	2,604,886.30
2008	L.H. Kileo	1,280,515.80
2009	Edith Lugalabamu	1,048,961.45
2011	D.N.P Nguma	1,266,999.15
2112	B. Makuka	745,000
2014	I. Hatibu	2,228,198.40
2018	Raphael M. Mhugo	1,029,923.40
2021	N.G. Sandu	1,955,188.33
2022	J.N. Lyamuya	1,695,816
2029	Lameck Meena	99,977.00
2032	Queen Mwasanga	900,477.30
2033	Albert Milanzi	2,899,219.40
2036	M.V. Rwamhuru	1,416,975.15
2038	Jummanne Mtemvu	1,003,884.20
2039	T.J. Agola	1,394,053.70
2044	Simon B. Misana	443,755.55
2045	Ibrahim S. Abdallah	38,159.60
2050	Thomas Raymond	681,569.20
2058	Gereon Kindamba	1,197,038.30
2061	Michael Mboya	2,261,713.75
2065	Dyoya E. James	1,104,218.65