



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

ANNUAL GENERAL REPORT OF THE CONTROLLER
AND AUDITOR GENERAL FOR THE
FINANCIAL YEAR 2019/20



DEVELOPMENT
PROJECTS



UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



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In reply please quote

Ref.No. CGA 319/421/01-A/11

28th March, 2021

Your Excellency, Hon. Samia Suluhu Hassan,
The President of the United Republic of Tanzania,
State House,
1 Julius Nyerere Road,
Chamwino,
P.O. Box 1102,
40400 DODOMA.

Re: Submission of Annual General Report of the Controller and Auditor General on the Audit of Development Projects for the year ended on 30th June 2020

Pursuant to Article 143(4) of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time) and Section 34 (1) (c) of the Public Audit Act, 2008, I hereby submit to you my tenth Annual General Report on the audit of Development Projects for the year ended on 30th June 2020.

I submit.

Charles E. Kichere

CONTROLLER AND AUDITOR GENERAL

Establishment

Office of the Controller and Auditor General (CAG) was established under Article 143 of the constitution of the United Republic of Tanzania (URT). The statutory duties and responsibilities of the CAG are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time) and further described under the Public Audit Act, 2008 and Public Audit Regulations of 2009.

Vision

To be a highly regarded institution that excels in public sector auditing.

Mission

To provide high quality audit services that improve public sector performance, accountability and transparency in the management of public services.

core values

In providing quality services, the National Audit Office of Tanzania (NAOT) is guided by the following Core Values:

- **Objectivity:** We are an impartial organization, offering services to our clients in an objective and unbiased manner;
- **Excellence:** We are professionals providing high quality audit services based on standards and best practices;
- **Integrity:** We observe and maintain high standards of ethical behaviour, rule of law and strong sense of purpose;
- **People focus:** We value, respect and recognize the interest of our stakeholders;
- **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution;
- **Results oriented:** We are an organization that focuses on achievement based on performance targets; and
- **Team work spirit:** We work together as a team, interact professionally, and share knowledge, ideas and experiences.

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.

- © Pursuant to Section 39 of the Public Audit Act No. 11, 2008 this audit report is intended to be used by Government Authorities. However, upon receipt of the report by the Speaker and once tabled in the Parliament, the report becomes a matter of public record and its distribution may not be limited.

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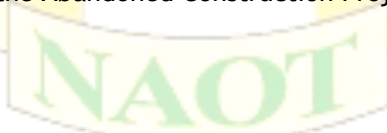
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List of Abbreviations

AASHTO	American Society of State Highway and Transport Officials
AFDAG	French Development Agency Attorney General
AfDB	African Development Bank
AFROSAI-E	African Organization of Supreme Audit Institutions - English Speaking Countries
AQRB	Architects and Quantity Surveyors Registration Boards
ASTM	American Society of Testing and Materials
AUWSA	Arusha Urban Water Supply and Sanitation Authority
AWP	Annual Work Plan
BADEA	Arab Bank for Economic Development in Africa
BMGF	Bill and Melinda Gates Foundation
BOQ	Bill of Quantities
BOT	Bank of Tanzania
BRN	Big Results Now
BSAAT	Building Sustainable Anti-corruption Action in Tanzania
BTIP	Backbone Transmission Investment Project
CAG	Controller and Auditor General
CAR	Contractor's All Risk Insurance
CCHP	Council Comprehensive Health Plan
CDC	Centre for Disease Control and Prevention
CHMT	Council Health Management Team
CHSB	Council Health Service Board
CIDA	Canadian International Development Agency
CML	Central Materials Laboratory
CSR	Corporate Social Responsibility
DANIDA	Danish International Development Agency
DDCA	Drilling and Dam Construction Agency
DFATD	Department of Foreign Affairs, Trade, and Development
DFID	Department for International Development
DMGP	Dar es Salaam Maritime Gateway Project
DUTP	Dar es Salaam Urban Transport Improvement Project
efd	Electronic Fiscal Device
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EMA	Environmental Management Act
EOT	Extension of time
ERB	Engineers Registration Board
ESCBP	Energy Sector Capacity Building Project
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
EU	European Union

FSDT	Financial Sector Deepening Trust
FYDP II	Five Years Development Plan Phase II
GCC	General Condition of the Contract
GDP	Gross Domestic Product
GF	Global Fund
GFSP	Global Agriculture and Food Security Programme
GoT	Government of Tanzania
GPN	General Procurement Notice
HBF	Health Basket Fund
HFGC	Health Facility Governing Committee
HIV	Human Immunodeficiency Virus
HMFF	Housing Microfinance Fund
HSE	Health, Safety and Environmental
HSPS	Health Sector Program Support
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
JICA	Japan International Cooperation Agency
KCCMP	Kihansi Catchment Conservation and Management Project
KFD	Kuwait Fund for Arab Economic Development
KfW	Development Bank of Germany
KOICA	Korea International Cooperation Agency
LAAC	Local Authority Accounts Committee
LAAM	Local Authority Accounting Manual
LANES	Literacy and Numeracy Support for Tanzania
LGAs	Local Government Authorities
LGFM	Local Government Financial Memorandum
LIC	Local Investment Climate Programme
MDAs	Ministries, Departments and Agencies
MFI	Microfinance Institutions
MGR	Meter Gauge Railway
MHCL	Mkulazi Holding Company Ltd
MIVARF	Marketing Infrastructure, Value Addition, and Rural Finance Support Programme
MNCH	Maternal, Neonatal, and Child Health
MOCLA	Ministry of Constitutional and Legal (MoCLA) Zanzibar
MOE	Ministry of Energy
MoEST	Ministry of Education, Science and Technology

MoFP	Ministry of Finance and Planning
MoHCDGEC	Ministry of Health, Community Development, Gender, Elderly and Children
MoIT	Ministry of Industries and Trade
MoU	Memorandum of Understanding
MoW	Ministry of Water
MoWI	Ministry of Water and Irrigation
MSD	Medical Stores Department
MUHAS	Muhimbili University of Health and Allied Sciences
MW	Mega Watts
MWAUWASA	Mwanza Urban Water Supply and Sanitation Authority
NACE	National Association of Corrosion Engineers
NACTE	National Council for Technical Education
NBS	National Bureau of Statics
NCMC	National Carbon Monitoring Centre
NCT	National Competitive Tendering
NEMC	National Environment Management Council
NFAST	National Fund for Advancement of Science and Technology
NM-AIST	Nelson Mandela African Institution of Science and Technology
NORAD	Norwegian Agency for Development Cooperation
NSSF	National Social Security Fund
OFID	OPEC fund for International Development
OPEC	Organization for Petroleum Exporting Countries
OSBP	One Stop Border Post
OSHA	Occupational Health and Safety
PAA	Project Area of Authority
PAC	Public Accounts Committee
PAP	Project Affected People
PAs	Public Authorities
PAYE	Pay As You Earn
PCC	Particular Conditions of Contract
PCS	Prison Corporation Sole
PFMRP	Public Finance Management Reform Program
PIU	Project Implementation Unit (PIU)
PMO	Prime Minister's Office
PO-RALG	President's Office-Regional Administration and Local Government
PPRA	Public Procurement Regulatory Authority
PSSN	Productive Social Safety Net
RBF	Result Based Financing
REA	Rural Energy Agency
REGROW	Resilient Natural Resources Management for Growth
RFP	Request for Proposal
RITA	Registration Insolvency and Trusteeship Agency

RSSP	Road Sector Support Project Programme
RUWASA	Rural Water Supply and Sanitation Agency (RUWASA)
RWSSP	Rural Water Supply and Sanitation Programme
SATTFP	Southern Africa Trade and Transport Facilitation Project
SCC	Special Condition of Contract
SE4ALL	Sustainable Energy for All Project
SFD	Saudi Fund for Development
SGR	Standard Gauge Railway
SIDA	Swedish International Development Agency
SMA	Stone Mastic Asphalt
SMMRP	Sustainable Management of Mineral Resources Project
STVET-TE	Support Technical Vocational Education Training and Teacher Education
SUA	Sokoine University of Agriculture
SWIOFish	South West Indian Ocean Fisheries Governance and Shared Growth Program
TANESCO	Tanzania Electrical Supply Company
TANIPAC	Tanzania Initiative for Prevention of Aflatoxin Contamination
TANROADS	Tanzania National Roads Agency
TARURA	Tanzania Rural and Urban Roads Agency
TASAC	Tanzania Shipping Agencies Corporation
TASAF	Tanzania Social Action Fund
TB	Tuberculosis
TCU	Tanzania Commission for University
TECU	TANROADS Engineering Consulting Unit
TEDAP	Tanzania Energy Development and Access Expansion Project
TEITI	Tanzania Extractive Industry Transparency Initiative
TEMESA	Tanzania Electrical Mechanical and Electronics Services Agency
TIRDP	Tanzania Intermodal Rail Development Project
TOR	Terms of Reference
TPA	Tanzania Ports Authority
TPRS	Tanzania Poverty Reduction Strategy
TRA	Tanzania Revenue Authority
TRC	Tanzania Railways Corporation
TRL	Tanzania Railways Limited
TSCP	Tanzania Strategic City Project
TSSP	Transport Sector Support Programme
TZS	Tanzanian Shilling
UCS	Unconfined Compressive Strength
UDSM	University of Dar es salaam
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme

UNICEF	United Nations International Children’s Emergency Fund
URT	United Republic of Tanzania
USAID	United States Agency for International Development
USD	United States Dollars
UTC	Upgrading Teachers Colleges
VAT	Value Added Tax
VPO	Vice Present Office
WB	World Bank
WSDP	Water Sector Development programme



Preface



I am pleased to present my tenth Annual General Report on development projects for the period ended on 30th June 2020. This report aims at providing our stakeholders (Members of Parliament, Central and Local Government Officials, Media, the Development Partner Community, Non-Government Organizations, Community Based Organizations, etc.) with an analysis of the findings arising from the individual audits of development projects conducted by my office for the year ended on 30th June 2020. Details of the summarized issues can be found in the individual audit reports issued to respective Accounting Officers through Management Letters.

This report comprises a summary of individual audit reports covering 104 projects audited by my office during the financial year 2019/20. The Government of URT and Development Partners mainly fund these projects through bilateral and multilateral arrangements. The Development Partners include World Bank (WB), African Development Bank (AfDB), Department for International Development (DFID), KFW - Germany, International Fund for Agricultural Development (IFAD), Japan International Cooperation Agency (JICA) and European Union.

Other financiers include United Nations Development Programme (UNDP); United Nations International Children's Fund (UNICEF); United Nations Environment Programme (UNEP); Centre for Disease Control and Prevention (CDC); Global Fund (GF) and French Development Agency (AFD). Other financiers include Bill and Melinda Gates Foundation (BMGF); Canadian International Development Agency (CIDA); Danish International Development Agency (DANIDA); Department of Foreign Affairs, Trade, and Development (DFATD); Dutch Organization for Internationalization in Education (NUFFIC); Korea International Cooperation Agency (KOICA); Norwegian Agency for Development Cooperation (NORAD); OPEC fund for International Development (OFID); Swedish International Development Agency (SIDA); and United States Agency for International Development (USAID).

The report is to be submitted to the President of the URT in accordance with Article 143 (4) of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time) and Section 34(1) and (2) of the Public Audit Act, 2008. Upon receipt of the report, the President will direct the persons concerned to submit the report to the National Assembly.

It is my expectation that the report will assist our stakeholders to make evaluation of the appropriated funds to determine whether their utilization has achieved the intended purposes, their contribution to the economy and social development of this country is beneficial, and whether there is realization of value for money.

Lastly, it is my hope that the Government, Parliament, Development Partners and the Public in general will find this report useful in understanding how Accounting Officers should manage development projects. For the purpose of future improvement, I will appreciate to receive feedback and comments from users of this report within convenient time.



Charles E. Kichere
CONTROLLER AND AUDITOR GENERAL

**National Audit Office of Tanzania,
Dodoma,
March 2021.**

Acknowledgements

It is a great honour to achieve my constitutional mandate of submitting the annual general report on the audit of Development Projects for the financial year 2019/20 to the President of the United Republic of Tanzania within the statutory deadline.

I congratulate Her Excellency Samia Suluhu Hassan, the President of the United Republic of Tanzania, and pledge my full support to her Government in ensuring public resources are utilised efficiently and effectively for the betterment of this great Country.

I would also like to acknowledge the support of the late President, His Excellency Dr. John Pombe Joseph Magufuli to my Office. Dr. Magufuli was a patriotic, Pan Africanist and a great leader of his time. It is through his support that my Office managed to accomplish its constitutional mandate and achieve its mission of providing high quality audit services that improve public sector performance, accountability, and transparency in management of public resources. May his soul rest in peace.

I would also like to thank the Parliament, in particular members of the Parliamentary Accounts Committees for the noteworthy commitment to reviewing my reports, and thereby, reinforcing my recommendations aimed at ensuring effective financial management of development projects within the Ministries, Departments, Agencies and Local Government Authorities.

I would like to extend special appreciation to the all Development Partners and other well-wishers that contributed their funds for capacity building and working resources towards modernization of audit functions.

I also gratefully acknowledge the cooperation extended by all Accounting Officers and management of the audited entities and their staff throughout the audits.

In light of the challenges existed in the financial year 2019/20, the accomplishment of financial and compliance auditing of development projects is a credit to the adaptability and determination of all NAOT staff. I wish to acknowledge my exceptionally hardworking management

team and all staff for the calm dedication as we navigated a year of profound challenges.

Others to thank include NGOs, law enforcement bodies including PCCB, and professional bodies and a broader public sector, who were involved in our work, for their assistance and cooperation in the completion of this year's audits, and the various experts who shared their knowledge with us.

My office and I look forward to heightened cooperation between NAOT and all our stakeholders in the future audits.



EXECUTIVE SUMMARY

Pursuant to Article 143(4) of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time) and Section 34 (1) (c) of the Public Audit Act, 2008, I hereby submit to you my tenth Annual General Report on audit of development projects for the year ended on 30th June, 2020.

This report aims at providing our stakeholders with analysis of the findings arising from 303 individual reports from 290 financial audit reports and 13 technical audit reports conducted by my office on 104 projects implemented by 248 entities for the year ended on 30th June, 2020. The Government of the United Republic of Tanzania and Development Partners mainly funded these projects. My analysis of 290 financial statements audited in the financial year 2019/20 shows that the projects had total available funds of TZS 3.744 trillion of which TZS 2.587 trillion was spent remaining with TZS 1.157 trillion as at 30th June, 2020.

My analysis of revealed that there were 3,126 outstanding recommendations from 290 management letters of development projects issued in the financial year 2019/20. Out of which, 1,071, equivalent to 34% were fully implemented; 623 equivalent to 20 percent were under implementation; 1,024 equivalent to 33 percent were not implemented, 245 equivalent to eight percent were reiterated, and 163 equivalent to five percent were overtaken by events. In the financial year 2019/20, I issued a total of 290 opinions; out of which 275 unqualified opinions, 15 qualified opinions relating to financial statements. The remaining 21 opinions relates to internal controls and compliance.

My analysis of findings emanating from management letters and technical audit reports conducted in the financial year 2019/20 are mainly related to financial management, procurement, contract management and physical performance of projects including specific key findings noted in the technical audits conducted on strategic projects. The findings are as follows:

(i) Inadequate budget management - TZS 82.65 billion

Under financial management, my analysis shows that one of the issues affecting the annual performance projects is inadequate budget management. I noted instances where project implementers had unimplemented activities at the year-end due to insufficient release of funds in comparison with the approved budget. For instance, in the financial year 2019/20, I noted insufficient release of funds to 11 development projects amounting to TZS 55.85 billion against the approved budget of TZS 253.87 (equivalent to 22%) implemented by 144 entities under agriculture, education, energy and mining, health, multi sector, social and water sectors.

Among the main factors that contributed to inadequate budget management include delay by Treasury and Development Partners in releasing project funds as per approved budget and within expected schedule which are compatible with Annual Work Plans of respective Project Implementers. Non fulfilment of Development Partners' requirements connected with funds release such as non or delay submission accountability reports on time also contributed to this anomaly. Other factors include the challenges encountered in implementing Treasury Circular No. 2 of September, 2019 related to direct to project fund.

Furthermore, I noted that 13 Project Implementers had incurred expenditure amounting to TZS 26.80 billion which were not included in the approved budget and the Annual Work Plan (AWP) in the financial year 2019/20. The education sector had a significant amount of unapproved budget of TZS 25.62 billion. The situation had been attributed to limited resources required to undertake normal operations of projects which were not budgeted for due to inadequate planning of project activities.

I recommend the Project Implementers to (a) liaise with the respective Development Partners financing the projects including the Government through the Treasury on adequate release of budget funds so as to ensure sustainability of these projects as most of these projects have their own completion life span (b) to

enhance adequate planning of projects activities so as to ensure these activities are implemented as per budget.

(ii) Unpaid Contractors' Claims of TZS 81.52 Billion

My review of construction four projects implemented under education and transport sectors revealed that as at 30th June, 2020 there was an overdue claims to contractors and consultants amounting to TZS 81.52 billion.

I noted that the outstanding claims were mainly caused by the under-release of funds by the Ministry of Finance and Planning that eventually inhibited Project Implementers to pay the contractors on time. I am concerned that the untimely payment of outstanding claims of the contractors and consultants may increase the amount of debt due to interest charges which may make the pertinent projects to stall or remain uncompleted and therefore, denying citizens from enjoying the intended benefits of the projects. Project implementers with these pending claims includes; PO-RALG, DIT Dar es Salaam, and Ministry of Minerals.

(iii) Interest Charged on Late Payments - TZS 14.84 Billion

During the audit, I noted nine projects with overdue interest charges amounting TZS 14.82 billion including seven projects under transport sector with overdue interest charges amounting to TZS 11.61 billion as a penalty due to delay in paying contractors' Interim Payment Certificates (IPCs) contrary to Clause 51.1 of the General Condition of Contract (GCC) which requires the payment to contractor to be made within 28 days after the certificate being certified by the project manager.

My analysis shows that, the transport sector makes significant amount on the overdue interest charges with TZS 2.98 billion in respect of construction of the Standard Gauge Railway- Dar es Salaam to Makutupora (Lot 1 & 2) Project, Transport Sector Support Program TZS 3.47 billion, Tanzania Intermodal Rail Development Project TZS 2.20 billion, Reconstruction of Multinational Arusha - Holili/Taveta - Voi Road Project TZS 1.85 billion and Dar es Salaam Urban Transport Improvement Project TZS 0.67 billion. Other projects include Bus

Rapid Transport (BRT) Project TZS 0.14 billion and Widening Morogoro Road Project TZS 0.30 billion.

I further noted outstanding interest charges on project under water and energy sector whereby Same-Mwanga-Korogwe Water Supply Project had TZS 3.1 billion and Kenya Tanzania Power Interconnector Project (KTPIP) had TZS 0.13 billion.

The overdue interest claim by the contractors was mainly caused by late release of funds from MoFP due to inadequate follow up by the Ministry of Works, Transport and Communication that inhibit TANROADS and TRC to pay the contractor on time. I am of the view that the delayed payments not only slow progress of works and completion but also the interest charges escalate project costs compared to initial estimates.

I recommend the Project Implementers to liaise with the Ministry of Finance and Planning adequately release of projects budgeted funds that will ease the settlement of contractors claims on time

(iv) Delay in Payment of Incentives and Administrative Costs - TZS 91.65 Billion

Review of progress reports and programme documents regarding payment of incentives to various stakeholders' revealed presence of unpaid incentives to Medical Stores Department, Regional Secretariats, and Local Government Authorities and Health facilities amounting to TZS 91,648,358,361.04. The outstanding payments were expected to be effected before 30th June 2020, but up to the time of concluding this audit November, 2020 the incentives were not paid. This is contrary to Para 1.2 and 3.18 of Result Based Financing Operational Manual.

Among the factors contributing to this anomaly is inadequate adherence to the Result Based Financing Operational Manual especially in disbursement of RBF funds to project implementers due to weak enforcement mechanism by responsible actors including MoFP, MOHCDGEC and PO-RALG. Delay in payment of incentive reduce working morale to potential beneficiary and non-achievement of programme objectives.

I recommend the MoFP, MOHCDGEC and PORALG to jointly ensure timely payment of incentives and administrative costs to Project Implementers for Result Based Financing programme so as to attain the intended objectives.

(v) Double Payment to the Contractor - TZS 704.16 Million

In July, 2018 the Ministry of Minerals entered into a contract No.ME/008/SMMRP/W/12 with M/s National Services Construction Department (SUMA JKT) for proposed upgrading of existing mine offices at Bariadi, Musoma and Bukoba as centres of excellence at a contract sum of TZS 3,601,151,671.

My review of contract file and payment made to the contractor noted that on 14th December, 2018 the Consultant M/S Sky Architects Consultants issued interim certificate No. 03 of TZS 735,314,131.69 for the work performed by the contractor in respect of construction of centres of excellence in Bariadi, Musoma and Bukoba and the claimed amount was paid to the contractor. However, I noted that the same interim certificate No.3 was used to support the payment of TZS 704,155,443.20 to the contractor; hence there was a double payment since the later payment was made in respect of work which was not performed. This is contrary to Regulation 243 (2) of the Public Procurement Regulations, 2013 (as amended in 2016) which requires payment to be done after certification and authorization of the work done and in accordance with contract agreement.

I recommend Management of Ministry of Minerals to make necessary arrangements with the contractor in order to recover the excess amount paid for the work not executed.

(vi) Lack of Detailed City Master Plan which Resulted into Variation of TZS 28.05 Billion (VAT exclusive) for Construction of Overpass Bridge along Bandari - Gerezani Road Implemented under Dar es Salaam BRT Phase 2 Project

According to Item 7 (Section 5.1- Design Review and Pre-Contract Services) under Dar es Salaam Bus Rapid Transit (BRT) Infrastructure-Phase 2 , the Consultant was supposed to review detailed engineering design reports including design reports, maps, and drawings; verify the

correctness of survey data on site and previous studies, if any; and update to the Detailed Engineering Design.

However, my review of project correspondences showed that, there was no review of feasibility studies for the BRT project which was conducted in 2005. This was partly due to lack of information on the Government plans in establishing infrastructure such as railways. As a result, while the tender preparation for Lot 1 was at advanced stage, there were design changes that were introduced at the Railway Overpass Bridge (RoB) along Bandari Road that required raising levels for the Standard Gauge Railway (SGR). These changes affected the approach road gradient and the merge into road and railway crossing to the Oil Depot area. As a result, this work was added to the original contract of Lot 1 as Addendum No. 1 amounting to TZS 28,047,114,893.02.

These changes that resulted into redesign of the second overpass bridge were caused by lack of detailed city master plan for 10 years from the time the design was done. The master plan was supposed to be prepared by Ministry of Land.

I recommend Management of TANROADS in collaboration with Management of DART to enhance multi-sectoral and inter-institutional collaboration during planning to ensure there is adequate integration to minimize the redesigns and additions of works.

(vii) Introduction of the New Bus Terminal at Mbezi-Mwisho was not included in the Design of the Widening of the Morogoro road project so it is likely to increase traffic congestion at the junction

My observation on the Construction of a Bus terminal at Mbezi Mwisho contravenes with the objective of the project of reducing congestion in this section. This bus terminal was introduced while the widening of Morogoro road project was underway, thus it was not included in the design for this project. This will affect the goals of lessening delays along this section. Furthermore, the operation of the bus terminal is likely to cause traffic congestion and create more conflicts at the junction of entering Morogoro road from Bus terminal. This Bus station is expected to serve about 700 buses each day. While

TANROADS was planning on widening of the Morogoro road, the PO-RALG, through the Municipal Authorities in Dar es Salaam, was also planning for Central Bus station at Mbezi-Mwisho. These two plans were done without coordination between the two government entities. Lack of integrated, multi-sectoral and inter-institutional master planning has been the main factor of this weakness.

I recommend Management of TANROADs to liaise with the Municipal Authorities to mobilise funds and introduce a solution in order to reduce the potential traffic congestion that will arise from the operation of the New Bus Terminal at Mbezi-Mwisho;

(viii) The quality of constructed Rigid Pavement under BRT project compromised because the road had transverse cracks between 6.480 km - 8.910 km

According to Drawings and Specifications, the concrete pavement under BRT project is required to be 220 mm thick, with 3.5 metres wide lanes on the layer of soil with strength starting from 1MPA of sub-base and standard of soil of class 15 (G15) improved subgrade. I noted that the built roads had transverse cracks between 6.480 km - 8.910 km. TANROADS decided to investigate the reason for the failure. Based on the investigation report, major causes for the defects in concrete pavement were linked to inadequate handling of concrete from the production at batch-plant to the workplace. From the production point the concrete was transported by trucks then at the work place the concrete was carried by excavators to the paver plant for placing. Thus, this handling procedure led to segregation of concrete. Other reasons included the contractor's failure clearly removing clay and organic contaminants in the sand which caused large number of potholes both on the surface and within the concrete pavement. This means that the contractor did not handle well the materials and concrete from stockpiling to laying. This resulted into non-homogeneous concrete which advanced to cracking. The investigation pointed out that the stockpiling of materials, the batching of coarse aggregate and the multiple handling of fresh concrete before placing as major cause that have to be addressed.

I recommend Management TANROADs to (a) Ensure that the Contractor rectifies failed sections to achieve the required minimum specifications prior to placing rigid pavement on

stabilized subbase (b) apply stringent measures for all poor-quality work done by contractor;

(ix) Inadequate Planning on Procurement Made under the Widening of Morogoro Road project

Designs and tender documentation were not adequately prepared because important items were underestimated in the BoQ including: Land compensation; Construction of Engineer's office; Control of HIV/AIDs and Sexual Transmitted Diseases (STDs) and cost of relocation of services. For instance, the Provisional Sum of TZS 10 million for HIV campaigns while the actual was more than TZS 100 million and TZS 200 million on relocation of services was an underestimation while the actual cost was more than TZS 6 Billion.

On the other hand, the procurement process did not adequately comply with the Public Procurement law and its regulations. For example, the budget for this project tender was TZS 170 Billion, this amount calls for the International Competitive Tendering (ICT). However, the procurement used National Competitive Tendering (NCT) which is limited to tenders of up to TZS 15 billion. Failure to use international competitive tendering denied the Government advantage of wide participation, which include getting competitive price and transfer of technology. Furthermore, tender evaluation criteria omitted a requirement on qualification Information such the contractor's experience; equipment; qualification and experience of key personnel; minimum annual turnover; and financial capability. This fault was caused by TANROADS' lack of thorough review and check-up of the tender documents when it was first developed. This anomaly caused difficulties for the members of Evaluation Team to assess the capacity of the contractor.

I advise management TANROADs to develop Mechanism and plans to strengthen quality review process of plans, design and tender documents in order to ensure conformance with requirements.

(x) Inadequate Management of Time in Implementation of SGR Project

My assessment of progress of SGR project noted that as of December 2020 the progress of the work for Lot 1 stood at 88.39% against the

planned 95.96%, while for Lot 2 the work progress stood at 52.2% instead of the planned 98.7%. The unsatisfactory progress in construction of SGR was caused by the various factors including delays in mobilization of equipment's for both Lots 1 and 2; delays in construction of major structures; lack of Contractor's recovery measures to overcome delay; and delayed commencement of design and construction of a 3 Km Port Link.

I recommend the TRC management to expedite the process of addressing challenges encounter in the administration of contract so as to enable the timely meeting of the expected objectives as per the agreed terms in the contracts.

(xi) Human Resources Issues for Constructed SGR Lot 1 and 2 projects not Adequately managed

My review of the Progress Report for the Month of November, 2020, noted that, a total of 586 Non-Citizens out of 924 employees for Lot 1 did not possess work permits. The same was noted for Lot 2 whereby a total of 952 Non-Citizens out of 1,484 for Lot 2 did not possess work permits. Consequently it resulted into non-payment of work permits fees amounting to USD 1,538,000 which is equivalent to TZS 3,537,400,000. I also noted that, a total of 1,026 Non-Citizen working in the SGR project (both Lot 1 and 2) lacked certifications of their academic qualifications. It was reported that their certificates were undergoing various verification processes, however, 83% of them were still pending since applicants lacked original academic certificate and were waiting to receive them from Turkey.

Furthermore, I noted that, for Lot 1, five professional staff were not registered with their respective Professional Boards. These five non registered staff were Quality Control Engineer, Geological Engineer, Structural Engineer, Route Design Engineer and Medical Doctor. This was caused by the fact that four requests were pending at the Engineers Registration Board and one request was pending at Medical Council of Tanganyika for more verification. For Lot 2, I noted that 272 professional staff were not registered with their respective Professional Boards. The unregistered staff include: 3 Medical Doctors; 197 mixed cadres and 72 Engineers.

I recommend the TRC management to (a) develop internal controls that will prevent non-citizens from working without permits and other necessary requirement (b) strengthening mechanisms in place to ensure timely and efficient implementation of training and capacity building measures.

(xii) Loss of TZS 379,338,245 for Destroying Overgrown Sugarcane under Mbigiri Sugar Project and Potential Estimated Loss of TZS 499,934,750

My review of documents and my analysis based on physical verification conducted on 20th and 24th November, 2020 observed that over grown sugarcane at various blocks were destroyed as they lost economic value. Therefore, it was estimated that production costs of TZS 379,338,245 was incurred for production of sugarcane that were destroyed. Hence, actual cost of production of sugarcane at these blocks were considered as a total loss to the company. According to Management, the decision to destroy the sugarcane was based on the fact that MHCL was yet to install plants for sugar production. According to Corporate Strategic Plan of 2019/20 to 2023/24, plants were supposed to be installed and start operating by December 2020. Likewise, based on agreement entered on 17th September, 2020 between MHCL and Mtibwa Sugar Estate Limited for voluntary sugarcane supply and sugarcane harvesting, MHCL planned to harvest 740.43Ha of overgrown sugarcane on the harvesting season that spanned from September, 2020 to February 2021. However, MHCL managed to harvest only 318Ha which was equivalent to 43 percent of the planned harvested area. These planted blocks had overgrown sugarcane aged up to 30 months, if not harvested beyond February, 2021, may lose the economic values and result into losses. Since most of these overgrown sugarcanes had more than 30 months of age, there was high risk that the economic value was likely to deteriorate. Therefore, failure by MHCL to harvest overgrown sugarcane on time will likely result into estimated loss of TZS 499,934,750.

I recommend the Mkulazi Holding Company Limited (MHCL) to Fast-track procurement and installation of sugar production plants at Mbigiri estate.

(xiii) Inadequate Planning for the Samwe-Mwanga and Korogwe Water Supply Project

My review and analysis of information from Same-Mwanga and Korogwe Water Supply Project noted that planning for the project was not done well in forecasting water demand, Design of water Infrastructure, Preparation of Tender document and procurement activities. For instance, during forecasting of water demand there were over estimation of population in Same, Mwanga and Korogwe Districts. The forecasted population for the design life of the project was 456,930 up to the year 2038. While the actual expected population using NBS growth rate for the area is 287,989. This is overestimation by 37% which increased water required by 40,891.5m³ per day. This has increased installation cost pump and pipes by USD 5,388,514.

Further, in review of the design of water infrastructure I observed that water Flocculation at the treatment plant could not perform its work accordingly. The detention time of water in the flocculation was required to be 20 minutes with minimum velocity of 0.5 m/s for slot velocity. However, the detention time for the incoming raw water was 13.23 minutes and maximum velocity is 0.052m/s hence the proceeded water will be unsafe and harmful water.

I advise the management Ministry of Water to (a) revisit its water demand forecast in-terms of population projection in order to avoid possibility of over/under estimation of requirements related to pumps and pipes that may unnecessary additional project costs (b) carry out rapid assessment for adequate design of water treatment plant and in order to ascertain usefulness of the designs to mitigate flooding issues at the raw water pumping station, flocculation and sedimentation and hydraulic performance of pipelines. This is recommended to be done before engaging new contractors to avoid any possibility of disputes on design responsibility.

(xiv) Inadequate Compliance to Procurement Procedures in the Implementation of Same-Mwanga and Korogwe Supply Water Project

My review of tender documents noted that the tender documents were not well prepared whereby contractors were required to price for submission of Security, some items repeated twice in the BoQs and lack of clarity in preliminary item which did not specify the work to be done. All these item caused additional cost amounting to USD 4,081,939.

Further, I noted insufficient compliance to procurement procedures including absence of procurement records for both contractors and consultants, relaxation of contract terms, absence of specifications, correction of errors on contractors bid without justification, vague responses from employer during Bid clarifications and irregularities in Bid Submission and Contract Preparation Process.

These deficiency contributed to inadequate quality of works, disputes, variations and delays in project execution. It has also resulted into unnecessary additional costs of some project items. For instance, the new prices of DI Pipes has contributed into the additional cost amounting to USD1,504,435.92 as the new rates were applied and paid during the supply of DI Pipes for Contract IV due to lack of commitment by the Ministry of Water to deal with clarifications sought by the Contractors during the Tendering Stage. Further there were errors reported during bid evaluation without any justification amounting to USD 202,367 (equivalent to TZS 445 Million).

I advise Ministry of Water to (a) ensure that BoQ items are thoroughly reviewed in order to avoid possibility of overpriced items (b) submit the missing procurement records for verification purposes.

(xv) Inadequate Time Control in Implementing Same-Mwanga and Korogwe Water Supply Project

My review of documents noted that two contracts of Same-Mwanga-Korogwe Water Supply Project which are contract I and IV failed to be completed within the Original Contract Completion Time. Contract I delayed for 1,253 days and Contract IV delayed for 509 days as of December 2020. These caused additional cost on preliminaries and supervision cost amounting to USD 2,584,257.17 equivalent to 43.45% and Supervision contract USD 906,947.44 equivalent to 210% and TZS 1,175,019,439.70 equivalent to 931% of contract cost. Further the time for supervision contract was under estimated which caused additional cost amounting to TZS. 1,770,750,000.

I recommend management of Ministry of Water to increase the efforts in monitoring the execution of contract so that contract endeavours are implemented within the scheduled time.

(xvi) Inadequate Staffing and Management of Personnel in Implementing Same Mwanga and Korogwe Water Supply Project

My assessment of the Divisions under the Ministry of Water that were closely linked to the implementation of project noted a shortage of 52 staff out of 68 staff required which is equivalent to 76 percent. Furthermore, I noted the shortage of three supplies Officer for Procurement Management Unit (PMU) and shortage of four Internal Auditors under Internal Audit Unit. Further, it was found that Ministry of Water conducted last training in 2018 and thereafter no training that has been conducted. Furthermore, I noted that the Ministry of Water did not have a succession plan designed for developing, in-house technical expertise to undertake duties of the foreign expatriates from contractors and consultants for on the job training as per contract requirements. Thus, without effective succession plan designed to enable in-house technical staff to succeed the non-citizens, the Government through the Ministry of Water will keep on incurring more cost for the recruitment of foreign expatriate staff.

I therefore advise Ministry of Water to (a) fill the staffing gap for qualified technical personnel, Internal Audit Unit, Procurement Management Unit (b) improve staff training programs and development (c) establish a success plan for technical personnel (d) appoint project manager and assistant project manager (e) staff claims are timely paid (f) ensure that foreign expatriates solicit for the working permits and submit to the Employer without further delay (g) ensure that another key personnel is deployed in order to have different key personnel for contract III and IV (h) ensure that corresponding contractor' staff are registered with the respective professional bodies without further delay.

PART ONE

INTRODUCTION AND IMPLEMENTATION STATUS OF PREVIOUS YEAR'S AUDIT

Part one covers chapter one and two namely Introduction and Background of Audited Projects and Implementation Status of Previous Year's Audit Recommendations respectively.

Chapter one presents the background, Focus of Budget on Development Projects for the Financial Year 2019/20, types of audit conducted, and background details of the audited development projects arranged in sector-wise. It also addresses the responsibilities of CAG and the Accounting Officers, scope of the general report as well as the methodologies used in conducting individual audits.

Chapter two presents the introduction and implementation Status of Previous Year's Recommendations and well as trend analysis of on Implementation of Audit Recommendations for four years.



CHAPTER ONE

INTRODUCTION AND BACKGROUND OF AUDITED PROJECTS

1.1 Introduction

The Five Year Development Plan Phase II (FYDP II) 2016/17- 2020/21 outlines new interventions to enable Tanzania industrialize in a way that will transform its economy and its society. There are four groups of interventions adopted in FYDP II: growth and industrialization, fostering human development and social transformation, improving environment for enterprise development, and getting implementation right. In line with these broad interventions, the Government continues to establish various development projects in different sectors.

1.2 Focus of Budget on Development Projects for the Financial Year 2019/20

In the financial year 2019/20, the Government, through Ministry of Finance and Planning (MoFP), developed a budget which supports the implementation of the development projects in line with the four groups of interventions adopted in the FYDP II. The Government also focuses on implementation of flagship projects in energy, transportation and water sectors, such as the Mwalimu Nyerere Hydro Electrical Power project, Standard Gauge Railway (SGR), and the Same Mwanga and Korogwe Water Supply Project, to mention but a few.

On that year's development budget, the Government planned to borrow TZS 4.96 trillion from the domestic market; out of which TZS 3.46 trillion was planned for rolling over of maturing Treasury bills and Bonds, and TZS 1.50 trillion, equivalent to 1.0 per cent of Gross Domestic Product (GDP) comprised new loans for financing development projects. In order to speed up the implementation of infrastructure projects, the Government planned to borrow TZS 2.32 trillion from external non- concessional loans sources.

To ensure the funds obtained are spent wisely, and that discipline is maintained during their utilisation, the Government committed to continue maintaining discipline in the use of public funds by conducting monitoring and evaluation, especially on development

projects. The main objective is to increase efficiency in the use of public funds in implementation of development projects in order to ensure the value for money.

In line with the budget, my office conducted financial and technical audits on development projects implemented by MDAs for financial year 2019/20. With these audits I intend to inform the Government, development partners, citizens and other stakeholders on performance of these projects and advise accordingly on the better way of improving efficiency, effectiveness and economy in implementation of development projects.

1.3 Types of audits conducted

In the financial year 2019/20, I conducted two types of audits on development projects; financial and technical audits. I have provided the summary on the nature and coverage of these audits in order the readers to be able to understand the subsequent chapters in my report.

1.3.1 Financial Audits

The financial audit focuses mainly on the evaluation of financial accounting system, internal controls on financial management and compliance with laws and regulations, including procurement and other requirements that govern the operations of specific projects. Therefore, under this audit, audit opinions are issued on financial statements and present findings related to weaknesses on internal controls and non-compliance to various laws, regulations and other related requirements as stipulated in financing agreements and MoUs entered between the Government and Development Partners. Specifically, Section 48(3) of the Public Procurement Act, 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.3.2 Technical Audits

In recent years, the Government of Tanzania has been striving to foster the socio-economic and industrialization activities in order to improve economic performance and the Gross Domestic Product (GDP), and consequently upgrade to a middle income economy. On

these endeavours, the Government has increased efforts to invest in strategic projects in energy (hydro-electricity), transportation (roads, railways, water and air), water, and health sectors.

As part of my responsibilities, through my office as a watch dog of the entrusted public resources, I am obliged to review the Government endeavours on these strategic investments in order to give assurance on proper allocation and utilization of the resources and sustainability of the investments done. During the financial year 2019/20, my office prioritized on the technical audits¹ of flagship projects by launching technical audits on major strategic projects. In the financial year 2019/20, I conducted 13 audits on construction projects under transport, energy, water and agricultural sectors. I presented the findings obtained in these audits in four aspects namely Planning, Design and Tender Documentation; Procurement; Health, Safety and Environmental (HSE); as well as Contract Management Aspects.

1.4 Background of the Audited Projects

In the financial year 2019/20, I audited 104 projects implemented by 248 entities, and I compiled 303 audit reports. Among the 303 audits conducted, 290 involved financial audits and 13 covered technical audits. Findings extracted from the audit reports cover different sectors, including; Agriculture, Education, Energy and Mining, Health, Transport, Water, Social Sector, and multi - sectors.

Agriculture Sector

The Government continues to focus on transforming the Agriculture Sector to make it more advanced and productive, commercial, profitable and surplus producing so as to cater for domestic and international markets. In this regard, implementation of various agriculture projects focuses mainly on establishment and improvement of marketing infrastructure systems, supporting the increase of productivity and production of various crops through

¹ The National Construction Council (NCC) defines technical audit of a construction project as “an independent examination and, or investigation into the planning, design, procurement and implementation of a construction project, with a view of providing the top management and financiers with an independent appraisal on all the issues adversely affecting the project performance.” NCC was established by Act of Parliament No. 20 of 1979 (revised edition, 2007) to advise the Government on all matters relating to the development of the construction industry in Tanzania.

rehabilitation and expansion of irrigation infrastructures. The projects in the agriculture sector also focus on provision of farming equipment and tools; provision of consultancy and non-consultancy services as well as strengthening the capacity of agricultural institutions and communities by providing trainings; and supporting research and outreach programs in order to ensure food security in the country. In this financial year, nine projects belonging to the Agriculture Sector were audited, including one technical audit on Mbigiri Sugar Production Project as shown in **Table 3-1**.

Education Sector

The Education Sector Development Plan for 2016/17 - 2020/21 intends to guide reform initiatives designed to bring about changes in the education sector. In a nutshell, it aims to ensure the development of basic and tertiary education, put emphasis on the expansion of technical vocational education and training, and prepare skilled work force as a critical part of the country's human resources development strategy. During the financial year 2019/20, I audited eight projects related to the education sector as shown in **Table 3-2**.

Energy and Mining Sector

Under the energy sector, the Government is determined to improve the availability and reliability of electric power in both rural and urban areas by engineering the institutional reforms for power generation, transmission and distribution reforms in order to improve operations of the Tanzania Electrical Supply Company (TANESCO) and Rural Energy Agency (REA). Basing on the Five Years Development Plan Phase II (FYDP II), the Government aimed to increase the capacity of electric power generation from 1,501MW available in 2015 to 4,915MW by 2020. As a result of these efforts, by 2020, electric power supply had reached 60% of population, compared to 36% in 2014/15.

Meanwhile, under the FYDP II, the mining sector seeks to promote resources-based industrialization in order to add value in the endowed industrial minerals, precious metals, and gemstones. In order to achieve this, several projects were implemented in the mining sector related to the construction of regional mining offices and capacity building under Sustainable Management of Mineral Resources Project

(SMMRP), and intervention in transparency and accountability under Tanzania Extractive Industry Transparency Initiative (TEITI).

During the year under review (2019/20), I audited 19 projects of which 16 are related to energy and three are related to mining sectors. Under the energy sector, I conducted technical audits on five out of 16 projects implemented by TANESCO, including Kenya Tanzania Power Interconnection Project (KTPIP), Kikonge Multipurpose Dam Hydropower and Irrigation, Regional Rusumo Falls Hydropower, Backbone Transmission Investment Project (BTIP), and Mwalimu Nyerere Hydro Electric Power Project, as shown in **Table 3-3**.

Health Sector

Strategies in the health sector mainly focus on improving the health and well-being of the Tanzanian society by strengthening national systems to enhance the delivery of and equal access to quality health services for all. The established government projects on the health sector aim at improving the quality of primary health care services nation-wide with a focus on maternal, neonatal and child health services, and providing capacity building of Regional Secretariats (RS) and Local Government Authorities (LGAs) on critical issues arising in health sector. The projects also support the construction and rehabilitation of health infrastructures, procurement of medicines, medical supplies and equipment used in health facilities, as well as the use of Information and Communication Technology (ICT) in strengthening health services. During the year under review, eight projects were audited in this sector as shown in **Table 3-4**.

Transport Sector

Under the transport sector, the Government is committed to improving the transportation infrastructure in line with the Implementation Strategy of the National Transport Policy 2011-2025. In view of that, the Government continues to improve the country's airports, roads, railways and ports to ensure smooth running of economic and social activities, both internally and externally. Recently, the Government took initiatives to establish the Land Transport Regulatory Authority (LATRA) which is responsible for regulating land transport (particularly transportation of goods and

passengers), railway transport, and cable transport. Similarly, the Government continued with construction of a Standard Gauge Railway and construction of roads in various regions in the country.

In the financial year 2019/20, apart from conducting 12 financial audits, I have also conducted technical audits in five projects under the transportation sector, of which four are road construction projects and one is a railway construction project.

Road construction projects audited include a multinational road upgrading project in Rumonge-Gitaza-Kibondo-Kasulu-Manyovu, Transport Sector Support Program (TSSP) which deals with upgrading of the Tabora-Koga-Mpanda Road (347 km) and Mbinga-Mbamba Bay (67 km), Dar es Salaam Bus Rapid Transport Infrastructure Project, and the Morogoro Road (Kimara-Kibaha) extension project. Under railway construction, I audited one project, namely the Standard Gauge Railway (SGR) project. Further details about the audited projects are provided in **Table 3-5**.

Water Sector

The Ministry of Water has been implementing sector reforms aiming at improving the integrated water resources management, and water supply and sanitation services in rural and urban areas. In order to align with the objectives of the National Development Vision 2025, the Water Sector Development Programme (WSDP) was established under the guidance of the National Water Policy 2002. WSDP is the major programme in the Water Sector with some other projects that supplement the main objective of improving water supply and sanitation in rural and urban areas.

The Government established a Rural Water Supply and Sanitation Agency (RUWASA) through Water Supply and Sanitation Act, 2019. The Act came into force on 1st July 2019. RUWASA is responsible for development and sustainable management of water supply and sanitation projects and water service delivery in rural areas.

During the year under review, I audited eight projects belonging to the Water Sector, including technical audits in two projects, namely Same-Mwanga and Korogwe Water Supply Project, and Arusha

Sustainable Water and Sanitation Delivery Project, as shown in **Table 3-6**.

Social Sector

Main projects covered under this sector include Tanzania Social Action Fund Project Phase III (TASAF III)/Productive Social Safety Net (PSSN) and the projects financed by UNDP and UNICEF. TASAF III is part of the National Poverty Eradication Strategy established to empower communities to access opportunities that contribute to improved livelihood linked to the Millennium Development Goals (MDG) as stated in the Tanzania Poverty Reduction Strategy (TPRS). Its objective is to create a comprehensive, efficient, and well-targeted productive social safety net for the poor and vulnerable section within the United Republic of Tanzania. The project has been implemented in LGAs where beneficiaries are located.

Other projects financed by UNDP and UNICEF are implemented by various MDAs and LGAs focusing on supporting the UN programming principle of human rights based approach, gender, environment sustainability, health support, socio-economic developments, capacity development and results base management in country programme planning.

During the year under review, I audited 22 projects under Social Sector including TASAF III programme, eight UNICEF projects and 13 UNDP projects as shown in **Tables 3-7 & 3-8**.

Multi Sector Projects (Other Projects)

The Government is also implementing projects with cross cutting activities on various sectors such as environment, tourism, fisheries, legal, capacity building, child protection and survival interventions, and poverty eradication. Funds for these projects come from a range of financiers under bilateral and multilateral arrangements.

During the year under review, I audited 16 multi-sector projects as shown in **Tables 3-9**.

1.5 Responsibilities of Accounting Officers

Section 25(2) of the Public Finance Act, 2001 (revised 2004) requires Accounting Officers² to prepare annual financial statements which give a true and fair view on the performance of projects, receipts and payments made under the project as at the end of a financial year.

Similarly, Order 11, 14 and 31(1) of the Local Government Financial Memorandum of 2009 and the MOUs between project implementers and development partners require managements to ensure proper keeping of accounting records and maintaining sound system of internal controls within the entity.

In addition, Accounting Officers are required to ensure that operations of projects comply with terms and conditions of the respective project agreement between the Government and Development partners, and the applicable laws and regulations.

1.6 Responsibilities of the Controller and Auditor General

I am required by Section 10 of the Public Audit Act, 2008 to satisfy myself that all accounts have been kept in accordance with Generally Accepted Accounting Principles as required by relevant laws and that all reasonable precautions have been taken on safeguarding the collection of revenue; and that all expenditure of public monies have been properly authorized and utilized for the purposes for which they were appropriated; laws, directions and instructions applicable thereto have been duly observed; and economy, efficiency and effectiveness have been achieved on the use of public resources.

I am also required by Section 48(3) of the Public Procurement Act, 2011 to state in my Annual Audit Report whether the Projects Implementers have complied with the procurement laws and its regulations. This report provides highlights on the issues noted from individual audits conducted on development projects. It aims at assisting stakeholders including Members of Parliament, the Government, Mass Media, the Public and others to take informed decisions in order to improve the performance of development projects in the country.

² Accounting Officers of LGAs, MDAs, Public Authorities and other Government entities

1.7 Scope and Applicable Audit Standards

1.7.1 Scope of the Report

This report summarises audit findings from 303 individual reports, 290 financial audit reports and 13 technical audit reports conducted on 104 projects implemented by 248 entities in the financial year 2019/20 as shown in **Table 1-1**, which analyses audited projects per sector. In addition, six out of 13 technical audits covered the period of more than one financial year while audits of the other seven projects cover a period of one financial year, 2019/20.

Table 1- 1: Number of Projects Audited per Sector during the Financial Year 2019/20

SN	Sector	No. of Projects Audited	Number of Project Implementers	Number of Audit Reports
1	Agriculture	9	6	9
2	Education	8	2	11
3	Energy and Mining	19	3	23
4	Health	8	188	193
5	Transport	14	6	17
6	Water	8	6	11
7	Social	22	21	22
8	Multi Sector	16	16	17
Total		104	248	303

Sources: Financial and technical audits for the year ended on 30th June 2020

1.7.2 Applicable Audit Standards

NAOT is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and the African Organization of Supreme Audit Institutions of English-Speaking Countries (AFROSAI-E). Therefore, audit procedures applied are in line with the International Standards of Supreme Audit Institutions (ISSAI) issued by INTOSAI and International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).

I am required by these standards to comply with ethical requirements of planning and performing of the audit in order to obtain reasonable

assurance on whether the financial statements are free from material misstatements and prepared according to the MoU.

1.8 Audit Methodology

My audit approaches include tests on accounting records and other procedures in order to satisfy the audit objectives. Therefore, my audit procedures include the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls;
- Obtaining sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks;
- Carrying out physical verification of projects activities and assessing performance of implementation;
- Assessing the compliance of laws and regulations as well as project specific requirements;
- Forming an opinion on financial statements based on conclusions drawn from the audit evidence obtained; and
- Following up on implementation of the outstanding previous year's audit findings and recommendations, and ensuring that proper actions have been taken in response the matters raised.

1.9 Structure of the Audit Report

This report is organised into four parts which contain 14 chapters. The four parts include Introduction and Implementation Status of Previous Year's Audit; Financial Performance, Procurement and Contract Management; Physical Performance Assessment as well as conclusion and Recommendations. Each part introduces the chapters covered for easy follow up of the report.

CHAPTER TWO

IMPLEMENTATION STATUS OF PREVIOUS YEAR'S AUDIT RECOMMENDATIONS

2.1 Introduction

There were 3,126 outstanding recommendations from 290 management letters of development projects for financial year ended on 30th June 2019. My recommendations intend to assist Project Implementers to rectify anomalies noted during the audit and suggest respective solution for future improvement.

2.2 Implementation of Previous Year's Recommendations

My analysis in Table 2-1 shows that out of the outstanding recommendations, 1,071, equivalent to 34% were implemented; 623, equivalent to 20% were under implementation; 1,024, equivalent to 33%, were not implemented; 245, equivalent to eight per cent were reiterated; and 163, equivalent to five per cent were overtaken by events. A detailed implementation status is provided in the individual management letters of the respective project implementers.

Table 2-1: Implementation Status of Previous Year's Recommendations

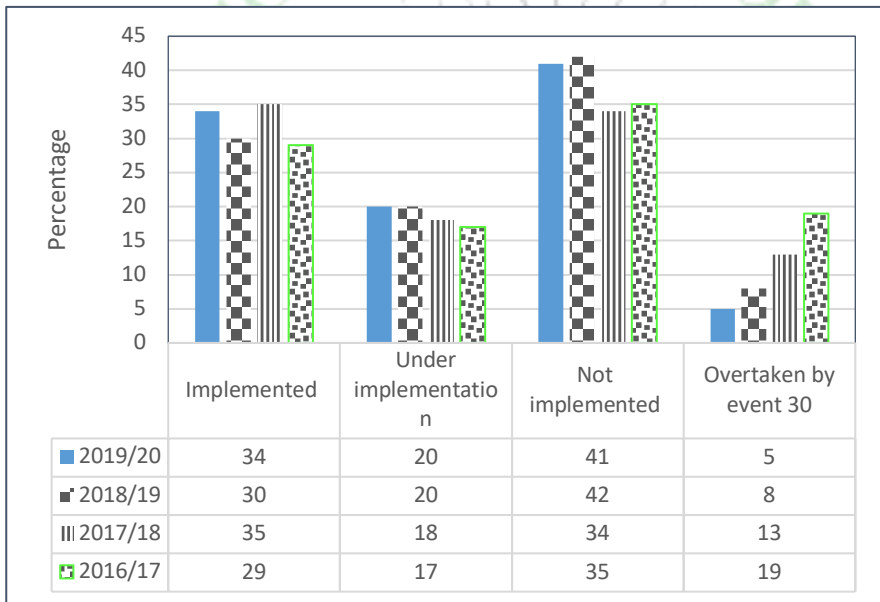
Sector	Outstanding Issues	Implemented	Under Implementation	Not Implemented	Reiterated	Overtaken by Events
Agriculture	44	10	23	4	1	6
Education	151	80	36	5	8	22
Energy and Mining	76	21	33	7	8	7
Health	2,277	671	403	894	206	103
Social	285	169	47	60	2	7
Transport	122	41	43	28	2	8
Water	68	23	9	20	7	9
Multi-Sector	103	56	29	6	11	1
Total	3126	1071	623	1024	245	163
Percentage	100	34	20	33	8	5

Source: Management letters 2019/20

Looking at Table 2-1, I am of the view that the implementation status is unsatisfactory as only 34% of the outstanding recommendations were fully implemented.

In addition, an analysis of implementation of my recommendations with regard to development projects for four consecutive years indicates that the rate of implementation is unsatisfactory (below 50%) as shown in Figure 2-1. Therefore, I urge Accounting Officers to ensure that implementation of previous years' recommendations is improved in order to avoid recurrence of the same weaknesses in future.

Figure 2-1: Trend on Implementation of Audit Recommendations



Source: Management letters 2019/20

PART TWO

FINANCIAL PERFORMANCE, PROCUREMENT AND CONTRACT MANAGEMENT

Part two covers chapter three and four namely financial performance assessment and procurement and contract management assessment respectively.

Chapter three presents financing details of the audited development projects for the financial year 2019/20. The chapter presents a summary of the amount of funds disbursed and utilized by project implementers. It also provides details of the audit opinions issued to each project implementer, and an analysis of audit findings related to financial management.

Chapter four covers procurement and contract management as these are important elements in project management. Therefore, this part provides an analysis of the findings related to procurement and contract management analysed from management letters issued in financial year 2019/20.

CHAPTER THREE

FINANCIAL PERFORMANCE ASSESSMENT

3.1 Introduction

Public Expenditure Management is an approach to public sector budgeting that is oriented towards achieving three social outcomes i.e. collective fiscal discipline, utilisation efficiency, and operational efficiency. It involves an act to regulate the financial management within the project Implementers in order to promote effective and efficient use of public resources, strengthen accountability and provide statutory authority and control for sound and sustainable public interests.

3.2 Projects Financing

The funds for financing projects come from different sources, including World Bank, AfDB, GAFSP, IFAD, SIDA, DFID, DFATD, and other Development Partners. The nature of financing is mainly in form of grants and loans from development partners. The Government also plays a crucial role in supporting and financing these projects through providing counterpart funds as per agreed financing agreement signed between the Government and Development Partners. The Government also initiates various own sources, including tax and non-tax revenues. This chapter provides details of funds disbursed and utilized by the implementers of development projects in eight sectors, namely agriculture, education, energy and mining, health, transport, water, social sector projects, and multi-sector projects.

3.2.1 Agriculture Sector

I conducted eight financial statement audits and one technical audit on projects implemented under the Agriculture Sector. The projects were mainly financed by World Bank, AfDB, GAFSP³, IFAD and the Government of Tanzania (GoT) and they were implemented by Nelson Mandela African Institution of Science and Technology (NM-AIST), Prime Minister's Office (PMO), Ministry of Agriculture (MoA), Sokoine University of Agriculture (SUA), National Council for Technical Education (NACTE) and Mkulazi Holding Company Ltd (MHCL). Audit

³ Global Agriculture and Food Security Programme

findings from the technical audit conducted on Mbigiri Sugar Production Project are presented in Chapter 10.

My analysis of eight financial statements shows that, the projects had a total of TZS 68,382,117,891.54 available for use, of which TZS 53,829,478,354.08 was spent, remaining with a balance of TZS 14,552,639,537.46 for implementation of the outstanding activities as shown in Table 3-1.

Table 3- 1: Summary of Available and Utilized Funds (amount in TZ/millions) - Agriculture Sector

S/N	Name of Project	Project Implementers	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	African Centre of Excellence-East and Southern Africa for Innovative Rodent Pest Management and Biosensor Technology Development [ACE IRPM&BTD]	SUA	1.59	0.69	0.89
2	Centre for Research in Agriculture Advancement Teaching Excellence and Sustainability (CREATES) Project	NM-AIST	2,578.84	1,414.37	1,164.47
3	Ecologically Based Rodent Management for Sustainable Agriculture and Food Security in Africa (EcoRodMan) Project	SUA	550.16	145.29	404.87
4	Expanding Rice Productivity Project (ERPP)	MoA	16,877.88	13,385.87	3,492.01
5	Market Infrastructure, Value Addition, and Rural Finance Support Programme (MIVARF)	PMO	41,155.01	33,391.87	7,763.14
6	Strengthening Skills and Training Capacity in Horticulture Sector Project (Orange Knowledge Program sponsored by Dutch)	NACTE	0.12	0.12	0
7	Tanzania Initiative for Prevention of Aflatoxin Contamination (TANIPAC)	MoA	2,156.19	1,618.52	537.67
8	Africa Centre of Excellence for Infectious Diseases of Humans and Animals in Southern and East (SACID) Project	SUA	5,062.33	3,872.75	1,189.58
Total			68,382.12	53,829.48	14,552.64

Source: Financial statements for year ended on 30th June, 2020

3.2.2 Education Sector

In the education sector, I conducted 11 financial statement audits for projects implemented by the Ministry of Education, Science and Technology (MoEST) and Nelson Mandela African Institution of Science and Technology (NM-AIST) through funds received from the World Bank, SIDA, DFID, AfBD, DFATD - Canada and GoT. During the financial year under review, a total of TZS 477,830,427,898.88 was available for use, of which TZS 268,190,107,422.85 was spent, and there was a balance of TZS 209,640,320,476.03 for implementing the outstanding activities as shown in Table 3-2.

Table 3- 2: Summary of Available and Utilized Funds (amount in TZS/ millions) - Education Sector

S/N	Name of Project	Implementers	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	Big Results Now in Education Programme For Results (EPforR)	MoEST	252,339.71	174,365.74	77,973.97
2	East Africa Skills for Transformation and Regional Integration (EASTRIP) - DIT Dar es Salaam	MoEST	11,160.79	407.04	10,753.75
3	East Africa Skills for Transformation and Regional Integration (EASTRIP) - DIT Mwanza Campus	MoEST	11,105.35	143.47	10,961.88
4	East Africa Skills for Transformation and Regional Integration (EASTRIP) - NIT	MoEST	14,545.31	1,281.56	13,263.75
5	East Africa Skills for Transformation and Regional Integration (EASTRIP) -ATC	MoEST	11,145.46	89.44	11,056.02
6	Education and Skills for Productive Jobs Program (ESPJ)	MoEST	116,610.34	63,066.19	53,544.14
7	Literacy and Numeracy Education Support (LANES) II	MoEST	12,472.57	837.21	11,635.36
8	Nelson Mandela African Institution of Science and Technology (NM-AIST)	NM-AIST	1,976.57	1,571.63	404.94

S/N	Name of Project	Implementers	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
9	Support Technical Vocational Education Training and Teacher Education (STVET-TE)	MoEST	2,122.14	2,119.09	3.05
10	Teacher Education Support Project (TESP)	MoEST	32,983.18	21,088.04	11,895.14
11	Upgrading Teachers Colleges Project (UTC)	MoEST	11,369.01	3,220.70	8,148.31
Total			477,830.43	268,190.11	209,640.31

Source: Financial statements for year ended on 30th June, 2020

3.2.3 Energy and Mining Sector

During the financial year 2019/20, I conducted 18 financial statement audits and five technical audits for projects implemented by Ministry of Energy (MOE), Tanzania Electric Supply Company Limited (TANESCO) and Ministry of Minerals (MOM) through funds received from World Bank, AfDB, UNDP, Department of Foreign Affairs, Trade, and Development (DFATD), KFW, AFD, SIDA, BADEA, OFID, EU, and GoT. Audit results from technical audits related to Mwalimu Nyerere Hydro Electrical Power Project are presented in Chapter six while four⁴ projects under energy sector are presented in detail in Chapter eleven.

An analysis of 18 financial statements for the financial year 2019/20 shows that TZS 203,941,912,223.38 was available, of which TZS 148,658,430,090.72 was spent, and TZS 55,283,482,132.74, equivalent to 27% remained for use in the implementation of the outstanding project activities, as shown in **Table 3-3**.

⁴ Kenya Tanzania Power Interconnection Project (KTPIP); Kikonge Multipurpose Dam Hydropower and Irrigation; Regional Rusumo Falls Hydropower Project and Tanzania Backbone Transmission Investment Project.

Table 3- 3: Summary of Available and Utilized Funds (amount in TZS/ millions) - Energy and Mining Sector

S/N	Name of Project	Project Implementer	Funds available (TZS)	Fund utilized (TZS)	Closing balance (TZS)
1	Backbone Transmission investment Project (BTIP) Phase II	TANESCO	47,407.37	47,407.37	0
2	Bulyanhulu- Geita 220kv Transmission Line and Rural Electrification for Villages in Geita District Project	TANESCO	11,633.58	10,360.25	1,273.33
3	Energy Sector Capacity Building Project (ESCAP)	MOE	1,948.35	1,948.35	0
4	EU - Human Capital Development	MOE	10.73	0.43	10.3
5	220kV Geita - Nyakanazi Transmission Line Rural Electrification Project	TANESCO	22,017.04	21,925.96	91.08
6	Kenya Tanzania Power Interconnection Project	TANESCO	55,800.13	47,723.25	8,076.88
7	Kikonge Multipurpose Dam, Hydropower and Irrigation Project	TANESCO	0.97	0.97	0
8	Makambako Songea 220kV Transmission Line and Rural Electrification in Njombe and Ruvuma Regions Project	TANESCO	16,144.56	15,480.73	663.83
9	North West Grid (400kV Nyakanazi - Kigoma) Transmission Line Project	TANESCO	563.56	563.56	0
10	Regional Rusumo Falls Hydropower Project Transmission Line Component	TANESCO	3.8	2.22	1.58
11	Rehabilitation of Hale Hydropower Station Project	TANESCO	19,283.19	174.36	19,108.83
12	Rural Energy Agency - World Bank Financed Projects (TZ-Rural	MOE	161.08	3.36	157.72

S/N	Name of Project	Project Implementer	Funds available (TZS)	Fund utilized (TZS)	Closing balance (TZS)
	Electrification Expansion Program)				
13	Sustainable Energy for All Project	MOE	24.78	23.04	1.74
14	Sustainable Management of Mineral Resources Project (SMMRP)	MOM	2,403.99	1,832.61	571.38
15	Tanzania Extractive Industry Transparency Initiative (TEITI) - EU	MOM	71.32	0.18	71.14
16	Tanzania Extractive Industry Transparency Initiative (TEITI) - GoT & CIDA	MOM	674.93	624.91	50.02
17	Tanzania Zambia Interconnection Project	TANESCO	25,769.75	564.12	25,205.63
18	Transmission Grid Rehabilitation & Upgrade (TTGRUP)	TANESCO	22.77	22.77	0
Total			203,941.90	148,658.44	55,283.46

Source: Financial statements for the year ended on 30th June, 2020

3.2.4 Health Sector

I conducted 193 financial statement audits for projects implemented by Ministry of Health Community Development, Gender, the Elderly and Children (MoHCDGEC); President's Office-Regional Administration and Local Government (PO-RALG, PMO); Muhimbili University of Health and Allied Sciences (MUHAS); and 184 LGAs that are currently implementing HBF. These projects received funds from DANIDA, World Bank, Canada, Ireland, Korea International Cooperation Agency (KOICA), Switzerland and UNICEF, NORAD, SIDA, CDC, AfDB, Global Fund, and GoT.

During the financial year 2019/20, TZS 209,451,499,088.35 was available, and TZS 173,326,995,613.71 was spent while TZS 36,124,503,474.45 remained for implementation of the outstanding activities as shown in Table 3-4.

Table 3- 4: Summary of Available and Utilized Funds (amount in TZS/ millions) - Health Sector

S/N	Name of Project	Project Implementer	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	East Africa Public Health Laboratory Networking Project	MoHCDGEC	10,669.38	9,728.24	941.14
2	Health Basket Fund - MoHCDGEC	MoHCDGEC	3,612.88	3,612.88	-
3	Health Sector Program Support (HSPS)	PMO- LARG	46,073.64	28,394.49	17,679.15
4	MUHAS-Centre of Excellence in Cardiovascular Science Project	MUHAS	2,989.74	2,504.38	485.36
5	MUHAS-Sida "Research Collaboration on Health Research, Training and Innovation for Sustainable Development" Programme	MUHAS	3,324.46	2,053.18	1,271.28
6	Sickle Pan-African Research Consortium (SPARCO) Managed by Muhimbili University of Health and Allied Sciences (MUHAS) through Cooperative Agreements Number: 1U24HL135881-03	MUHAS	1,685.11	1,227.28	457.83
7	Strengthening Primary Health Care for Results Program - MoHCDGEC	MoHCDGEC	25,264.27	18,075.52	7,188.75
8	Strengthening Primary Health Care for Results Program (SPHC4R)	PO-LARG	200.21	200.07	0.14
9	Tanzania National Coordinating Mechanism (TNCM)	PMO	290.63	248.36	42.26

S/N	Name of Project	Project Implementer	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
10	Health Basket Fund	LGAs	115,341.18	107,282.60	8,058.58
Total			209,451.50	173,327	36,124.50

Source: Financial statements for financial year ended on 30th June, 2020

3.2.5 Transport Sector

During the financial year 2019/20, I conducted 12 financial statement audits and five technical audits related to projects under the transport sector implemented by TANROADS, Tanzania Railways Limited (TRL), Roads Fund Board, Tanzania Ports Authority (TPA), Tanzania Shipping Agencies Corporation (TASAC), and PO-RALG through funds received from AfDB, World Bank, EU, JICA, African Union Commission, USAID, DFID and GoT. The audit results of Standard Gauge Railway (SGR) project, Bus Rapid Transport Infrastructure Project and the Widening of Morogoro Road (Kimara Kibaha) are presented in Chapters five, seven and eight respectively while the results for two⁵ technical audits for projects implemented by TANROADS are presented in Chapter eleven.

An analysis of 12 financial statements for the year 2019/20 shows that, these projects had available funds amounting to TZS 1,319,627,746,063, of which TZS 933,658,000,565 was spent, and TZS 385,969,745,495 remained for implementation of the pending activities, as shown in Table 3-5.

Table 3- 5: Summary of Available and Utilized Funds (amount in TZS/ millions) - Transport Sector

S/N	Name of Project	Project Implementers	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	Bus Rapid Transit (BRT) System Phase II	TANROADS	15,998.61	9,721.38	6,277.23
2	Dar es Salaam Maritime Gateway Project (DMGP)	TPA	138,760.06	69,026.21	69,733.85
3	Dar es Salaam Metropolitan	PO RALG	122,090.15	98,778.74	23,311.41

⁵ Multinational: Rumonge - Gitiza - Kibondo - Kasulu_Manyovu Road Upgrading Project and Transport Sector Support Program (TSSP)

S/N	Name of Project	Project Implementers	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
	Development Project (DMDP)				
4	Dar es Salaam Urban Transport Improvement Project (DUTP)	TANROADS	157,626.48	80,453.85	77,172.63
5	Multinational Lake Victoria Maritime Communications and Transport (MLYMCT)	Tanzania Shipping Agency Corporation	186.68	57.56	129.12
6	Multinational: Rumonge - Gitaza (45km) and Kabingo - Kasulu - Manyovu (260km) Road Upgrading Project	TANROADS	16,160.00	8,593.80	7,566.20
7	Reconstruction of Multinational Arusha-Holili/Taveta-Voi Road Project (Loan No. ADF 2100150028893)	TANROADS	18,610.85	13,872.44	4,738.41
8	Southern Africa Trade and Transport Facilitation Project (SATTFP)	TANROADS	132,324.94	37,317.79	95,007.15
9	Tanzania Intermodal Rail Development Project (TRIP)	TRC	372,189.10	339,515.36	32,673.74
10	Tanzania National Roads Agency (TANROADS) for Transport Sector Support Programme (TSSP)	TANROADS	130,761.52	129,789.79	971.73
11	Tanzania Strategic Cities Project Second Additional	TANROADS	193,093.91	124,705.65	68,388.26

S/N	Name of Project	Project Implementers	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
	Financing (TSCP AF2)				
12	Feed the Future Tanzania Programme: USAID Rural Road Project	Road Fund Board	21,825.44	21,825.44	0
Total			1,319,627.74	933,658.01	385,969.73

Source: Financial Statements for financial year ended on 30th June 2020

3.2.6 Water Sector

During the financial year under review, I conducted nine financial statement audits and two technical audits to Arusha Sustainable Water and Sanitation Delivery Project and Same-Mwanga and Korogwe Water supply Projects. These projects are implemented by Arusha Urban Water Supply and Sanitation Authority (AUWSA), Mwanza Urban Water Supply and Sanitation Authority (MWAUWASA), NM-AIST, MOHCDGEC, Ministry of Water (MoW), Ministry of Education Science and Technology (MoEST), and Dares Salaam Water and Sanitation Authority (DAWASA) through funds received from World Bank, AfDB, UNDP, KfW Germany and DFID, European Investment Bank, and AFD.

In my general report of development projects for the financial year 2019/20, I did not include projects implemented by LGAs under WSDP as they are implemented by RUWASA and I have reported them in my general report of Central Government. I have included the results of technical audit of Same-Mwanga and Korogwe Water Supply Project in Chapter nine and that of Arusha Sustainable Urban Water and Sanitation Delivery Project in Chapter 11 of this report.

My analysis of nine financial statements for the year 2019/20 shows that these projects had available funds of TZS 1,198,378,211,333, of which TZS 836,775,528,319.57 was spent, and TZS 361,602,683,012.80 remained for implementation of the outstanding activities, as shown in **Table 3-6**.

Table 3- 6: Summary of Available and Utilized Funds (amount in TZS/ millions) - Water Sector

S/N	Name of Project	Implementing Partner	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	Arusha Sustainable urban Water and Sanitation Delivery Project	AUWSA	91,672.69	64,301.58	27,371.11
2	Centre for Water Infrastructure and Sustainable Energy Futures (WISE-Futures)-World Bank Project	NM-AIST	3,904.57	1,893.07	2,011.50
3	Lake Victoria Water and Sanitation Project (LV WATSAN)	MWAUW ASA	56,657.78	26,061.88	30,595.90
4	School Water Sanitation and Hygiene (SWASH)	MoEST	17,085.82	16,526.05	559.77
5	Second Tanzania Water Sector Support Project (WSSP II)	MoW and DAWASA	129,214.70	36,474.67	92,740.03
6	Sustainable Rural Water Supply and Sanitation (program for Result)	MoW	178,822.46	75,760.89	103,061.57
7	Sustainable Rural Water Supply and Sanitation Programme	MOHCD GEC	25,628.73	24,726.48	902.25
8	Water Sector Development Programme -Health	MOHCD GEC	416.74	384.91	31.83
9	Water Sector Development Programme- Phase II (WSDP II) - Basket Fund Funded	MoW	694,974.74	590,646	104,328.74
Total			1,198,378.23	836,775.53	361,602.70

Source: Financial Statements for financial year ended on 30th June 2020

3.2.7 Social Sector

In the financial year 2019/20, the social sector projects audited were funded by TASAF III, UNDP and UNICEF. The audit scope of Tanzania Social Action Fund (TASAF III PSSN I) project covered a period of nine months from 1st July 2019 to 31st March 2020 because it was in closure

period while that of UNDP and UNICEF covered a period of 12 months, from 1st January 2019 to 31st December 2019.

TASAF III PSSN I

Activities of Tanzania Social Action Fund (TASAF III PSSN I) are mainly financed by grants from the Government of Tanzania, the International Development Agency (IDA), OFID, UN Agencies (UNICEF and ILO), USAID, DFID, SIDA, Bill and Melinda Gates Foundation (BMGF), and FSDT⁶.

During the period under the audit, TZS 77,849,626,232.68 was available for implementation of TASAF III PSSN I activities, which includes an opening balance of TZS 9,389,093,102.54. By 31st March 2020, the project had spent TZS 74,487,722,738.07, equivalent to 96%, had a balance of TZS 3,361,903,494.61 for implementation of outstanding activities.

UNDP

The UNDP's five year country programme (2016-2021), among other issues, focuses on addressing both poverty and environmental degradation through investment and better governance in order to empower women, the disabled, and youths so as to enhance their participation in economic, environmental and governance issues.

During the financial year ended on 31st December 2019, I audited 13 UNDP projects with funds amounting to TZS 11,790,961,488, of which TZS 11,519,304,938 was spent, and TZS 271,656,512 remained in order to be utilized for implementation of the outstanding activities, as shown in Table 3-7.

Table 3- 7: Summary of Available and Utilized Funds (amount in TZS/ millions) - UNDP

S/N	Name of Project	Implementing Partner	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	Capacity Building for SDGs and MKUZA III Coordination and Reporting in Zanzibar	Zanzibar Planning Commission (ZPC)	1,006.66	1,006.32	0.34

⁶ Financial Sector Deepening Trust

S/N	Name of Project	Implementing Partner	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
2	Enhancing Capacity for Development Results and Effective Project	National Bureau of Statics (NBS)	223.24	211.28	11.96
3	Enhancing Capacity for Development Results and Effective Project	Ministry of Finance and Planning (MoFP)	595.22	584.37	10.85
4	Enhancing Capacity for Development Results and Effective Project	Ministry of Finance and Planning Zanzibar (MoFPZ)	285.85	234.56	51.29
5	Kagera Earthquake Recovery and Resilience Building	Kagera Regional Secretariat	1,161.20	1,161.20	0
6	Legal Empowerment and Access to Justice Program (LEAP)	Ministry of Constitutional and Legal Affairs (MoCLA) Zanzibar	357.46	357.46	0
7	Legislative Support Project Phase II	National Assembly Office	2,644.17	2,643.98	0.19
8	Mainstreaming Poverty-Environment - Gender- Climate Charge Objectives into LED and SDG Localization for Sustainable Development and Poverty Eradication in Tanzania	Institute of Rural Development Planning Lake Zone Centre (IRDP)	949.55	815.65	133.9
9	Preventing and Responding to Violent Extremism in Tanzania	Tanzania Police Force (TPF)	57.87	57.87	0
10	Preventing and Responding to Violent	Tanzania Prisons Services (TPS)	376	375.99	0.01

S/N	Name of Project	Implementing Partner	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
	Extremism in Tanzania				
11	Security Watershed Services Through Sustainable Land Management (SLM) in the Ruvu and Zigi Catchment (Eastern Arc) Tanzania	Pangani Basin Water Board	2,834.26	2,834.26	0
12	Strengthening Access to Justice and Human Rights Protection in Tanzania	Ministry of Constitutional and Legal Affairs (MoCLA)	697.42	697.07	0.35
13	Strengthening Access to Justice and Human Rights Protection in Tanzania	Commission for Human Rights and Good Governance (CHRAGE)	602.06	539.3	62.76
Total			11,790.96	11,519.31	271.65

Source: Financial statements for the financial year ended on 31st December 2019

UNICEF

UNICEF's five year country programme (2016-2021) focuses on practical ways to realise the rights of children in Tanzania. The programme covers seven areas: health, HIV-Aids, nutrition, water, sanitation and hygiene (WASH), education, child protection, and social policy. It also aims at supporting Tanzanian children and families to have access to and benefit from quality social services, knowledge and opportunities.

During the financial year ended on 31st December 2019, a total of TZS 11,095,839,450 was available for use for eight projects and TZS 7,527,273,837 was spent while TZS 3,568,565,613 remained to be utilized for implementation of the pending activities, as shown in Table 3-8.

Table 3- 8: Summary of Available and Utilized Funds (amount in TZS/ millions) - UNICEF

S/N	Name of project	Project Implementer	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	Child Survival Production and Development	Mbarali District Council	652.65	466.59	186.06
2	Child and Social Protection Programme - Zanzibar	Ministry of Labour, Employment Elderly, Women and Children - (MLEEWC) Zanzibar	486.11	429.71	56.4
3	Child Protection	Njombe Regional Secretariat	973.21	718.52	254.69
4	Child Survival	Mufindi District Council	341.41	289.98	51.43
5	Child survival Project	Iringa Regional Secretariat	486.11	429.71	56.4
6	Decentralization of Registration of Birth and Death	Registration Insolvency and Trusteeship Agency (RITA)	3,104.84	2,935.00	169.84
7	Policy Advocacy and Analysis Programme and UNICEF Support Programme	PO-RALG	3,951.66	1,176.70	2,774.96
8	Stawisha Maisha and Cash Plus Projects - TASAF	TASAF	1,099.85	1,081.07	18.78
Total			11,095.84	7,527.28	3,568.56

Source: Financial Statement for the financial year ended on 31st December 2019

3.2.8 Multi - sector Projects

Multisector projects deal with various crosscutting activities, such as issues on capacity building and awareness about legal affairs, environment, economic development and other development aspects. Multisector projects receive funds from World Bank, AfDB and other development partners. My analysis of 17 financial statements for the financial year 2019/20 shows that these projects received funds amounting to TZS 166,013,951,257 and spent TZS 79,499,752,015, remaining with TZS 86,514,199,242 for implementation of the pending activities, as shown in **Table 3-9**.

Table 3- 9: Summary of Available and Utilized Funds (amount in TZS/ millions) - Multi-projects

S/N	Project Name	Project Implementer	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
1	ARU -SIDA (31 March 2021)	Ardhi University,	1,175.00	427.88	747.12
2	BSAAT Building Sustainable Anti-corruption Action in Tanzania	President's Office - Cabinet Secretariat	8,735.33	5,989.80	2,745.53
3	Citizen Centric Project (World Bank Project)	Judiciary of Tanzania	66,846.68	19,898.09	46,948.59
4	Development Support for Tanzania Statistics	National Bureau of Statistics	6,452.96	404.4	6,048.56
5	Institutional Support Project for Domestic Resources Mobilization and Natural Resources Governance Project (ISP-DRM&NRG)-TPDC	Tanzania Petroleum Development Corporation	11,598.60	10,349.88	1,248.72
6	Kihansi Catchment Conservation and Management Project (KCCMP)	VPO	1,001.47	997.1	4.37
7	National Fund for Advancement of Science and Technology (NFAST); Project under COSTECH	Tanzania Commission for Science and Technology	3,291.27	3,119.77	171.49
8	Public Finance Management Reform Program (PFMRP)-MOFP	MoFP	29,761.46	19,335.17	10,426.29
9	REGROW Project-TANAPA	TANAPA	8,692.31	3,450.46	5,241.85
10	Resilient Natural Resource Management for Tourism and Growth (REGROW) Project- Ministry of Natural Resources and Tourism	Ministry of Natural Resources and Tourism	5,942.61	423.21	5,519.40
11	Small Industries Development Organization for Fostering Innovation for Sustainable Social - Economic	Small Industries Development Organization (SIDO)	300.69	278.36	22.33

S/N	Project Name	Project Implementer	Funds available (TZS)	Funds utilized (TZS)	Closing balance (TZS)
	Development - Innovative Cluster Sub Programme Project-SIDO				
12	National Carbon Monitoring Centre(NCMC)	SUA	136.93	162.55	-25.63
13	South West Indian Ocean Fisheries Governance (SWIOFish)	Ministry of Livestock and Fisheries	8,608.74	7,140.69	1,468.05
14	Buildings Systems for High Quality, Relevant Research in Tanzania (SIDA)	COSTECH	2,564.12	1,740.87	823.25
15	The Seco/ Un Trade Cluster Tanzania Trade Sector Development Programme	Ministry of Industry and Trade	163.39	154.57	8.83
16	UDSM -SIDA Project	UDSM	9,626.65	5,425.24	4,201.41
17	Reversing Land Degradation Trends and Increasing Food Security in Degraded Ecosystems of Semi-Arid Areas of Tanzania (LDFS) Project	VPO	1,115.75	201.72	914.03
Total			166,013.95	79,499.75	86,514.20

Source: Financial statements for the financial year ended on 30th June, 2020

3.3 Audit Opinions Issued

Auditor's opinion is considered an essential tool when reporting financial information to users. According to Section 34(1) of Public Audit Act, 2008, I am obliged to express professional opinion, in respect of each account and prepare a report upon the examination and audit of all such accounts. For the public sector, the opinion informs users of the financial statements on whether the financial statements of development projects have been prepared in conformity with the respective financial reporting framework such as International Public Sector Accounting Standards (IPSAS) or Special Purpose Financial Reporting Framework and in the manner required by Section 25(4) of the Public Finance Act, 2001 (revised 2004) and respective project financing agreements and guidelines.

In conducting financial audits on the development projects, I give assurance on various specific areas depending on financial reporting frameworks used in preparation of the financial statements. These areas include assurance on the financial statements, internal control, and compliance. In the financial year 2019/20, I conducted 290 financial audits and issued a total of 290 opinions on the financial statements, and 21 opinions on internal controls that relate to projects financed by UNDP and UNICEF.

In the financial year 2019/20, I did not report any significant deficiency on the 21 internal control opinions issued. Opinions related to the financial statements are discussed on the following sections.

3.3.1 Audit Opinions Issued on the Financial Statements

In the financial year 2019/20, I issued two types of opinions from 290 financial statements; 275 were unqualified while 15 were qualified, as summarized in **Table 3-10**.

Table 3- 10: Summary of Audit Opinions Issued

Sector	Opinion Issued				Total
	Unqualified	Qualified	Adverse	Disclaimer	
Agriculture	8	0	0	0	8
Education	11	0	0	0	11
Energy and Mining	18	0	0	0	18
Health	178	15	0	0	193
Social	22	0	0	0	22
Transport	12	0	0	0	12
Water	9	0	0	0	9
Multi	17	0	0	0	17
Total	275	15	0	0	290

Source: Financial statements of the financial year 2019/20

3.3.2 Trend of Audit Opinions Issued

Audit opinions issued for the past five years indicate a favourable trend with regard to the development projects, as shown in **Table 3-11** and **Figure 3-1**.

However, since the qualifications emanated from inadequate supported expenditure, there is an opportunity for the entities to improve the preparation of financial statements and record keeping of accounting documents. I therefore encourage Accounting Officers to

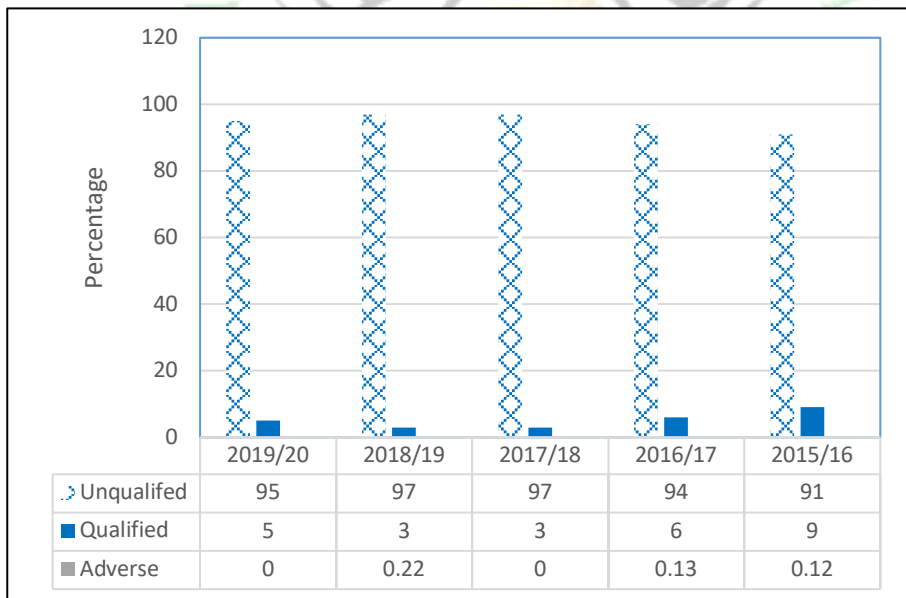
conduct more trainings of staff on record keeping and preparation of financial statements.

Table 3- 11: Trend of Audit Opinions Issued

Financial year	Opinion Issued						Total
	Unqualified		Qualified		Adverse		
	No.	%	No.	%	No.	%	
2019/2020	275	95	15	5	0	0	2907
2018/2019	441	97	13	3	1	0.22	455
2017/2018	455	97	14	3	-	-	469
2016/2017	697	94	44	6	1	0.13	742
2015/2016	725	91	71	9	1	0.12	797

Source: Current Year Audit Reports and Previous Development Projects Annual General Report

Figure 3-1: Trend of Audit Opinions for Five Consecutive Years



Unqualified Opinions

An unqualified opinion is expressed when the auditor concludes that the financial statement of an entity gives a true and fair view or is presented fairly in all material respects in accordance with the

⁷ The decreases in the total number of opinions compared to the financial year 2018/19 are due to non-inclusion of projects implemented under Water Sector Development Program which were implemented by LGAs. These projects are implemented by RUWASA and they have included in the general report of Central Government

applicable financial reporting framework. Unqualified opinions equivalent to 95% of total opinions were issued to project implementers in the financial year 2019/20. These have decreased by two per cent as compared with 97% issued in two previous financial years (2018/19 and 2017/18).

Qualified Opinion

A qualified opinion is issued when misstatements individually or taken together are material but not pervasive to the financial statements.

During the year under review, 15 qualified opinions equivalent to five percent of the total opinions were issued to project implementers under HBF. It came to my attention that the qualified financial statements were mainly attributed to inadequate supported expenditure that limited my audit scope and authentication on validity of the expenditure incurred. The basis of qualification for each project implementer is summarised in **Appendix 3-1**.

It is my opinion that inadequate supported expenditure signifies lapses in expenditure control and accounting records keeping that expose projects monies to the risk of misuse. However, the trend of qualified opinions indicates an increase by three per cent in the financial year 2019/20 compared to 2018/19.

Adverse Opinion

Adverse opinion is expressed when I conclude that, based on audit evidences obtained during the audit, the financial statements contain misstatement that are so material and pervasive that mislead the users of the financial statements. This means that, unlike qualified opinion, the financial statements contain material misstatement due to disagreements that are not confined to specific amounts, or the misstatement represent a substantial portion of the financial statements or the misstated disclosures are fundamental to the users' understanding of the financial statements.

Under this type of opinion, I categorically state that, the financial statements do not present true and fair view, which means that the financial information contained in those financial statements cannot be relied upon by the users in making crucial decisions.

During the reported period, 30th June, 2020; I have not expressed adverse opinion to development projects.

Disclaimer of Opinion

A disclaimer of opinion is a statement included in the audit report to the effect that, an audit opinion cannot be issued/provided because of material and pervasive limitation on the scope (failure to obtain enough appropriate audit evidence). This is to say, the disclaimer of opinion is expressed when I am unable to obtain sufficient appropriate audit evidence on which to base my audit opinion, and the possible effects on the financial statements of that inability are both so material and pervasive.

As it is for the adverse opinion, by expressing a disclaimer of opinion, the key message to the users of the financial statements is that most of the amounts and disclosures in the financial statements cannot be trusted. During the reporting period, I have not issued this type of opinion.

3.4 Findings on Financial Management and Control

In this part, I present an analysis of key audit findings related to financial management and its controls as observed in 290 individual Management Letters.

3.4.1 Inadequate Management of Budget

a) Insufficient Release of Funds to Development Projects - TZS 53.37 Billion

Budget is an essential tool assisting project implementers in planning, controlling and evaluating resources assigned and utilized in implementation of projects activities. By its nature, it expresses what is to be undertaken in the respective financial year, and it allocates

the financial and other resources that are needed to specific activities in order to achieve the targeted objectives.

In the financial year 2019/20, I noted instances where project implementers had unimplemented activities at the year-end due to insufficient release of funds in comparison with the approved budget.

I further noted that Treasury and Development Partners released insufficient funds amounting to TZS 53,373,154,479.82 in respect of 10 projects implemented by 144 entities under agriculture, education, energy and mining, health, multisector, social and water sectors as shown in Table 3-12.

Table 3- 12: Insufficient Release of Funds to Development Projects - TZS 53.37 Billion

Sector	Budget (TZS)	Actual Release (TZS)	Under release (TZS)
Agriculture	12,547,940,491.20	3,404,435,399.12	9,143,505,092.08
Education	3,495,690,481.52	1,377,416,998.98	2,118,273,482.54
Energy and Mining	1,039,810,200	850,000,000	189,810,200
Health	85,198,577,662	65,669,629,163.67	19,528,948,501
Social	1,657,324,469	364,925,546.29	1,292,398,922.51
Water	130,874,196,057.08	110,043,632,164.29	20,830,563,893
Multi - Sector	7,770,876,480.71	7,501,222,091.71	269,654,389
Total	242,584,415,841.51	189,211,261,364.06	53,373,154,480.46

Source: Financial statements for 2019/2020

The water sector ranked the first in receiving insufficient funds as it received only TZS 20,830,563,893 compared to the approved budget, followed by the health sector, which received TZS 19,528,948,500.69; agriculture, TZS 9,143,505,092.08; education, TZS 2,118,273,482.54; social TZS 1,292,398,922.51; multisector, TZS 269,654,389; and Energy and Mining, TZS 189,810,200. These were in respect of 10 projects implemented by MoA, MoEST, MoE, MoW, MOHCDGEC, MoCLA-Zanzibar, VPO, PO-RALG, NM-AIST, and 135 LGAs which implemented HBF projects.

However, I noted the main reason for under-release of funds was due to non-compliance with project requirements, including delay in

submission of projects accountability reports. This limits adequate release of funds from Development Partners.

I am of the view that persistent under-release of project funds affects the achievement of Government goals on the respective project. Delayed release of funds may result in delayed or unpaid contractors' claims that accumulate interest charges from penalties and escalate project costs.

I recommend the Project Implementers to liaise with the respective Development Partners of the projects including the Government at large through the Treasury on adequate release of budget funds so as to ensure sustainability of these projects as most of these projects have their own completion life span.

b) Expenditure Incurred Out of Approved Budget and Annual Work Plan - TZS 26.54 Billion

Regulation 115 of Public Finance Regulations 2001 (revised 2004) requires the approved estimates to form the basis of the accounts for the year to which they relate and the analysis and classification of the accounts of revenue and expenditure must correlate with those estimates.

Contrary to the requirement, my review observed that 12 project implementers incurred expenditure amounting to TZS 26,544,881,470.18 which was not included in the approved budget and the Annual Work Plan (AWP). The education sector had a significant amount of unapproved budget of TZS 25,621,539,386, followed by transport sector, TZS 544,404,680.08; water, TZS 296,272,595.88; multisector, TZS 45,393,367; agriculture, TZS 33,371,441.22; and social sector TZS 3,900,000. These were observed in 13 projects implemented by MoEST, MoW, Ministry of Industries and Trade (MoIT), PMO, Sokoine University of Agriculture (SUA), Tanzania Police Force, and NM-AIST.

This situation is attributed to limited resources required to undertake normal operations of projects which were not budgeted for due to inadequate planning of project activities. I am of the view that failure to include project activities in the approved budget and AWP may

result in inappropriate procurement process, and unplanned expenditure that affects adequate implementation of the planned project activities.

I recommend the Project Implementers especially the Ministry of Education Science and Technology to enhance adequate planning of projects activities so as to ensure planned activities are implemented as per funds availability as such adherence of budget as a monitoring tool for expenditure.

c) Payments Made Through Wrong Expenditure Codes - TZS 1 Billion Regulation 115 of the Public Finance Regulation 2001 (revised 2004) requires approved estimates to form the basis of the account for the year to which they relate and the analysis classification of the accounts of revenue and expenditure must correlate with those estimates.

Contrary to the requirement, my review noted that 20 entities implementing three project made payments amounting to TZS 1,009,063,103.92 for implementation of various project activities through wrong expenditure codes and without approval of reallocation.

My analysis shows that the transport sector had a significant amount of wrong expenditure codes amounting to TZS 788,184,542.92, followed by health and agriculture sectors with TZ 169,950,963 and TZS 50,927,598 respectively for projects implemented by SUA, PO-RALG and 18 LGAs which implement HBF project. Based on this observation, I am of the view that failure of project implementers to charge correct expenditure codes may affect budgeted and or planned activities, which consequently undermines usefulness of the budget as a monitoring tool.

I recommend the Project Implementers to enhance preparation of realistic budgets and ensure expenditures are charged to correct codes in compliance with the requirement of the Regulation 115 of the Public Finance Regulation 2001 (revised 2004).

3.4.2 Non-Compliance with Requirement of Tax Laws and Regulations

Tax includes compulsory financial charges imposed on a taxpayer (an individual or legal entity) by the Government through Tanzania Revenue Authority (TRA) in order to fund government spending and various public expenditures. My review on compliance to taxation laws and regulations noted that there were 20 projects under six sectors that did not comply with tax requirements. The non-compliance issues noted were categorized into three groups, namely non-issuance of Electronic Fiscal Devices (EFD) receipts, non-deduction of withholding tax, and payment of Value Added Tax (VAT) on exempted projects.

a) Purchases of Goods and Services Without Demanding EFD Receipts - TZS 2 Billion

Regulation 28(1) of the Income Tax (Electronic Fiscal Devices) Regulations, 2012 requires every purchaser to demand and retain fiscal receipt or invoice in his possession and produce it to the Commissioner or such authorized officer upon request.

Contrary to the requirement, I noted that 10 project implementers made payments amounting to TZS 2,006,316,606.56 with respect to the procurement of goods and services without demanding EFD receipts due to reluctance by project implementers to demand the receipts from suppliers and service providers. Failure to demand EFD receipts not only increases the risk of tax evasion, but also undermines Government's efforts to increase tax collection.

My analysis shows that the transport sector ranks first in making payments without demanding receipts as it made payments amounting to TZS 1,213,108,490.44; followed by the health sector, TZS 478,801,938; education sector, TZS 180,998,285.48, and social sector, TZS 133,407,892.64. These were observed in projects implemented by MoEST, RITA, PMO, RS Kagera, RS Njombe, and 39 LGAs which implement HBF project.

I call upon all Project Implementers to comply with the requirement of Reg. 28(1) of the Income Tax (Electronic Fiscal Devices) Regulations, 2012 and Section 29(4) of Value Added Tax Act, 1997 by demanding EFD receipts, which in turn promotes tax collections.

b) Withholding Tax Not Remitted to TRA - TZS 91.79 Million

Section 83(1) (b) of the Income Tax Act, 2004 (Revised 2008) directs deductions of withholding tax from suppliers of goods and services and effecting remittance to TRA seven days after the end of each month.

My review noted that 14 Project Implementers under nine projects did not remit to TRA withholding taxes amounting to TZS 91,795,481.09 on payments made to suppliers of good and services. Due to this, the Government missed its revenue from the unremitted taxes.

My analysis shows that the education sector is leading in non-remittance of withholding tax as it failed to remit a total of TZS 44,977,082.73, followed by the transport sector, TZS 17,159,363.86; multisector TZS, 13,577,165.50; health sector, TZS 8,048,443; and social sector TZS 8,033,426. These data are based on 14 projects implemented by MoEST, MoIT, Ministry of Livestock and Fisheries (MoLF), PO-LARG, TANROADS, NM-AIST, Institute of Rural Development Planning (IRDP), and six LGAs implementing HBF project.

I observed that inadequate collection of withholding taxes was contributed by reluctance of management of respective entities to deduct taxes and submit to TRA. Non-deduction of withholding taxes inhibits Government's efforts to obtain the expected tax from these sources in a timely manner.

I recommend to Project Implementers to strengthen internal controls so as to ensure there is compliance with tax laws, regulations, guidelines and directives related to collection of taxes. This will increase revenue collection and avoid possible fruitless payments to TRA in the form of fines and penalties due non-compliance.

c) VAT Paid from Exempted Projects - TZS 9.88 Billion

I noted that six VAT exempted projects had paid a total of TZS 9,881,517,997.56, contrary to the requirements of project agreements on Value Added Tax (VAT) refunds. This was due to inadequate tax planning on processing VAT exemptions by the Project Implementers and bureaucracy in granting exemption approval from the Government. Failure to demand VAT exemption not only affects

projects' liquidity, but also undermines Government's efforts to comply with projects agreements.

My analysis shows that the water sector is leading in this aspect as it had made payments of exempted VAT amounting to TZS 9,420,507,149.81, followed by the education sector TZS, 189,305,083.70; and transport sector, TZS 178,928,791.26. These were observed in six projects implemented by MoEST, MoFP, TANROADS, MWAUWASA, AUWSA and VPO.

I recommend that in future, the Project Implementers especially Water Sector projects abide to the signed projects agreements by seeking exemption from the Tanzania Revenue Authority. In addition, Accounting Officers have to be accountable for the amount of VAT (if so paid).

3.4.3 Deficiencies in Control Over Expenditure - TZS 5.99 Billion

Establishment of sound internal control systems is one of the management responsibilities; all payments need to be pre-audited before authorization. The Pre-audit Section checks whether all internal controls have been observed, and whether all necessary supporting documents are in place. My review of expenditure management noted some weaknesses on internal control issues related to 80 project implementers which emanated from payments which were not pre audited, inadequately supported payments and missing payment vouchers amounting to TZS 5,998,064,998.

a) Payments Made Without Being Pre Audited - TZS 1.37 Billion

Regulation 91(6) of the Public Finance Regulation 2001 (revised 2004) requires payments vouchers which are in order to be certified by relevant authorized officer as "passed for payment" and such payment must be made against the original copy of a payment voucher.

I observed that 14 Project Implementers responsible for implementation of four projects made payments amounting to TZS

1,367,361,048 for facilitating development projects activities without being pre-audited by payment examination sections.

My analysis shows that the multisector made pre-audited payments of TZS 956,952,211; the health sector, TZS 309,328,837; and the social sector, TZS 101,080,000 in respect of four projects implemented by MoIT, MoFP, Kagera Regional Secretariat, and 11 LGAS implementing HBF.

Weaknesses in pre-audit of payments expose the project implementers to the risk of making faulty payments which is a loss of tax payers' money.

I recommend the Project Implementers to strengthen their pre-audit sections and ensure all payments are channelled through the pre-audit process before being authorized.

**b) Inadequately Supported Payments and Missing Payment Vouchers
- TZS 4.57 Billion**

Regulation 95 (4) of the Public Finance Regulations, 2001 (revised 2004) requires that a payment voucher which is incomplete because its supporting documents are missing shall be regarded as a missing voucher. In addition, Order 8 (2) (c) of the Local Government Financial Memorandum (LGFM) 2009 requires Treasurers and other Heads of Departments to maintain a sound accounting system and safekeeping of all supporting records by maintaining proper security, custody and control over supporting documents.

My review noted that expenditures amounting to TZS 4,565,626,453.49 from 80 project implementers were not attached with sufficient supporting documents such as acknowledgement receipts, delivery notes and invoices.

My analysis shows that the multi-sector effected inadequately supported payments of TZS 1,497,169,026; followed by the education sector, TZS 1,355,726,497.17; the health sector, TZS 765,780,293; transport sector, TZS 542,515,330.19; social sector, TZS, 365,424,055.13; and water sector, TZS 39,011,252. These payments were in respect of the projects at MoEST, MoHCDGEC, MoIT, PO-LARG,

VPO, Zanzibar Planning Commission (ZPC), IRDP Mwanza, RITA and 44 LGAs.

My further review revealed that three project implementers had missing payment vouchers amounting to TZS 65,077,497. These included the multisector, which has missing vouchers worth TZS 54,655,697, and the health sector, with missing vouchers worth TZS 10,421,800. These were in respect of projects implemented at MoFP, MoIT and four LGAs. The absence of payment vouchers limits my audit scope to the extent that I cannot confirm authenticity of the expenditure incurred.

I recommend the Project Implementers to enhance accounting records management by introducing measure(s) that will ensure safekeeping of payment vouchers together with their supporting documents.

3.4.4 Interest Charged on Late Payments TZS 8.18 Billion

Clause 51.1 of the General Condition of Contract (GCC) states that “the employer shall pay the Contractor the amounts certified by the Project Manager within 28 days of the date of each certificate. If the employer makes a late payment, the Contractor shall be paid interest on the late payment in the next payment. The interest shall be calculated from the date by which the payment should have been made up to the date when the late payment is made at the prevailing rate of interest issued by the Bank of Tanzania on the date of contract signature for each of the currencies in which payments are made.” In other contracts, this period is extended to 56 days after the engineers have received the statement and supporting documents.

Contrary to requirements of GCC, I noted four projects under transport sector with overdue interest charges amounting to TZS 8,178,283,863 as a penalty due to delay in paying contractors’ Interim Payment Certificates (IPCs). These include Transport Sector Support Program, with overdue interest charges of TZS 3,466,386,456.88; Tanzania Intermodal Rail Development Project, TZS 2,197,609,697.74; Reconstruction of Multinational Arusha - Holili/Taveta - Voi Road

project; TZS 1,847,308,621.55; and Dar es Salaam Urban Transport Improvement Project, TZS 666,979,087.41.

I noted that the overdue interest claims by the contractors was caused by late release of funds from MoFP due to inadequate follow up by the Ministry of Works, Transport and Communication that inhibit TANROADS and TRC to pay the contractor on time. I am of the view that the delayed payments not only slow progress of works and completion but also the interest charges escalate project costs compared to initial estimates.

I recommend the Project Implementers to liaise with the Ministry of Finance and Planning to adequately release of projects budgeted funds that will ease the settlement of contractors claims on time.

3.4.5 Inadequate Management of Imprests - TZS 1.99 Billion

It is my understanding that Accounting Officers may authorize imprests to responsible officers who require cash to be readily available to meet immediate payments for official purposes. Imprests shall only be issued for a purpose for which expenditure has been included in the approved estimates and used wholly and exclusively for the purpose for which it was issued. An imprest must be restricted to the minimum amount required for the purpose for which it is issued.

In addition, Regulation 103 (1-2) of Public Finance Regulation 2001 (revised 2004) requires imprests to be retired as soon as the necessity for them ceases to exist. Where a Public to whom an imprest has been issued fails to retire it in full within 30 days of the close of the financial year in which the imprest was issued or otherwise on the demand of the Accountant General, the amount outstanding may forthwith be recovered from any salary or other emoluments or from any other amounts due to the officer. Also, Para 5.17 of the Local Authority Accounting Manual (LAAM) 2009, requires LGAs to establish imprest register to facilitate efficient and effective recovery of imprests issued.

Contrary to the referred requirements I noted that 12 project implementers had deficiencies in the management of imprests, including unretired imprest, delayed retirement, amount not recorded

in imprest register, and imprests issued without showing names of imprest holders.

My analysis shows that five project implementers had outstanding imprests amounting to TZS 625,886,455.49. I also noted delays in retirement of imprest after cessation of the intended activities amounted to TZS 689,134,266 in respect of four project implementers. In addition, I noted two project implementers who did not maintain imprest register for all imprests, and two project implementers who issued imprests without showing names of the imprest holders, as shown in Table 3-13.

Table 3-13: Inadequate Management of Imprest TZS 1,997,518,128.49

S/N	Particulars	Project Implementers	Amount (TZS)
1	Unretired imprests	5	625,886,455.49
2	Delayed retirement	4	689,134,266.00
3	Amount not recorded in imprest register	1	57,885,000.00
4	Imprests issued without showing names of imprest holders	2	624,612,407.00
Total		12	1,997,518,128.49.00

Source: Payment vouchers and general ledgers

Sectors that had deficiencies in management of imprest include agriculture sector, TZS 253,257,283; social sector, TZS 25,590,000; transport sector, TZS 73,144,262.49; and multisector, TZS 322,487,064. These amounts were in respect of 13 projects implemented by ZPC, PO-RALG, NBS, Commission for Human Rights and Good Governance (CHRGG), University of Dar es Salaam (UDSM), MoIT, MoEST, Ministry of Constitution and Legal Affairs (MOCLA), and eight LGAs.

These weaknesses are attributed to reluctance of managements of the respective entities to enforce the regulations governing the control of imprest. This might result in loss of Taxpayers' monies due to inadequate accounting of Government funds issued under imprest arrangement.

I recommend to Project Implementers enforce effective controls governing issuance, retirement and recording of imprest the

imprest register so as to be in line with the requirement of Regulation 103 (1-2) of Public Finance Regulation 2001 (revised 2004) and Para 5.17 of LAAM, 2009.

3.4.6 Borrowed Projects Funds Not Refunded - TZS 1.36 Billion

Management of project funds is important especially in adhering to the requirements stipulated in the project documents, such as financing agreement, project implementation manuals, MOU and other guidelines that govern the operation of projects. One of the key conditions provided in these documents requires the project implementer to ensure that project funds are whole and exclusively spent for the intended purposes.

Contrary to the requirements, I noted that Accounting Officers had borrowed a total of TZS 1,360,377,044 from Education and Skills Productive Jobs (ESPJ) to finance activities other than ESPJ without refund. This was attributed to inadequate internal control over financial management of project funds. It is my view that non refund of the borrowed funds limits adequate implementation of the planned ESPJ activities.

I recommend to the Ministry of Education, Science and Technology to ensure refund of borrowed funds to ESPJ project immediately so that such borrowings do not adversely affect implementation of planned activities.

3.4.7 Payment Made to Activities not Recognised by CCHP Guidelines - TZS 450.96 Million

One of the objectives of Council Comprehensive Health Plan (CCHP) is to ensure that annual health plans are linked with proper allocation of fund to prioritize areas to facilitate effective financial management in order to improve quality of health service delivery, as well as assist in approval of funding. Meanwhile, Para 3.5 (j) of the CCHP guideline 2011 requires Councils to honour all approved activities in the CCHP, and disallows re-allocation of funds. It further requires basket funds not to be used to pay sitting, special, subsistence and honorarium allowances for Council Health Management Team (CHMT), Council Health Service Board (CHSB) and Health Facility Governing Committee

(HFGC) routine meetings. It advises authorities, where necessary, to use other sources of funding, such as Health Block Grants, Council Own Source etc.

Contrary to CCHP guidelines requirements, I found a total of TZS 450,960,762 had been spent by 33 LGAs under HBF project to finance health related activities which are not allowed by the CCHP guideline. This was caused by inadequate control of the budget on use of the health basket funds. I am of the view that payments to for activities that are not allowed by the CCHP guideline affect the execution of the planned activities as they are not in compliance with the guidelines.

I recommend the Health Basket Fund Implementers to enhance controls over payments where expenditures have to strictly be for planned purposes.

3.4.8 Inadequate Management on Disbursement of Projects Funds - TZS 178.4 Billion

Disbursement of project funds is expected to be consistent with the implementation schedule of project activities as approved in the AWP of each project. However, my review noted inadequate release of projects funds contrary to the approved budget and the AWP. I noted that MoFP delayed to transfer project funds amounting to TZS 167,597,672,389.01 to two projects implemented by SUA and three projects implemented by MoEST. The delays were caused by inadequate follow up by project coordination units to ensure that funds are released to the project timely and challenges encountered in implementing Treasury Circular No. 2 of September, 2019 related to procedure to follow under direct to project funds requirement. My analysis shows that the education sector delayed the transfer of funds amounting to TZS 161,930,358,580.01; social sector, TZS 2,774,968,573; agriculture sector, TZS 2,144,051,116; and multisector, TZS 748,294,120.

In addition, I observed that there was delay in transfer of funds amounting to TZS 10,799,061,241 for implementation of planned activities to institutions that largely depend on funding from project implementers (PMO and MoEST). Agriculture and transport sectors had

delayed funds amounting to TZS 7,763,142,321 and TZS 3,035,918,920 respectively.

I recommend the Project Implementers to liaise with the Ministry of Finance and planning on timely release of projects budgeted funds, and on the other hand once these funds are received by the Project Implementers I encourage them to promptly disburse the portion required to respective Institutions.

3.4.9 Insufficient Government Contribution to Project Financing -TZS 1.08 Billion

Financial contribution from Government to Project Implementers is an important aspect stipulated in Financing Agreements signed between the Government and respective Development Partners. Based on the agreements, Project Implementers depend on co-funding between Government and Development Partners.

Contrary to the requirement, my review noted that the Government is yet to contribute its agreed funding share amounting to TZS 1,080,000,000 to Tanzania Initiative for Preventing Afflation Contamination (TANIPAC) project. This failure by the Government to make contributions contrary to the financing agreement increases the risk of non-execution of the planned activities.

I recommend to the Government of Tanzania to enhance project financing as such to contribute the agreed funding shares to the Initiative for Preventing Afflation Contamination (TANIPAC) project.

3.4.10 Delay in Settlement of Compensation - TZS 3.95 Billion

Clause 26.2 of GCC of the contract and Section 8.5 of Tanzania Strategic Cities Project Implementation Manual, 2017 requires immediate compensation to be made to people and properties affected by the project.

My review of compensation claims valuation report noted that the Government is yet to pay compensation amounting to TZS 3,952,778,191.01 to the respective beneficiaries affected by the project. This was mainly caused by late release of funds by MoFP. This

may result in legal disputes and additional costs to the Government in case of defaults.

I recommend the Project Implementers especially TANROADS to ensure People Affected by Projects(PAPs) are compensated without further delays so as to eliminate the risk of disputes and additional costs to the Government in case of defaults.

3.4.11 Unutilized Funds returned to Consolidated Fund instead of Holding Account - TZS 1.27 Billion

Article 5.6 of the MoU between the Government and development partners in support of Public Financial Management Reform Programme (PFRMP) requires all unutilized funds from the basket contributions at the end of each financial year to be returned to the Holding Account.

My review noted that unutilized funds amounting to TZS 1,268,939,611.07 were transferred to the Consolidated Fund instead of PFMRP holding account.

This instance was mainly contributed by delay in obtaining approval and submission of Treasury requisition for transfer of unutilized funds to the Holding account, which may affect smooth project implementation.

I recommend the Treasury to grant approval of transferring the unutilised funds for Public Financial Management Reform Programme (PFRMP) to the Holding Account without further delay in compliance with the MOU.

3.4.12 Delay in Payment of Incentives and Administrative Costs - TZS 91.65 Billion

Para 1.2 of Result Based Financing Operational Manual requires MoHCDGEC to provide overall oversight of the Result Based Financing (RBF) system in order to ensure smooth implementation of RBF. In addition, Paragraph 3.18 requires MOFP to ensure facilities receive

their incentive payments within 28 working days after the verification results.

The review of progress reports and programme documents regarding payment of incentives to various stakeholders revealed presence of unpaid incentives to Medical Stores Department, Regional Secretariats, and Local Government Authorities and Health facilities amounting to TZS 91,648,358,361.04. The outstanding payments were expected to be effected before 30th June 2020, but up to the time of concluding this audit in November 2020, the incentives had not been paid.

Among the factors that contributed to this anomaly is inadequate adherence to the Result Based Financing Operational Manual, especially in disbursement of RBF funds to project implementers due to weak enforcement mechanism by responsible actors, including MoFP, MOHCDGEC and PORALG. Delay in payment of incentive reduces working morale to potential beneficiary and causes non-achievement of programme objectives.

I recommend the MoFP, MOHCDGEC and PORALG to jointly ensure timely payment of incentives and administrative costs to Project Implementers for Result Based Financing programme so as to attain the intended objectives.

3.4.13 Funds Transferred to School Quality Assurance Offices for Construction of New Offices Before Identification of the Construction Area - TZS 10 Billion

On 24th June 2020 MoEST transferred TZS 9,999,998,861 to 55 School Quality Assurance (SQA) vide cheque No.000064 in respect of construction of new SQA offices in districts and municipalities.

My review of project implementation status for EPforR observed that the structural drawings and BOQ's were prepared in March 2020 by MoEST before identification of construction sites. A site visit made in October 2020 noted that Southern Highland Zone School Quality Assurance and Central Zone Quality Assurance were yet to start the construction due to unavailability of a plot for construction.

This was caused by inadequate planning before commencement of the project. I am of the opinion that, untimely identification of the construction area may lead to unnecessary extension of project completion period. Without documentation of ownership, the land cannot be justified and in case of land disputes the SQA may lose its invested resources.

I recommend the Ministry of Education, Science and Technology during implementation of EPforR construction activities to ensure adequate planning as such construction area are well identified prior to disbursing funds to sub projects implementers.



CHAPTER FOUR

PROCUREMENT AND CONTRACT MANAGEMENT ASSESSMENT

4.1 Introduction

Procurement and contract management are one of the crucial elements in project management as it involves significant amount of monies allocated to projects and associated with many risk including the risk of achieving the value for money. Procurement and contract management associated with development projects in Tanzania is mainly governed by the Procurement Act, 2011 and its Regulations, 2013, contract between procuring entities and suppliers, manuals and various circulars. Therefore, Procurement and Contract Management were covered in my audit in order to satisfy myself that applicable laws, procedures as well as fairness and transparency were observed throughout the entire procurement processes.

4.2 Procurement Management

4.2.1 Procurement of Goods and Services Without Tender Boards Approval - TZS 441.17 Million

Section 35 (2) of the Public Procurement Act, 2011 states that, no person or firm shall sign a contract with any public body unless the award has been approved by the tender board.

Contrary to the referred section, I noted that three projects with 18 project implementers in water, social and health sectors had been engaged in procurement of various goods and services amounting to TZS 441,166,183 without approval of the respective Tender Boards. I further noted that 16 LGAs implementing HBF project under the health sector had the largest number of goods and services procured without approval of the Tender Board, worth TZS 330,227,053, followed by SRWSSP under MoW, with goods worth TZS 95,195,643, and TASAF projects under social sector, with goods worth TZS 15,743,487.

It came to my attention that the anomaly is caused by control oversight by the respective project implementers. Such deficiency not only increases a risk of awarding contracts to incompetent suppliers

or service providers, but also limits transparency on the respective procurements.

I advise the management of the respective project implementers to comply with the PPA, 2011 and its Regulations by ensuring, the procurement of goods and services are approved by Tender Boards.

4.2.2 Procurements Made Without Competitive Quotations TZS 917.64 Million

Regulation 131(5) of the Public Procurement Regulations, 2013 (as amended in 2016) requires the procuring entity to conduct mini competition on prices for items or services required at least three randomly selected tenderers awarded framework agreement. Also Regulation 163 of the Public Procurement Regulations, 2013 requires procuring entity to obtain quotations from at least three suppliers the aim being price considerations without compromising quality.

My review of procurement solicitation processes on 25 project implementers noted that procurements of various goods and services worth TZS 917,644,344.5 had been done without observing the competitive bidding process, as shown in the Table 4-1. This was mainly attributed to inadequate enforcement of competitive bidding by accounting officers on the procurement initiated by their entities. Since the procurements were not competitive, there is a risk that the value for money was not attained.

Table 4- 1: Procurement Made Without Seeking Competitive Quotations - TZS 917,644,344.5

S/N	Project Name	Project Implementers	Sector	Amount(TZS)
1	Teacher Education Support Project (TESP)	MoEST	Education	286,076,686
2	Big Results Now in Education Programme for Results (EPforR)			224,808,699.50
3	Strengthening Primary Health Care for Results Programme	MOHCDGEC	Health	19,962,537
4	Health Basket Fund	20 LGAs	Health	219,400,038
5	Strengthening Access to Justice and Human Rights Protection in Tanzania	Commission for Human Rights and Good	Social	13,405,000

S/N	Project Name	Project Implementers	Sector	Amount(TZS)
		Governance (CHRAGG)		
6	Mainstreaming Poverty-Environment - Gender-Climate Change Objectives into LED and SDG Localization for Sustainable Development and Poverty Eradication in Tanzania	Institute of Rural Development Planning Lake Zone Centre (IRDP)		105,059,700
7	Water Sector Development Programme- Phase II (WSDP II)- Multi-donors and GoT basket funded programme	MoW	Water	48,931,684
Total				917,644,344.50

Source: Tender documents 2019/20

I advise the respective Project Implementers to ensure suppliers of goods and services are competitively selected with a view to procuring goods and services of the high quality and at economical prices in order to obtain value for money in the use of public funds. Further, in case of single sourcing, Project Implementers have to have justification for those decisions.

- 4.2.3 Planned Procurements not Executed TZS 104.85 Billion**
 Regulation 69(3) of the Public Procurement Regulation 2013 requires procuring entities to forecast requirements for goods, services and works as accurately as is practicable with particular reference to services or activities already programmed in the AWP and included in the annual estimates.

Contrary to the requirement, my review noted that four project implementers, namely Performance for Results in Education (EPforR), ESPJ, EASTRIP- DIT Dar es Salam and EASTRIP-NIT did not execute the planned procurement activities worth TZS 104,849,722,238 as shown in **Table 4-2**.

I learnt that the deficiency was caused by prolonged invitation and awarding of contracts from user departments. Such delays increase the risk of price escalation. I was expecting management of respective entities to fast track the execution of the planned procurements for timely achievement of the targeted project objectives.

Table 4- 2: Planned Procurements not Executed

S/N	Project Name	Project Implementer	Sector	Amount (TZS)
1	Programme for Results (BRN EPforR)	Ministry of Education, Science and Technology	Education	74,985,517,538
2	Education and Skills for Productive Jobs Program (ESPJ)	Ministry of Education, Science and Technology	Education	18,000,000,000
3	East Africa Skills for Transformation and Regional Integration (EASTRIP) - Dar es salaam Institute of Technology (DIT)	Ministry of Education, Science and Technology	Education	4,923,604,800
4	East Africa Skills for Transformation and Regional Integration (EASTRIP) - National Institute of Technology (NIT)	Ministry of Education, Science and Technology	Education	6,940,599,900
Total				104,849,722,238

Source: Procurement plan and progress report 2019/20

I advise management of MoEST to ensure that, the procurement process, award and execution of contracts are executed in accordance with Annual Procurement Plan. Further, the procurement which were planned to be undertaken in the financial year 2019/20 are undertaken in the subsequent financial year.

4.2.4 Procurement not Included in the Annual Procurement Plan TZS 12.02 Billion

I noted that procurement amounting to TZS 12,018,961,647.40 from four projects under four sectors were not included in the Annual Procurement Plan, contrary to Regulation 69 (7) of the Public Procurement Regulation 2013 which requires a procuring entity to draw up procurement plans for those requirements for which sufficient funds have been included in the approved budget in the current financial year. This anomaly was mostly noted in projects under education and transport sector compared to the other two sectors, as shown in Table 4-3.

Table 4- 3: Procurement not Included in the Annual Procurement Plan

S/N	Project Name	Name of IP	Sector	Amount(TZS)
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1	Programme For Results (EPforR)	MoEST	Education	9,815,490,098.54
2	Health Basket Fund	1 LGA	Health	39,644,223
3	Legislative Support Project Phase II	National Assembly Office	Social Sector	34,337,900
4	Dar es salaam Metropolitan Development Programme (DMDP)	PO-LARG	Transport	2,129,489,425.86
Total				12,018,961,647.4

Source: Procurement plan and progress report 2019/20

Procurement out of approved budget was contributed by inadequate review and non-updating of procurement plan on timely manner by project implementers. The procurement out of procurement plan indicates that the projects operations were not well guided to achieve the set objectives, which may in turn affect the quality of services or goods procured.

I advise the respective project implementers to ensure that, the procurement plan is properly reviewed and updated, Further, I urge management of respective project implementers to make sure that all procurements made emanate from the approved Annual Procurement Plan in order to avoid unplanned expenditures.

4.2.5 Procurement Made from Unapproved Suppliers - TZS 173.21 Million
Procurements amounting to TZS 173,210,768.70 from 17 LGAs which implement HBF under health sector were made from unapproved suppliers, contrary to Regulation 131 (4) (b) of Public Procurement Regulations 2013 (as amended in 2016).

The weakness was attributed to inadequate controls and oversight by the Procurement Management Unit from respective entities, including limited guidance provided to the user departments on the importance of using approved suppliers. I am of the view that procurement from unapproved suppliers limits transparency and increases the risk of procuring substandard items.

I advise the management of the concerned LGAs to comply with the Public Procurement Regulations cited for all procurements made and to exercise economy, efficiency and effectiveness on the use of public funds.

4.3 Contract Management

4.3.1 Double Payment to the Contractor - TZS 704.16 Million

Regulation 243(2) of the Public Procurement Regulations 2013 requires the procuring entity to authorize payments by measurement and certification, at the intervals or stages stated in the contract.

In July 2018 the Ministry of Minerals entered into a contract No.ME/008/SMMRP/W/12 with M/s National Services Construction Department (SUMA JKT) for proposed upgrading of existing mine offices at Bariadi, Musoma and Bukoba as centres of excellence at a contract sum of TZS 3,601,151,671.

My review of contract files and payments made to the contractor noted that, on 14th December 2018, the Consultant M/S Sky Architects Consultants issued interim certificate No. 03 of TZS 735,314,131.69 for the work performed by the contractor in respect of construction of centres of excellence in Bariadi, Musoma and Bukoba and the claimed amount was paid to the contractor. But I later learnt that the same interim certificate No.3 was used to support payment of TZS 704,155,443.20 to the contractor, hence there was a double payment since the later payment was made in respect of work which was not performed. The noted double payment to the contractor was caused by inadequate review of supporting documents when issuing payments.

I advise the Management of Ministry of Minerals to make necessary arrangements with the contractor in order to recover the excess amount paid for the work not executed.

4.3.2 Uncertainty on Financing of Pending Construction Activities TZS 3.09 Billion

My review of SMMRP noted that the World Bank's financing of the project came to an end on 31st December 2018 and the remaining fund was refunded to the World Bank without retaining funds for the unpaid contractors' retention monies amounting to TZS 528,216,961.

I further realised that there were pending claims amounting to TZS 2,559,544,868.71 related to various works from six contractors, and that no funds were retained for such claims.

I noted that this anomaly was caused by decision made by the Ministry of Minerals to refund the World Bank during implementation of SMMRP II without considering the outstanding contractors' commitments. I am of the opinion that financial uncertainty on funding of these outstanding obligations increases the risk of future disputes with the contractors.

I advise the management of Ministry of Minerals to: (a) Provide the details with evidence on how the obligations will be paid to contractors and consultants when they are due and which source of financing will be used. (b) Make sure in future proper decision on pending commitments related to projects are properly made and ensure sufficient funds are available before returning funds to the Development Partner.

4.3.3 Contracts Executed Without Valid Performance Securities TZS 22 Billion

My review of procurement and contracts records revealed that two construction contracts under education sector worth TZS 22,001,132,020 had been implemented by MoEST without performance securities. This is contrary to Regulation 29 (1) of Public Procurement Regulations 2013 and contracts clauses that require successful tenderer to submit a performance security to guarantee the faithful performance of the contract and payment of all labourers, suppliers, mechanics and subcontractors. Table 4-4 provided further details.

Table 4- 4: Contracts Executed Without Valid Performance Securities

S/N	Project Name	Contract No	Contractor	Contract Sum (TZS)
1	Education Programme for Results (EPforR)	ME-024//2019-2020/HQ/W/06	M/s Suma JKT Construction Company Limited	17,109,576,232
2	Upgrading Teachers Colleges (UTC)	ME-024/CTR/HQ/2015-16/13	Afriq Engineering & Construction Ltd	4,891,555,788

Source: Contract documents 2019/20

This anomaly was mainly contributed by weak controls over enforcement of procurement laws and contractual requirements. In

the absence of performance securities, respective project implementers are exposed to the risk of losing resources for the on-going projects in case the contractor fails to execute the contracted works.

I advise management of MoEST to ensure contracts implemented are secured to safeguard the interests of the procuring entities towards successful implementation of projects/contracts.

4.3.4 Overpayment of Advance Payments by - TZS 416.44 Million

UDSM and SUMA JKT entered into contract for major rehabilitation of Halls of Residence No. II & V at the University of Dar es Salaam at a contract price of TZS 4,949,882,943.72 VAT inclusive. My review of a contract No.PA/011/W/2018/2019/34 noted that Clause 24 of the Special Condition of Contract (SCC) requires advance payment to be 15% of the contract price.

My review noted that UDSM fulfilled this clause and paid TZS 742,482,441 to SUMA JKT, which is 15% of the contract price. However, contrary to the aforementioned clause, additional advance payment of TZS 416,444,562.40 had been paid, making the total advance paid to be 23% instead of the required 15% under Standard Tendering Document of 2018 which stipulates that, the Advance Payment shall be limited to a maximum of fifteen (15) percent of the Contract Price.

This anomaly was mainly attributed to efforts by the UDSM management to assist the Contractor, SUMA JKT to accomplish the works. In my view, this is contrary to the requirement of the contract as SUMA JKT should have executed the contract from its own sources. Making overpayment to a contractor may result in failure to effect payment for the executed work when a certificate is raised, and may also affect recovery of the advance payment paid.

I advise management of UDSM to settle the matter with SUMA JKT to ensure proper management of this contract; and in future to adhere with special conditions of contract.

4.3.5 Advance Payment Made Without Bank Guarantee - TZS 2.57 Billion

My review of contract number ME-024/2019-2020/HQ/W/06 between MoEST and M/s Suma JKT Construction Company Limited with a

contract sum of TZS 17,109,576,232 in respect of construction works for Dodoma Model Secondary School noted that MoEST had paid advance payment of TZS 2,566,436,434.80 for implementing the project under BRN in Education Programme for Results (EPforR) without submission of advance payment guarantee. This is contrary to Clause 24 of SCC which stipulates that the amount of advance payment shall be 15% of the contract sum upon submission of an advance payment guarantee with an equal amount.

This anomaly was mainly contributed by delay of the contractor in processing the advance guarantee from reputable bank. This anomaly poses a risk of loss of public funds in case the contractor fails to recover the advance payment paid.

I advise the management of the MoEST to make close follow up to ensure that the performance bond is submitted as required by the procurement regulations and contract agreement so as to protect interests of Ministry in case of unsuccessful implementation of contract. Further, the management of the MoEST is urged to ensure that in the future, no advance payment is made unless a valid advance payment guarantee is submitted.

4.3.6 Unpaid contractors' claims of TZS 78.96 Billion

My review of four construction projects implemented under education and transport sectors revealed overdue claims to contractors and consultants amounting to TZS 78,960,683,271.35 as at 30th June, 2020 as shown in **Table 4-5**.

I noted that the outstanding claims were mainly caused by the under release of funds by the Ministry of Finance and Planning that eventually inhibited Project Implementers to pay the contractors on time.

I am concerned that the untimely payment of outstanding claims of the contractors and consultants may increase the amount of debt due to interest charges which may cause the pertinent projects to stall or remain incomplete and therefore, denying citizens from enjoying the

intended benefits of the projects. Table 4-5 provides more details of projects involved.

Table 4- 5: Unpaid Contractors Claims of - TZS 78.96 Billion

S/N	Project Name	Name of IP	Amount(TZS)
1	East Africa Skills for Transformation and Regional Integration (EASTRIP) - DIT Dar es Salaam	Ministry of Education, Science And Technology	49,185,600
2	Tanzania Strategic Cities Project (TSCP)	President's Office-Regional Administration And Local Government	45,174,517,005.28
3	Dar es Salaam Metropolitan Development Programme (DMDP)	President's Office-Regional Administration And Local Government	1,608,735,288.92
4	Transport Sector Support Program, (TSSP)	TANROADS	32,128,245,377.15
Total			78,960,683,271.35

Source: Contract files for 2019/20

I advise the respective project implementers to have a tendency of making close follow up with regard to the release of fund in order to avoid more delay and risk of being charged interest rates.

4.3.7 Anomalies Noted in Receiving Goods and Service from Suppliers

Receiving of goods and services is one of the critical stages in procurement cycle as it is associated with a number of risks, such as receiving wrong type of goods or services, substandard goods or services, shortage in quantities and delays or non-receiving of services or goods ordered. In order to mitigate such risks, controls related to ordering, receiving and delivery of the procured goods and services must be effectively conducted. During my audit, I noted anomalies related to inadequate control in receiving of procured goods and services in various projects as discussed in the following paragraphs.

a) Goods Received and Put in Use Without Certification of the Goods Inspection and Acceptance Committee - TZS 2.44 Billion

I noted that procured goods worth TZS 2,443,991,727.18 belonging to four projects with 38 project implementers were received without being inspected by the Goods Inspection and Acceptance Committee, contrary to Regulations 244 and 245 of Public Procurement Regulation 2013 which requires the Accounting Officer to establish a Goods Inspection and Acceptance Committee, responsible for inspecting, testing goods, and services received from suppliers to determine if they are of the right quantity, quality and price.

Two projects, namely Big Results Now in Education Programme for Results (BRN EPforR), and Water Sector Development Programme-Phase II (WSDP II) implemented by MoEST and MoW had the highest value of goods not inspected worth TZS 818,348,946.01 and TZS 897,681,496 respectively, followed by health and social sectors which had TZS 719,261,285.17 and TZS 8,700,000 under HBF and child survival projects respectively.

The anomaly of not inspecting goods received was mainly caused by reluctance of management of respective entities to exercise control related to inspection of goods, including non-formulation of responsible committees on timely manner. It is my opinion that receiving goods without being inspected by the goods inspection and acceptance committee may provide a loophole for acquiring sub-standard goods, hence not achieving value for money.

I advise the management of the concerned project implementers to ensure Goods Inspection and Acceptance Committees inspects and report on whether the procured goods meet the prescribed specifications and the required quality.

b) Procured Goods and Services Yet to be Delivered - TZS 1.87 Billion

My review of procurement transactions and their related documents noted that four projects, namely EPforR, SWASH, BSAAT and Citizen Centric Projects implemented by MoEST, VPO and Judiciary Tanzania had made payments amounting to TZS 1,865,730,431.72 to various suppliers (including TZS 83,389,299.38 for networking services to be delivered by Tanzania Telecommunication Company Limited (TTCL) procured under Citizen Centric Project) before delivery of goods and services. I also noted undelivered goods worth TZS 649,851,366 for 33 LGAs implementing Health Basket Fund Project. These goods were yet to be delivered regardless of the payments which were already effected to these suppliers.

This is contrary to Regulation 242(1) of the Public Procurement Regulation 2013 which requires procuring entities to obtain reports on the receipt of goods which are delivered against contracts and promptly authorize payment to the supplier. My analysis shows that

multi-sector projects were leading with undelivered goods and services worth TZS 1,124,514,876.72, followed by Health and Education sectors which had TZS 649,851,366 and TZS 91,364,189 respectively.

I advise the management of respective project implementers to make follow up to ensure that procured goods are delivered and utilized as planned for public interest.

c) Undelivered Medical Equipment and Supplies by MSD - TZS 11.28 Billion

I noted that during the execution of projects activities for Health Sector Program Support (HSPS), the project implemented by PO-RALG, medical equipment and supplies worth TZS 11,277,099,476 were not delivered from Medical Stores Department (MSD) although payments had been made since 7th August 2019.

This was mainly caused by absence of contractual agreement between PO-RALG and MSD detailing rights and obligations for each party. I am of the view that delay in delivering the medical equipment denies the intended community to enjoy the expected benefits from the Government at a right time, hence leading to inefficient health service delivery.

I advise the management of PO-RALG to make close follow up to ensure that delivery of the whole consignment of medical equipment and medicines to the intended users without further delays.

4.3.8 Stores not Recorded in the Stores Ledger TZS 814.37 Million

In order to properly account for the stores, the project implementer has to maintain a stores ledger that provides a record of each item in stock as well as the quantity and the value of all receipts, issues and balances. Regulation 220 of the Public Finance Regulations 2001(revised 2004) requires all received stores after being checked against the receipt voucher to be posted without delay to the appropriate folio of the store's ledger.

My review of stores ledgers revealed that procured goods worth TZS 814,365,066.9 in respect of health, education and water sectors made by 39 project implementers from four projects were not recorded in the relevant ledgers in order to keep trail of movement of procured stocks. My analysis shows that 36 LGAs implementing HBF project had unrecorded stock worth TZS 486,041,041.06 while BRN EPforR which is implemented by MoEST had unrecorded stock worth TZS 297,987,025.90, and WSDP, which is implemented by MOW, had unrecorded stock of TZS 18,377,000.

The weakness is attributed to deficiencies in internal control on accounting of the procured stock items due to insufficient follow up by accounting officers in respective entities. In the absence of the store ledgers records and issue vouchers, the propriety and authenticity of the items purchased could not be confirmed; this increases the possibility of misappropriation of the entrusted funds.

I advise the management of respective project implementers to establish adequate controls on the accountability of procured goods and ensure that all goods procured and delivered are recorded in the store ledgers as evidence of their accountability.

4.3.9 Commencement of Two Construction Projects Without Conducting Environmental Impact Assessment

Regulation 241(3) of Public Procurement Regulation 2013 states that “procuring entity shall assess the impact on the environment of any works at the planning stage of the project and in any case before procurement proceedings are commenced”. Meanwhile, Section 81(2) of the Environmental Management Act, 2004 requires the environmental impact assessment study to be carried before the commencement or financing of a project.

Contrary to the cited requirements, I noted two projects under education sector worth TZS 27,058,101,894 which commenced without conducting environmental impact assessment. I learnt that in the Education and Skills for Productive Jobs Programme (ESPJ), TZS 9,948,525,662 had been sent by MoEST to 25 VETA districts where constructions commenced without conducting Environmental Impact Assessment (EIA). Likewise, TZS 17,109,576,232 was sent by MoEST to

the project related to construction works for Dodoma Model Secondary School project under EPforR without conducting EIA.

The anomaly was caused by inadequate preparation before commencement of the project, and change of construction site for the Dodoma Model Secondary School project. Implementing projects without environmental impact assessment exposed the beneficiaries of project to environmental risks that could be detrimental to the well-being of the communities in question and could result in loss of public resources in taking mitigation measures.

I advise the management of MoEST to ensure that in future EIA is conducted before commencing projects to avoid associated risks.

4.3.10 Failure to Update the Expired Performance Securities Related to Construction Contracts - TZS 16.98 Billion

Clause 50.1 of the contract numbers ME 012/2018-19/ERPP/W/64 to 68 between the Ministry of Agriculture and contractors implementing Expanding Rice Production Project (ERPP) requires the performance security to be provided to the employer not later than the date specified in the letter of acceptance.

My review of the contract files related to implementation of ERPP noted that there were extensions of five contracts worth TZS 16,984,618,292.25 without extending the performance security period, which is contrary to the aforementioned clause. I realised that the contractors were still on site while the performance securities had already expired, as shown in Table 4-6.

Table 4- 6: List of Contractors whose Performance Securities had Expired

S/N	Tender No.	Contractor	Contract Completion Date	Performance Security Expired on	Contract Value (TZS)
1	ME 012/2018-19/ERPP/W /64-NJAGE-Kllombero	NAKUROI Investment Co Ltd. P.O. Box 19716 DSM	13 Month 21/07/2020	April 2020	4,469,208,362.39
2	ME 012/2018-19/ERPP/W /65-Msolwa	Ms Confi Eng Ltd P.O. Box 31211	30/12/2020	February, 2020	3,378,875,168.35

S/N	Tender No.	Contractor	Contract Completion Date	Performance Security Expired on	Contract Value (TZS)
	Ujamaa-Kilombero	DSM			
3	ME 012/2018-19/ERPP/W /66-Mvumi-Kilosa	Ms White City International Ltd P.O. Box 62189 DSM	30/07/2020	March, 020	1,973,651,503.01
4	ME 012/2018-19/ERPP/W /67-Kigugu-Mvomero	Ms GOPA contractor (T) Ltd P.O. Box 33259 DSM	30/12/2020	March, 2020	1,734,190,959.58
5	ME 012/2018-19/ERPP/W /68-Kilangali Seed Farm-Kilosa	Ms Lukolo co Ltd. P.O.Box 75028 DSM	15/01/2021	April, 2020	5,428,692,298.92
Total					16,984,618,292.25

Source: Contract files and progress report 2019/20

The anomaly was caused by inadequate monitoring on validity of contractual documents during implementation of construction projects. In the absence of performance securities, respective Project Implementers were exposed to risks of losing resources for the on-going projects in case the contractor failed to execute the contracted works.

I advise management of Ministry of Agriculture to ensure that, it enhances contracts monitoring by ensuring that the expired performance guarantees are available and updated as required by the contracts.

4.3.11 Lack of Approval for Extension of Contract Completion Date

My review of contract file noted that Upgrading Teachers College (UTC) project implemented by the MoEST extended contract completion period from 5th April 2018 to 11th October 2020 for rehabilitation of Shinyanga Teachers College Lot 2 at a contract price of TZS 4,891,555,788. However such extension of completion time was not approved by the Permanent Secretary, regardless of being requested by the consultant through a letter with reference No. AFRIQ/SHY/MOEST/2020/6, AFRIQ/SHY/MOEST/2020/11 and

ARU/A.538/SF.221/217 dated 21st September 2020 contrary to Regulation 111 of the Public Procurement Regulations, 2013 which requires an order for extension of time to be issued only by Accounting Officer. Currently, the contractor is continuing with construction and rehabilitation works.

The anomaly was contributed by inadequate contracts management since the Permanent Secretary of MoEST has a mandate to approve or deny extension of time when recommended by consultant. It is my opinion that in case the contractor deviates from the terms and conditions, there will be no base for action to be taken in favour of MoEST.

I advise the management of MoEST to ensure that, it strengthen controls over contract management and also assess contractor's performance including reasons for delay to complete works and if deemed appropriate, grant an approval of the extension or take necessary measures such that the project is completed timely.

4.3.12 Procurement of Medical Supplies without Notice of Stock out from MSD - TZS 402.61 Million

I noted that 27 LGAs through health sector procured medical items worth TZS 402,609,089.08 from private suppliers without Medical Stores Department (MSD) approval contrary to Regulation 140 (1-6) of the Public Procurement Regulation 2013.

The anomaly was caused by absence of effective communication regarding out of stock items between procuring entities and MSD. The absence of evidence of out of stock from MSD poses a risk of procuring medical supplies at a higher price.

I advise the respective LGAs management to ensure that all procurements of medical supplies are not done to private suppliers unless relevant evidence of out of stock is obtained from MSD.

PART THREE

PHYSICAL PERFORMANCE ASSESMENT

Part three covers seven chapters which summarises audit findings resulted from technical audits conducted in 13 projects in financial year 2019/20. The presentation of audit results of 13 technical audits was done based on the period covered in the audit in the scope of the respective audit. The summary of six reports with audit scope beyond financial year 2019/20 were presented separately chapters while the results of seven audits with scope covering the financial year 2019/20 were combined in one chapter.

Therefore, chapters that are presented separately include Chapter five covers the Standard Gauge Railway project (SGR); Chapter six: Mwalimu Nyerere Hydroelectric Power; Chapter seven: Dar-es-Salaam Bus Rapid Transport; Chapter eight: Widening of the Morogoro Road (Kimara-Kibaha) Project; Chapter nine: Same-Mwanga and Korogwe Water Supply Project and Chapter 10: Mbigiri Sugar Production Project. These six chapters the scope beyond financial year 2019/20.

Chapter 11 covers a combined analysis of findings resulting from seven technical audit reports for seven projects implemented by TANROADS, AUWSA and TANESCO. These audits mainly focused on activities implemented in the financial year 2019/20. In addition chapter 12 covers other issues related to physical performance emerged during financial audits other than 13 technical audit reports.

CHAPTER FIVE

CONSTRUCTION OF THE STANDARD GAUGE RAILWAY DAR ES SALAAM - MAKUTUPORA PROJECT

5.1 Introduction

The Government of the United Republic of Tanzania (GoT), through the Tanzania Railways Corporation (TRC), is undertaking numerous efforts to expand and modernise the country's railway infrastructure. One of the key projects is to construct a new railway line called the "Standard Gauge Railway" (SGR). Phase I of this project involves the construction of SGR from Dar es Salaam to Mwanza.

The SGR has been designed to use electricity to power the locomotives. After its completion, it will have the capacity to accommodate passenger trains traveling at a speed of 160 kilometres per hour and cargo trains traveling at 120 kilometres per hour⁸. The construction of Phase I from Dar es Salaam to Mwanza consists of five lots: Lot 1 Dar es Salaam - Morogoro (300 km); Lot 2 Morogoro-Makutupora (422 km); Lot 3 Makutupora -Tabora (294 km) ; Lot 4 Tabora - Isaka (130 km); and Lot 5 Isaka - Mwanza (249 km). The main objective of building a Standard Gauge Railway is to improve efficiency in transportation, especially in the Tanzania railway sector.

5.2 Audit Objective and Scope

The overall objective of the audit was to assess the processes and the manner in which the project was planned, designed, and implemented by the Tanzania Railway Corporation, and assess construction quality and workmanship and physical status of the project in order to ensure attainment of value for money.

The main audited entity was Tanzania Railways Corporation (TRC) because it is the main implementer of the project. TRC is responsible for developing, managing, promoting and maintaining rail infrastructure and provide rail transport services.

The audit covered Lot 1 (Dar es- Salaam to Morogoro) and Lot 2 (Morogoro to Makutupora). Lots 3 to 5 were not covered since the

⁸ <https://www.trc.co.tz/pages/about-sgr>

implementation was yet to commence up to the time of carrying out of the audit assignment.

I visited five regions and 11 districts where the SGR passes. The regions and districts visited included Dar es Salaam (Ilala MC), Coast (Kisarawe and Kibaha DCs), Morogoro (Morogoro Rural, Morogoro Urban, Mvomero and Kilosa), Dodoma (Mpwapwa DC, Dodoma Rural and Chamwino DC), and Singida (Manyoni DC).

My audit covered the period from May 2017 to January 2021. The chosen period enabled me to assess the extent of project implementation for both Lot 1 and 2 which were planned to be implemented from May 2017 to November 2019, and from February 2018 to February 2021 respectively.

5.3 Summary of Audit Findings

This section provides a summary of main audit findings related to planning, designing and tender documentation; procurement of contractor and consultant; Health, Safety and Environmental (HSE) issues; and contract management. These are further detailed below:

5.3.1 Contracts for Both SGR Lot 1 and 2 were not Adequately Managed

This part presents findings about management of contracts. Specifically, the findings cover management of human resources, management of contract time, financial management, and quality management.

a) Inadequate Management of Human Resources

I noted various weaknesses in the management of human resources as detailed below:

(i) Non -Citizens Working without Permits

Section 9(2a) of the Non-Citizen Employment Regulations Act, 2015 requires TRC not to employ any non-citizen unless he/she possesses a valid work permit in a specified occupation.

My review of the Progress Report for the month of November 2020, noted that a total of 586 non-citizens out of 924 employed for Lot 1 did not possess work permits. The same was noted for Lot 2 in which a total of 952 non-citizens, out of 1,484 did not possess work permits.

Further interview with TRC officials indicated that the Immigration Service Department issued an approval to use business visa and business pass while their pending applications were being processed.

However, it was clearly stated in the said letter that the issuance of business visa and business pass was not an excuse to apply for and obtain work permits for experts employed in the SGR project. Non possession of work permits resulted in non-payment of work permits fees amounting to USD 1,538,000, which is equivalent to TZS 3,537,400,000 (based on the exchange rate of 1USD equals TZS 2,300).

I recommend TRC management to discourage employing non-citizen who do not possess valid work permits so as to comply with the requirement of Section 9(2a) of the Non-Citizen Employment Regulations Act, 2015.

(ii) Non-Compliance to Certifications of Qualifications of the Experts

Section 10(3) of the Non-Citizen (Employment) Act, 2015 requires a non-citizen employed in any occupation to possess qualifications, knowledge and skills requisite for the performance of the job for which the work permit is issued.

My review of the progress report for the month of November 2020 noted that a total of 1026 non-citizens working in the SGR project (both Lot 1 and 2) lacked certifications of their academic qualifications. Based on the progress report of November 2020, their certificates were undergoing various verification processes; however, 83% of them were still pending since applicants lacked original academic certificates and were waiting to receive the certificates from Turkey.

I recommend the TRC management to ensure non-citizen employed in any occupation possess qualifications, knowledge and skills requisite for the performance of the job for which the work permit is issued in compliance with Section 10(3) of the Non-Citizen (Employment) Act.

(iii) Inadequate Registration with the Professional Boards

Sub-clause 6.12 of the General Conditions of Contract required the firm to register with the Contractors Registration Board and its engineers to register with the Tanzanian Engineers Registration Board immediately and other professionals to register with their relevant professional boards.

For Lot I, I noted that five staff members were not registered with their respective Professional Boards. These include a Quality Control Engineer, a Geological Engineer, a Structural Engineer, a Route Design Engineer, and a Medical Doctor. My review of the progress report for the month of November 2020 shows that these staff members were not registered with their respective professional boards because four requests were pending at the Engineers Registration Board and one request was pending at the Medical Council of Tanganyika for more verification.

Furthermore, my review of the Progress Report for the month of November 2020 for Lot II revealed that 272 staff members were not registered with their respective professional boards. These included 3 medical doctors, 197 mixed cadres, and 72 engineers. These staff members were not registered because their certificates were still away in Turkey.

These anomalies may lead to failure to ensure that experts deployed have the required skills, knowledge and competencies.

I recommend TRC management to ensure employees under SGR project are registered by the Tanzanian Engineers Registration Board immediately and other professionals are registered with their relevant professional boards so as to bring confidence that experts deployed for the SGR project have the required skills, knowledge and competencies.

b) Inadequate Management of Contract

I noted weaknesses in managing contract as shown below:

(i) Inadequate Management of Time

Clause 1.1.3.3 of the contract between TRC and Yapi Merkez in a Joint Venture with MOTA Engil required the design and construction of SGR Lot 1 from Dar Es Salaam to Morogoro to be completed within 30 months from May 2017 to November 2019. However, I noted that, as of December 2020 the progress of the work stood at 88.39% against the planned 95.96%.

Also, during the audit, I learnt that Lot 2 was expected to be completed within 36 months from April 2018 to February 2021. However, the progress report indicated that, as of December 2020 the contractor had executed the work by 52.2% instead of 98.7% as planned. This unsatisfactory progress in construction of SGR was caused by the following factors:

- **Delays in Mobilization of Equipment**

I noted that the contractor for Lot 1 did not mobilize 69 key equipment included in the work programme submitted. A similar situation was encountered in the execution of SGR lot 2 where a total of 351 out of 721 of necessary plants and equipment were not mobilized by the contractor for 20 months after commencement of the contract.

- **Delays in Construction of Major Activities**

Clause 8.1 of FGCC requires the contractor to commence the design and execution of works without delay. I noted that, by April, 2019, 124 out of 315 approved designs of structures (equivalent to 39%) had not been constructed up to the time of this audit (January 2021). Also, the progress of 57 structures was unsatisfactory. By September 2020, 620 designs out of the planned 792 had been approved. Out of these, 325 structures had already been constructed whereas 56 structures were still under construction and the remaining 239 structures were yet to commence.

- **Lack of Contractor's Recovery Measures to Overcome Delay**

I noted that the contractor did not submit a revised work programme to align with time for completion of the contract. This was contrary to Clause 8.3 of the FIDIC-GCC which requires the contractor to submit a revised work programme to the project manager whenever the actual progress is inconsistent with the approved work programme.

- **Delayed Commencement of Design and Construction of a 3km Port Link**

According to the approved Entitlement Programme for Standard Gauge Railway (SGR) Line from Dar es Salaam to Morogoro dated 30th April 2020, the design and construction of 3km Port Link was supposed to commence in January 2019 and be completed in April 2019.

During the audit, I found that, as of April 2019, the work had not commenced. I was informed that time extensions had been issued three times, which made the revised project completion date to be on April 2021 (i.e. 18 months after). I further noted that, despite the extension of time, the design for Port Link was not done. Until 1st December 2020, both the design and construction of port link had not commenced despite the section being already handed over to the contractor since 21st April 2017. This poses potential risks of excessive delays in its completion to enable the envisaged project benefits to be attained.

I noted that delayed design decision on port link was the main cause of failure to commence construction of the port link. Correspondence between the contractor and the consultant showed that the delay of decision on the design of the port link was largely contributed by the complexity of the original design. According to the contractor, the original design proposed by the employer was complex to execute.

According to the interview with TRC staff, I noted that the complexity was contributed by the existence of a lot of interface projects like construction of Gerezani Bridge, operation and construction interface of MGR and expansion of the Dar es Salaam Port.

Clauses 1.9 and 5.1 of the General Condition of the Contract require the contractor to give notice to the consultant on unforeseeable errors, faults and defects in the employer's requirements within 14 days after commencement date. Interview with TRC staff revealed that the contractor did not notify the employer for the aforesaid situation. This implies that it was the duty of the contractor to design and construct the Port link as per contract.

Furthermore, according to minutes of negotiation meeting conducted on 21st, 22nd and 24th January 2017 regarding item 19 “access to DSM Port,” it was agreed and confirmed that “the Tenderer will design the required rail layout within Dar es Salaam Port at no cost after having received feasibility report prepared by TPA and other data needed then come up with the proposed construction cost for Procuring Entity to decide. However, up to 1st December 2020, no decision had been made on changing the original alignment of the port link.

c) Financial and Cost Issues not Adequately Managed

Weaknesses were noted in the area related to disbursement of funds and utilization, compensation management, and withholding tax and tax refund as detailed below:

(i) Interest Penalty of USD 1,286,913.23 due to Delays in Payment of IPC’s on Lot 1

I noted that the contractors were not paid within the agreed period of 56 days after the engineer (Consultant) receives statement and supporting documents. The interests charged by the contractor on delayed payments was USD 1,286,913.23 equivalent to TZS 2,983,064,867.14⁹, which was approved by TRC to be paid under interest payment with certificate number 41.

The delays in paying contractors were mainly caused by delays in disbursing funds.

I recommend TRC management to liaise with the Ministry of Work and Transport to ensure Contractors and Consultant are timely paid to avoid cost overrun associated with interest charges.

(ii) Additional Cost of Consultancy Services of USD 11,222,653 due to Delays in Completion of Works in Lot 1

The review of progress report noted that the construction activities for SGR project Lot 1 were supposed to take 30 months, from 2nd May 2017 to 01st Nov 2019. However, due to delays during implementation, the completion date was revised to 21st April 2021 which is an addition of 18 months.

⁹ BoT exchange rate as of November,2020 (1 USD=2,318 TZS)

The addition of 18 months has resulted in the additional cost of consultancy services amounting to USD 11,222,653 (equivalent to TZS 26,025,332,307.5¹⁰).

(iii) Non-Recognition of Expenses Incurred

Section 14.3 of TRC Financial Regulations and Accounting Manual requires establishment of year end procedures to ensure an accurate and uniform monthly recording and reporting of payments, cash receipts, and other items.

My review of IPCs and payment vouchers noted that payments of two IPCs to contractor and two fee notes to consultant were recognised in the books of account when the cash was paid but not when the expenditure was incurred, as shown in Table 5-1 below.

Table 5- 1: Non Recognition of Incurred Expenses (IPC and Fee Note)

Reference	Lot	Description	Recognised on financial year	Instead on financial year	USD
IPC 10	1	Interim Payment Certificate for 19/06/2018	2018/19	2017/18	14,044,557.14
Fee Note 2	2	fee note date 21/06/2018	2018/19	2017/18	823,457.00
Fee Note 6	1	fee note date 1/11/2017	2018/19	2017/18	823,674.00
IPC 22	2	Interim Payment Certificate for 30/05/2020	Not recognised	2019/2020	31,721,191.76
Total					47,412,879.9

Source: IPCs (Fee Notes for Consultancy), General Ledger, Payment Vouchers and Receipts

From Table 5-1, it is shown that USD 31,721,191.76 was recognised when cash was paid and not when expenditure was incurred. I noted that the entity did not observe cut-off procedures for transactions conducted across the financial year end. This might result in misstatements of expenses in the financial statements.

¹⁰ BoT Exchange rate as of December, 2020 (1USD= 2319 TZS)

(iv) Inconsistency in Application of Exchange Rates During Settlements of Contractor's IPCs

Section 5 of the Agreement signed on 3rd February, 2017 requires USD portion to be paid at the rate of 65% of the contract price and TZS portion to be 35% paid at selling exchange rate.

However, I noted that 35% of TZS portion under interim payment certificate (IPC) No.10 of lot I was exchanged using buying rate at the date of receiving fund whereas IPC No. 11 to 16 showed that the 35% (TZS portion) was exchanged using buying rate at the date of certification instead of BOT selling rate. This scenario of using buying rate instead of selling rate is a potential risk of disputes due to lack of consistency on application of exchange rates as stipulated in the contract.

(v) Delays on Remitting Withholding Taxes

Section 84 (1) of the Income Tax Act, 2004 requires every withholding agent to pay to the Commissioner within seven days after the end of each calendar month any income tax that has been withheld during the month.

My review of IPCs and payment vouchers noted that the withholding taxes were deducted for eight payments made to contractors and consultants. However, the same payments were not remitted to TRA on time. I observed that, the highest delay was for CFP 6 (Lot 1) which delayed for 82 days, followed by Fee Note 17 (Lot 1) which was delayed for 76 days.

(vi) Non Remittance of Withholding Taxes for IPC 20

My review of payments of contractor's IPC noted that withholding tax on IPC No. 20 (lot 2) amounting to TZS 2,290,493,768.97 was deducted from payment voucher No.19428 of 8th May 2020. However, the same was not remitted to TRA. This was due to the fact that TRC realised that there were double payment made in TRA system regarding IPC 19. Due to this TRC are in negotiation with TRA to reallocate the noted excessive withholding tax to IPC 20.

Failure to remit withholding tax in time may result in unnecessary penalties being imposed to TRC by TRA.

I recommend TRC to ensure that withholding tax deducted from payments made to contractors and consultants are remitted to the TRA in a timely manner.

d) Weaknesses Noted in Managing the Quality of Work

My review of technical aspects of the project noted various design weaknesses as elaborated hereunder:

(i) Inadequate Consideration of Energy Efficiency

I noted that, the designs of passenger buildings at Dar es Salaam and Morogoro passenger stations did not consider energy efficiency aspects as well as the possibility of power cuts and emergency situations during operations. I found that both buildings were designed to rely solely on installed air conditioners and there was no provision for windows for natural air ventilation during power cuts.

(ii) Inadequate Provision for Safe Measures of Escape under Emergency

Furthermore, during site visit I observed that design and construction of Morogoro passenger station did not consider provision for adequate safe measures of escape under emergency. Provision of narrow staircases and lift as the sole means enabling movements between floors and inconsideration for ramps as alternative means of access for users, especially people with special needs will pose problems to users in situations of emergency and power cut due to technical problems on maintenance and sustainability issues.

Also, the provision of appropriately designed and user friendly constructed ramps could provide safe and convenient means of accessing the upper floors from the ground for people with special needs such as the sick, the elderly, etc. during need for use of the facilities and associated situations such as emergency situations.

(iii) Test Results Met the Specifications Described in the Contract

I conducted site visit on 23rd to 24th January with the view of carrying physical inspection on the project. In this regard, I conducted Ultrasonic Tests on Railway joints, and collected rail and reinforcements samples for laboratory testing. The rail and reinforcements samples for Lot 2 were collected from Kilosa Camp while those for Lot 1 were collected from Soga and Ilala Camps.

Generally, all field and laboratory tests met the specifications as described in the contract.

Also, I conducted site visit on 23rd to 28th January with the view of carrying physical inspection on the project whereby I conducted field density; measured compressive strength on concrete structures and sleepers using Rebound hammer; and collected aggregates (stone ballast, coarse and fine aggregates); and water samples for laboratory testing. The testing and sampling were carried out along the SGR project from Dar es Salaam all the way up to Dodoma. Generally, all field and laboratory tests met the specifications as described in the contract.

I recommend management of TRC to continue supervising the project properly.

5.3.2 Inadequate Management of Environment, Health, Safety and Social Matters

I noted the following weaknesses as detailed hereunder:

a) SGR Project Commenced Prior Environmental Impact Assessment

Section 81(2) of the Environmental Management Act, 2004 requires Environmental Impact Assessment (EIA) to be carried out prior to the commencement or financing of a project.

I noted that, the construction work for SGR project Lot 1 commenced on 2nd May 2017 while EIA was conducted in November 2018 and the revised one was in February 2019. This implies that EIA was conducted a year later after the SGR project had already commenced.

I also, noted that TRC had started monitoring the performance of the contractor towards addressing issues with potentially significant impacts on the environment in November 2018. I further noted that, at that period, TRC relied on the ESMP information provided by the contractor. However, TRC did not make available to me quarterly monitoring reports to confirm whether TRC had monitored the compliance of the contractor to the National and International

environmental Standards during the time when there was no Environmental Impact Assessment (ESIA) report.

I recommend TRC management to ensure that Environmental Impact Assessment be carried out prior to the commencement of executing any construction Project that may have negative impact to environment.

b) Improper Disposal of Sewage from SGR Camps

My visit made at sewage disposal site observed that there was no further treatment of waste water; instead the waste water was just dumped at a pond (see **Photo 5.1**). Although this pond meant for treating waste water, it did not contain the recommended cells (Anaerobic, Facultative and Maturation Ponds) to allow effective removal of pathogens.

Presence of untreated waste water endangers life of animals and other living organisms in the forestry. This is because the aforesaid waste water contains low concentration of oxygen, and thus can cause death to living organisms exposed to it.



Photo 5.1: Disposal of untreated waste water from SGR camps into a pond (Photo taken on 29th January 2021)

c) Inadequate Monitoring of the Quality of Waste Water Effluent
According to ESIA reports¹¹ one of the responsibilities of TRC is to carry out monthly monitoring of environmental pollution aspects related to

¹¹ Environmental and Social Impact Assessment

the SGR project and maintaining water quality by doing frequent surface water tests in the sensitive water bodies in the project area.

I found that the effluents from oil and grease treatment facilities were not tested by TRC to check if the effluent parameters met the required national standards. TRC relied on the test results provided by the contractor. I further noted that, TRC has never conducted independent test to confirm whether the results provided by the contractor always meet the standard.

I recommend TRC to ensure that waste water from SGR camps are effectively treated and properly disposed-off in environmentally friendly manner in order to protect the life of the animals and other livings organism within the disposal areas.

d) Inadequate Implementation of Sedimentation and Erosion Control Measures

Condition C (V) (29/4/2019) requires water courses and wetland alteration permit to be issued by Wami/Ruvu Basin Water Board, and that restoration work must commence immediately after soils in the area of activity have been exposed. Similarly, condition E (I) requires sediment control measures to be installed prior to water course alternation, and to be maintained during the course of alteration.

At Pugu Hill, I observed different paths causing erosion. My site inspection established that the restoration of the disturbed soils around Pugu Hill (at 24+100kmkm 6) was not done properly; the contractor planted grass in few areas while others remained unplanted. I also observed that part of the exposed soil was being eroded especially during rainy season due to absence of structures for preventing soil erosion.

The likely effect of soil erosion is increase in turbidity and total suspended solid levels in the streams or rivers downstream of the Pugu Hill due to surface runoff that ends in the streams or rivers. Also, the likelihood of increased water turbidity in Msimbazi River is high. Furthermore, since the Msimbazi River crosses the Jangwani Natural Wetland near DART station, it will contribute to the increase to siltation of the wetland.

e) Delayed Restoration of Pugu Hill and Borrow Pits

Up to the time of conducting this audit (January 2021) the impacted areas of Pugu Hill and Ruvu Forestry Reserves affected by construction of SGR were not adequately restored. I noted that, in order to restore Pugu Hill and Ruvu South Forest Reserves, support was required from Tanzania Forestry Services Agency (TFSA). However, I noted that, there is MoU between TRC and TFSA on cooperation of biodiversity action plan activities to restore impacted areas. However, up to the time of this audit there was no evidence that the two parties have started implementing the MoU.

On the other hand, I observed that, the borrow pit at number 225 located at Mkata Ranch, Morogoro was yet to be refilled. I further observed that the contractor stopped taking borrow materials from the pit. I observed that, up to the time of this audit (January 2021), a very small part of the pit was refilled, while the rest was left for about one year.

Interview with officials from TRC, revealed that the borrow pit was not refilled because there was on-going discussion between National Ranching Company Limited and the Contractor regarding the borrow pit. There was a letter dated 22nd January 2019 from the National Ranching Company Limited to the Contractor requesting the Contractor not to refill the borrow pit and instead reserve it as a source of water (DAM) for ranch use as well as surrounding livestock societies. The reply from the Contractor through the letter dated 22nd December 2020 revealed that the contractor did not accept the request due to health and safety reasons. I noted that the borrow pit had been left without refilling for about 14 months up to the time of this audit (January 2021).

Furthermore, I noted that, the borrow pit was not fenced to observe safety issues to animals/livestock. Also, there was no warning signs from entrance point of the borrow pit.

I recommend TRC to ensure timely and effective restoration of areas affected by the construction works.

f) Effects of Floods to Communities

During site visit I observed that there were floods at 194+000km within Morogoro Municipality where an 80m multiple spanned bridge has been constructed. This was because, during the construction of embankment there was no provision of outlet ditch to hold and carry away water from the communities as suggested in the conducted Environmental and Social Impact Assessment.

I also observed that the culvert provided under the service road was small in size and led to accumulation of water on the upstream side which affected the properties (i.e. buildings, belongings, crops, etc.) belonging to the communities living within the area traversed by the season river crossed by the constructed 80m span bridge.

Despite having the understanding of the rain seasons, the construction of the bedding under the bridge was not considered to be a matter of urgency in order to allow for easy flow of water from the upstream side and avoid flooding. This is shown in **Photo 5.2** below:



Photo5.2: The area affected by the ongoing construction of SGR. Photo taken 194km within Morogoro Municipality (Phot taken on 29th January 2021)

I recommend TRC to provide adequate infrastructures for allowing smooth flow of water to mitigate the risk of floods to the community.

CHAPTER SIX

CONSTRUCTION OF JULIUS NYERERE HYDRO-POWER PROJECT

6.1 Introduction

The Julius Nyerere Hydro-Power Project (JNHPP) previously referred to as the Rufiji Hydro-Power Project (RHPP) is one of Government strategic projects implemented along Rufiji River. Its objective is to facilitate availability of power from a cheap hydro source, flood control, irrigation, water supply, environmental protection and wildlife conservation. The project is a 2,115 Megawatts hydroelectric power scheme, which is expected to produce 5,920 GWh of energy annually.

The project is being implemented by Tanzania Electric Supply Company (TANESCO) through TANROADS Engineering Consulting Unit (TECU) as a supervising Consultant. TANESCO entered Contract No. ME/008/2017-2018/HQ/W/03 with a Joint Venture (JV-ACEE) of M/S Arab Contractors “Osman A. Osman & Co.” (AC) and El Sewedy Electric (EE) of Egypt with the contract price of TZS 6.558 trillion (equivalent to USD 2,900 million) financed by the Government of the United Republic of Tanzania. The project duration is 42 months, including six months for mobilisation from the start date of the project, 15th December 2018 and is expected to be completed on 14th June 2022.

6.2 Audit Objective and Scope

The main objective of the Technical Audit was to assess whether Tanzania Electric Supply Company Limited (TANESCO) was managing the construction of Julius Nyerere Hydropower Project with due regards to time, cost and quality (in accordance to standards and specification) in order to ensure attainment of the project objectives.

The audit covered activities spanning from project appraisal, planning, financial, procurement, contract management, technical, environmental, safety and social impact. The technical audit also covered processes and the manner, in which the project was planned, designed, procured and implemented in respect to standard used, specifications quality and workmanship of executed works.

Moreover, the technical audit covered a period of four financial years from 2017/18 to 2019/20, because TANESCO embarked on the implementation of JNHPP for the key aspects starting from the designing and progress made so far on its implementation.

6.3 Summary of Audit Findings

This section, therefore, presents the audit findings on the management of the construction of JNHPP with regards to time, cost and quality in order to ensure attainment of the project objectives. The audit findings are categorized according to the project cycle, which includes planning and designing; procurement; contract administration; and environmental, health, safety and social aspects.

6.3.1 Planning and Designing of the Project

The responsibility of ensuring that project design complies with client's requirement is done by TANESCO through TECU. However, through the review of the project's basic designs, detailed designs and employer's requirements, I noted a number of planning and design weaknesses as described below:

(a) Absence of Updated Comprehensive Feasibility Study

The JNHPP being a multipurpose project for integrated water use, is subjected to Electricity Act, 2008, National Irrigation Act, 2013¹² Water Resources Management Act, 2009, and Environmental Management Act, 2004, among others. All these legislations stipulate the requirements for a feasibility study to establish project viability before it is financed and implemented. For this case, TANESCO through TECU as employer's representative, was expected to review and update a previously conducted feasibility study to come up with an updated comprehensive feasibility study and use it to prepare a detailed design of each project component during the construction. However, I noted that TANESCO did not update all components of the earlier conducted feasibility study. Instead, it relied on a feasibility study that was conducted in 1970s & 1972 by M/s Norconsult (of Norway) and Extensive Project Planning and Technical Investigation

¹² Sections 20(2) and 20 (3) (g) of the National Irrigation Act 2013

Reports done by M/s Hafslund and M/s Norplan (both from Norway) which updated some components through studies conducted in 1980s.

The main components that were updated included Environmental Impact Assessment (EIA), Technical Design, and Geotechnical and Geological studies. The components that were not updated included economic and financial viability study reports and hydrological and operational sustainability of the scheme.

Senior Officials from TANESCO and TECU pointed out that a feasibility study conducted in 1970s indicated that the project was technically, economically and financially feasible. The Officials further explained that, due to urgent need to get the project started, existing reports, such as economic and financial viability reports, hydraulic and hydrology reports, as well as engineer's design could not be fully reviewed and updated.

It is almost 50 years now since 1970's when the feasibility study was conducted. TANESCO was required to update the feasibility study to properly guide the on-going construction designs of project components. Although the project is understood to be feasible, viable and sustainable, in absence of a proper and updated comprehensive feasibility study, there is no assurance that the project is viable and physically sustainable to serve the country's economic overtime. It also made it difficult to prove on the sustainability of the project particularly on the availability of water catchments to accommodate the Hydro-Power Plant overtime.

(b) Non-Provision of Sediment Flushing Systems for the Reservoir and the Power Water-Way (Headrace) Tunnels

Section 10.11.2 (2) of Employer's Requirement Vol II of December 2017, required the contractor to provide for sediment sluicing drawdown flushing. Similarly, Section 9.2 Vol 1 Main Basic Design and Sections 8.1.2 c. and 8.2.4 Vol II of Employers Requirement requires Low Level Outlets (two through the body of the dam, Butterfly Valves and 2 Trash Racks) for ecological release. Similarly, paragraph two of the Environmental and Social Management Plan (ESMP) for River Bed and Bank Management/Protection - Flood Control, Stabilize Slopes, requires TANESCO to develop and implement adaptive measures to prevent riverbed/bank degradation, whereas Paragraph 5 requires

TANESCO to manage reservoir sedimentation through sediment sluicing drawdown flushing.

I noted that TANESCO did not ensure that the contractor provides sediment flushing system(s) at the dam as bottom outlets for release into the river downstream for environmental/ecological water release during reservoir impoundment. Similarly, the design of the contractor did not provide Sediment Flushing Systems at the Headrace Power tunnels intake for sediment flushing back into the river.

Officials from TANESCO explained that sediment flushing system are not applicable for major reservoirs, because the risk for sedimentation is minimal. However, I am of the view that since it was stated in the Employer's Requirements for the stability of the dam, this decision of TECU was made without adequate assessment of long-term effect of sediments into the plant and consideration of degradation effect as indicated in the Environmental and Social Management Plan (ESMP).

Omission of of sediment flushing systems pose risks for affecting dam stability due to sediment load depletion, and subsequent dam base erosion, and deepening of the river downstream. It can also make irrigation difficult. Furthermore, sediment may flow into the headrace tunnels, penstocks and turbines, and may cause turbine blades pitting, reduced plant performance and calling for early turbine blades replacement and associated costs. It also had impact on dam stability in a long time.

(c) Construction of one Instead of two Diversion Tunnels as per Employers Requirement and Basic Project Design

Through my review of the approved Contractor's Method Statement on 'diversion tunnel construction', and site inspections, I observed that the contractor had constructed one diversion tunnel with a total discharge of 6170m³/second instead of two diversion tunnels with a total discharge of 7000m³/second to divert water of the Rufiji River from the main dam site. This is contrary to Section 12.3 of the Employer's Requirement Vol II of December, 2017 which requires the contractor to construct two tunnels with a total discharge capacity of 7000 cubic metres per second.

This means that with the construction of one instead of two diversion tunnels, the discharge capacity has been reduced by 11.9% (from 7000m³/second, which was originally planned, to 6170m³/s which was actually constructed).

This eventually led to project delay for five months as a result of the coffer dam overtopping and subsequent flooding of the diversion tunnel. This effect could be avoided if due care had been taken in implementing the two-diversion tunnels design by excavating one tunnel after another. This is because before the area was flooded, the amount of work was estimated to have been adequate for completion of excavation of one shorter tunnel (497m length and 3500 m³/s discharge capacity) to allow part of the flood water to go through. Thus, by the time water had risen, it would have passed through the completed tunnel, and the coffer dam would not have been overtopped as the construction of another tunnel was underway. The catastrophe sustained for about five months of delay to the project works was therefore avoidable if due care had been taken in implementing the two-diversion tunnels design.

Moreover, the decision made by TANESCO in approving contractor’s design to construct one instead of two diversion tunnels as per the initial Project Main Design did not adequately take into consideration flood size based on the available historical hydrological data. **Photos 6.1 (a & b)** show the diversion tunnel constructed as I observed during the site visit.



Officials from TANESCO explained that they allowed the contractor to construct one diversion tunnel instead of two that were originally planned because they wanted to fast-track the progress of work since the diversion tunnel was a critical path, and the construction method proposed by the contractor has advantage over time of the project. The officials added that if it was constructed as per the original plan, it could take up to three years to complete. However, I noted that TECU did not consider the drilling technology and methodology used by the contractor which could also facilitate timely implementation of the two tunnels.

(d) Inadequate Specified Standards for Protecting Steel Structures Against Corrosion in the Employer's Requirements

I acknowledge presence of other standards for protection of over surface steel equipment which also need comprehensive protections as depicted in Clause 7.3.3 of the Employer's Requirements. However, I noted that the Employer's Requirement did not designate the means for protecting buried or submerged steel structures against corrosion as recommended by National Association of Corrosion Engineers (NACE) standards. According to NACE standards, impressed current system is the most recommended means for protecting submerged or buried steel structure against corrosion.

The contractor did not use the desired protection method to protect some of the underground steel structures. During the site visit, I observed that submerged steel structures of the bottom outlet of the main dam were not protected using the recommended corrosion protection method.

Inadequate use of the recommended corrosion protection method for the submerged steel structures poses a risk for not attaining design life of the respective structures due to the effects of corrosion. **Photo 6.2** shows the submerged steel structures of the bottom outlet of the main dam that were not protected using the recommended corrosion protection method.



As it can be seen in **Photo 6.2**, submerged steel structures at the bottom outlet of the main dam were not protected using the recommended corrosion protection method.

Officials from TANESCO and TECU explained that under EPC, the contractor was not confined to one methodology as they were allowed to propose a construction method which would provide value addition as per Section 7.3.1 of the Employer's Requirements. Officials further explained that Ground Enriched Roller Compacted Method is equivalent to NACE Standard and has a minimal risk to corrosion since the pipes will be buried with concrete. However, I am of the view that TANESCO needs to adopt the most recommended corrosion treatment method.

In order to improve Design and Planning for Implementation of the Project, I advise the management of TANESCO to:

- (a) Ensure an updated Feasibility Study report is in place, mainly for laying bare the viability of the project, and also to be used for construction design of the ongoing construction of project components;**
- (b) Ensure that the Employer's Representative adequately review Contractor's design and method statement and emphasize the use of recommended specifications including but not limited to the recommended NACE specification for protection against corrosion of buried and submerged steel structures;**
- (c) Redress the change of design from two diversion tunnels to a single tunnel by instituting thorough analysis into design changes and any similar or other proposals/shortfalls along the**

course of the project. Hydrological and all other data forming the basis for the project works at the various levels including design, implementation/construction and the forthcoming power plant and reservoir operation should be best utilized to achieve the project's objectives; and

- (d) Revisit the changed design to consider inclusion of sediments flushing into the downstream flow, and out of the flow into the power waterways in order to better and longer-term protect the dam (downstream side) by sediment inclusion into the flow released from the reservoir and from the headwaters into the power plant. The assessment should include risks analysis to ensure minimal risk and long-term protection against damage of the hydro-mechanical equipment (the turbines) of the power plant by sediments, by ensuring sediments exclusion from the flow destined to the turbines.

6.3.2 Findings on Procurement Aspects

I acknowledge the efforts made by TANESCO through its Supervising Consultant (TECU) in ensuring that the contactor adheres to the procurement requirements by procuring majority of locally manufactured construction materials used in the project. These are materials such as cement, reinforcement steel, roofing sheet, and pozzolana. However, I noted the followings weaknesses regarding procurement:

d) TANESCO did not Adhere to PPA, 2011 During the Procurement of Employer's Representative (Consultant)

I noted that TANESCO did not adequately comply with the procurement procedures as stipulated in Section 78 (1) of Public Procurement Act, 2011 and Regulation 185 of Public Procurement Regulation, 2013 on the selection of a consultant. This was evidenced by the observation that TANESCO lacked all records¹³ for the procurement proceedings of the Supervising Consultant (Employer's Representative). This was against Section 61(1) of the Public Procurement Act, 2011 which requires documents to be kept for a

¹³ Annual Procurement Plan (APP), Requisition Note (Form No.2), Tender Board approvals on Procurement method, Minutes of proposal opening, Request for Proposal (RFP), appointment letters of evaluation committee members, Proposal Evaluation Report, award recommendation, Negotiation Plan and minutes of pre-contract negotiations; and negotiation Team; Attorney General's vetting of draft contract documents; and notices of intention and award.

period of not less than five years from the date of completion of the contract and be made available when required to the Minister and the Controller and Auditor-General. Due to absence of records/information on procurement proceedings, there was no assurance that TANESCO adhered to PPA when employing the consultant.

This means that there were no records showing the procurement proceedings when TANROADS Engineering Consulting Unit (TECU) was employed as the Representative of TANESCO in this project.

e) TANESCO did not Seek Approval from Relevant Approving Authorities Prior to Engaging TANROADS Engineering Consulting Unit (TECU)

Section 35(2) of Public Procurement Act, 2011 states that “no person or firm shall sign a contract with any public body unless the award has been approved by the Tender Board”.

Officials from TANESCO revealed that TANESCO did not seek approval from its Tender Board prior to engaging TANROADS Engineering Consulting Unit (TECU) to provide consultancy services for design review, construction management and supervision during the construction, testing and commissioning of the JNHHP project. This was also evidenced by the fact that TANESCO was not in a position to provide procurement proceedings documents, including Tender Board approvals on the procurement method used, Terms of Reference, Request for Proposal and Evaluation Report.

TANESCO entered into MoU with TANROADS Engineering Consulting Unit (TECU) through Tanzania National Roads Agency (TANROADS) in a procurement amounting to TZS 8,910,704,500 TECU instead of a formal contract. This is contrary to Section 60(7) of the Public Procurement Act, 2011 which states that “where a tender, offer or proposal has been accepted by the Accounting Officer, the Procuring Entity and the person whose tender, offer or proposal has been accepted shall enter into a formal contract for the supply of goods, provision of services or undertaking of works”.

I noted that TANESCO entered a Memorandum of Understanding (MoU) with TECU instead of a Contract which also lacked sufficient binding

Professional Liabilities on the Parties to the MoU. It was also noted that, on 17th April 2019, TANESCO signed the MoU with Tanzania National Roads Agency (TANROADS) amounting to TZS 8,910,704,500 VAT exclusive, for the provision of consultancy services for design review, construction management and supervision during the construction, testing and commissioning of the Rufiji Hydropower Project (RHPP), contrary to the requirements of the Public Procurement Act.

The MoU between TANESCO and TECU through TANROADS is not a formal contract as it does not legally bind the parties to execute their responsibilities, and it is contrary to GCC Clause 3.1 except in respect of GCC Clause 15 “Termination by Employer”. Since MoU is not a binding agreement as such, the Supervising Consultant and the Employer are not liable for any omissions or commissions. This poses risks to the project associated with lack of liability and responsibilities because the MoU lacks legal enforcement.

f) MoU Entered between TANESCO and TECU Lacked Sufficient Binding Professional Liabilities on the Parties to the MoU

Furthermore, I observed that Article 7 [Liability] of the MoU states that in no event, whether a claim arises in contract, indemnity, tort (including negligence), strict liability, or otherwise, shall a party be liable to the other under or in connection with this MoU for loss of profit or revenues, loss of production or business opportunity, or for any consequential, incidental or indirect damages whatsoever. In view of the above, professional liability of the Employer’s Representative (supervising consultant) is missing; hence risks related to the parties cannot be mitigated.

g) TANESCO Did not Ensure that Major Project Components are not Sub-Contracted

Clause 4.4 of GCC requires that the contractors not to subcontract the whole of work. In addition to this, sub-clause 4.4 of Particular Condition of Contract states that “provided always that the total prices of all works to be sub-contracted by the contractor shall not be more than 50% of the contract price”.

Evidence drawn from the reviewed Project Monthly Progress Report for the Month of December 2020 indicated that 21 sub-contractors and 9 sub-consultants were contracted to all major project components.

However, our discussions with the officials from both TANESCO and TECU indicated that although the Contractor was not willing to disclose the price of sub-contracted work, efforts were made to ensure that the Contractor provided an aggregate per cent of value of work sub-contracted. I noted that the Contractor sent a letter to TECU to indicate that as of 24th July 2020, the aggregate value of all sub-contracted work was 36.7% of the contract price, which was within the limit of 50% of the contract Price as established in Sub-Clause 4.4 of the Particular Condition of contract¹⁴. I also noted that the approval has been made without checking the price of the sub-contracted work. However, TANESCO has not managed to ensure that major works were not sub-contracted.

Even though for EPC contract, the quality risks fall to the contractor, having majority of work sub-contacted may impair the quality of the work.

h) Incorrectly Specified Maximum Amount of Liquidated Damage in the Contract Documents

Regulation 112(3) of Public Procurement Regulations, 2013 stipulates that “the liquidated damages rates shall be specified in the request for proposals or tender documents and in the contract, and the maximum amount of the liquidated damages shall be equal to the amount of the performance bond or guarantee established in the contract”.

I noted that the maximum amount of liquidated damages specified in the contract did not comply with Regulation 112(3) of the Public Procurement Regulations, 2013. Clause 8.7 [Delay Damages] states that “for any delay of Particular Conditions of Contract (PCC) specified the damages rate as 0.1% of the contract price per day and the maximum amount to be 5% of the contract price. GCC Clause 4.2 [Performance Security] specified the amount of performance security

¹⁴ Letter with Reference No. 7000-JVP-TEC-NLT-000641 dated 24th July 2020

as 10% of the contract price. Therefore, there is a risk for non-recovery of the liquidated damages in case of delayed project delivery”.

In response to this official from TANESCO and TECU indicated that, in 2018, PPRA had not yet developed procedures for Design and Build Projects (EPC). The officials also indicated that even if this could have been specified correctly, it would have increased cost of project. The officials have the view that, since in EPC contract, more risks fall to the Contractor, the rate specified will not cause risk for the performance of the project.

In order to improve adherence to procurement and contracting Processes, I advise the management of TANESCO to:

- (a) Enter into a formal contract with TECU for provision of consultancy services (Employer’s Representative) for design, review, construction management and supervision during construction, testing and commissioning of the project and supervision of the activities during defect liability period of the project in order to adhere to the requirements of the Public Procurement Act and avoid potential risks of lack of binding commitment; and
- (b) Correct the observed anomaly by preparing and signing an addendum so that the maximum liquidated damages is fixed to be 10% of the contract price as per the requirement of PPA 2011 (as amended in 2016).

6.3.3 Findings on the Contract Management

a) The Project Delayed for 6 Months as of December, 2020

Although the Employer’s Representative had in place adequate time management systems, it did not adequately manage the contract time. As of 31st December, 2020 the project progress was at 28.61% as compared to the planned 46.93%. The cumulative slippage in progress at the time was 18.32%, which is equivalent to 200 days (about 6.7 months) of the total 1095 construction days. This was contrary to the requirement of sub-clause 8.6 of General Conditions of Contract (GCC) which states that “if, at any time; (a) actual progress is too slow to complete within the time for completion and /or (b) progress has

fallen (or will fall) behind the current programme, the employer is required to notify the contractor to revise methods which the contractor proposes to adopt in order to expedite progress and complete within the time for completion”.

This was attributed to delay in the commencement of critical path project sub-components, such as diversion tunnel, power water ways, power house, saddle dams and main dam which were ranging from 42 - 514 days based on the initial programme of work, as indicated in **Figure 6.1** below:

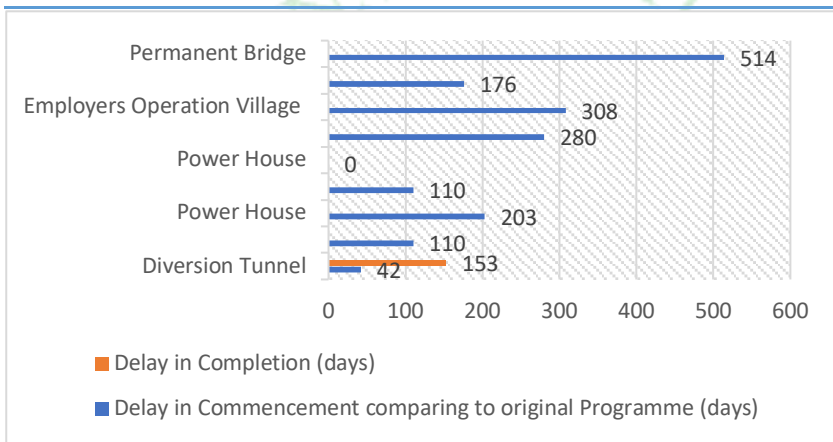


Figure 6. 1: Extent of Delays in the Commencement of Construction of Project Components

Figure 6.1 shows that there was delay in the commencement of the construction work in five hydrological structures that fall in the project critical path. These included main dam, power water ways tunnels, saddle dams (1,2,3 & 4), power house as well as switch yard. Major delays for critical path sub-components were also noted in the main dam and power water way tunnel by 110 days (equivalent 3.6 Months).

Other causes for the delay included TANESCO’s delay to upgrade project access roads to gravel standards prior to the commencement of project, change of overall output capacity from 2100 MW to 2115MW, which led to delay of final designs by over 15 months and

subsequently delaying the construction and intrusion of river water into Diversion tunnels.

b) Substantial Delays in the Implementation of Corporate Social Responsibility (CSR)

I noted that TANESCO signed the agreement with the contractor to implement social project under health and education sectors at a cost of 4% of the contract sum. However, the implementation of the agreed social projects did not commence up to the time of this audit (December 2020). The main contributing factors for the delay in the implementation of the identified social projects include late submission of detailed agreement for 14 months, failure of contractor to comment on the detailed agreement for seven months. Furthermore, one month's time stated in the CSR Contract for signing the Detailed Agreement was not enough to identify and prepare details of the social projects to be implemented.

The delay was also attributed to the assertion by the Contractor that the identified social projects deviated from the CSR agreement as they do not fall within the education and health sectors. The contractor thought that the identified Social projects that fell outside the education and health centres were roads and sport complex. The projects earmarked are construction of a 35km road from Fuga Railway Station to the project site and upgrading of Matambwe Gate Access Road (5km) to Bitumen Standard, and construction of Dodoma Sports Complex - Lot 01: Football Stadium at Dodoma. Delayed commencement in the implementation of the social projects eventually led to delays for the community to benefit from the intended use of those projects.

c) The Employer's Representative Did Not have Sufficient Quality Control and Assurance System for Managing Quality of the Executed Project Works

I noted that, the Employer's Representative and the contractor lacked sufficient quality control and quality assurance system adequate to manage quality of executed work. I noted that the Employer's Representative did not ensure that the EPC Contractor provides quality control and assurance plan contrary to Sub-clause 4.9 of GCC that requires the EPC Contractor to institute a quality assurance

system. Similarly, up to December 2020, the EPC Contractor had not been submitted to TECU a detailed quality control plan indicating all the quality tests to be performed in the Factory and at Site, as stated in Section 11 of the Employer's Requirements. In absence of the plan, there is no assurance that the EPC Contractor complied with the quality aspects as expected.

I further observed that TANESCO did not provide independent laboratory to the Employer's Representative (Consultant). Instead, TECU was using contractor's laboratory. This was contrary to Article 4 of MoU signed between TECU and TANESCO that requires TANESCO to provide fully equipped site laboratories for undertaking necessary quality tests. This was to ensure that Employer's Representative fulfil its obligation as described in Section 2.2.2.5 (v) of the MoU its addendum entered on 30th August 2019 that requires Consultant (i.e. TECU) to control beforehand the program and procedures for quality testing carried throughout the construction period to verify the quality criteria, method statements and standards of materials used in the structures and all project activities as well as provision of Acceptance Certificates.

In response to this, interviewed officials explained that, they relied on contractor's laboratory but whenever they were in doubt with quality test results the respective materials were sent to independent external laboratory for testing. Similarly, there was also a joint inspection and testing which were carried out in daily basis. However, their explanations denied the efficiency of quality control as necessitated in the Employer's Requirement.

d) Contractor's Payments were Timely Paid by TANESCO

I noted that TANESCO managed to ensure contractor is paid on time. For the 14 paid Interim Payment Certificates (IPCs), TANESCO took a maximum of 44 days to accomplish payments which was supposed to be paid within 56 days stipulated in the contract signed between TANESCO & M/S Arab Contractors and Elsewedy Electric (S.A.E). Similarly, TECU was noted to perform well in managing cost through review of the raised IPCs for the 14 IPCs raised up to December, 2020. In addition, TECU demonstrated a good performance in responding to the notification to claims raised so far by the EPC Contractor.

However, TANESCO need to put more efforts in responding timely to claims that have shown to be risky to project cost.

Moreover, I revealed that the Withholding Tax has been paid in accordance with Income Tax Act (ITA), 2019 and it has been remitted to the relevant Authority (TRA) timely. This is because TANESCO managed to deduct and disburse the withholding taxes to TRA as per contract terms.

e) TANESCO Delayed Paying the Consultancy Fee Contrary to the MoU

Article 3(5) Para 2 of the First Amendment of MoU on the Fee and Payments illustrates that “the Employer (TANESCO) shall pay the sums owed by the Employers Representative (TECU) Bank Account provided in the invoices within thirty days (30) of receipt of invoice(s) from the Employer’s Representative”.

My reviewed consultancy payment records, indicated delays in the payments made to the Consultant for period that ranging from one to 130 days, despite invoices being submitted timely on monthly basis, as I noted that 15 out of 20 (equivalent to 75% all invoices) invoices amounting to TZS 1,932,247,487 were not yet paid as of January, 2021.

This anomaly was mainly attributed to delay of releasing funds from the Ministry of Energy to TANESCO to facilitate payments of the Consultant. Fund release was delayed for more than 6 Months. As a result, TANESCO had to use funds from its own other internal sources to pay for the Consultancy fee. For instance, on 21st November, 2019 through Payment Voucher with Cheque No. 4602697, TANESCO paid TZS 549,759,584 to TECU through its own source, and the same was refunded to TANESCO on January and June, 2020. Also, on July 2020 TANESCO paid a consultancy fee to TECU amounting to TZS 650,000,000 vide Invoices No. 10 - 16 (February to August 2020 Invoices). However, the same has not been refunded to TANESCO up to January, 2021.

Hence, delays in the payments made to the Consultant may tarnish the image of the Company and may also cause delays in project implementation.

In order to improve Contract Administrations, I advise the management of TANESCO to:

- (a) Ensure measures are prepared and enforced to expedite the progress or recover the lost time and ensure project is completed within planned time;
- (b) Ensure Quality Assurance System and Quality Control Plan for Project is prepared and enforced as required by Employer's Requirements as well as General Conditions of Contract;
- (c) Ensure that Employer's Representative establishes an independent laboratory site setup at site; and
- (d) The Corporate and Social Responsibility (CSR) agreement is signed so as to allow immediate commencement of execution of the social projects. In future for similar project arrangement allocate realistic time that takes into consideration time required for identification of CSR projects and preparation of the Agreement

6.3.4 Findings on Human Resources Management Aspect

I noted that to a large extent the Employer's Representative complied to Sub-clause 6.1 of a Particular Conditions of Contract which emphasized that the contractor to the extent practicable to utilize staff and skilled labour with required qualifications and experience from within Tanzania and their recruitments should be made in accordance with applicable laws of Tanzania. I noted that as of December, 2020 there were 5,361 local citizens who have been employed in the project out of a total of 6130 staff of the contractor. This implies that 87.5% of the Contractor's staff are the citizens of Tanzania.

Despite this achievement, I identified some weaknesses as narrated below:

- a) **87% of Contractor's Key Personnel Not Registered by Relevant Professional Boards**

Regulation 118(4) Public Procurement Regulations, 2013 requires that a foreign tenderer before signing contract to be registered or submit evidence of eligibility to register with the relevant professional statutory bodies.

Review of the Human Resource Information from the Contractor revealed that 167 out of 209 (equivalent to 87%) of contractor's professional key staff¹⁵ mobilized at site (citizens and non-citizens) have not been registered by the Engineers Registration Board (ERB) and Architects and Quantity Surveyors Registration Boards (AQRB). Among the unregistered key personnel, 97 (equivalent to 58%) were foreigners and the remaining 70 staff are Tanzanians.

This is contrary to Sub-section 13(1) of the Architect and Quantity Surveyors (Registration) Act, 2010 which requires architect or quantity surveyor not to practice as an architect or quantity surveyor in Tanzania unless he is registered under this Act and Section 14 (1) of Engineers Registration Act, 1997 which stipulates that, no person shall employ or continue to employ its professional engineer any person who is not a registered engineer.

In response to this Employer's Representative acknowledged that failure to some staff to register with relevant Professional Regulatory Boards was associated with long process and time set by the respective Board. Officials indicated that it takes a period of two and three years for them to get registered with their respective Boards. This time include period for acquiring work permit, followed by accreditation of their certificates by TCU, thereafter, registration with a particular Professional Regulatory Boards, whereby most of them are still waiting for the permits to be issued.

Inadequate enforcement of the requirement to be registered with relevant Professional Registration Boards is the main reason to non-registration of large number of Contractor's Key Personnel. As a result, key personnel staff were doing professional duties without complying with relevant laws. This eventually led to a loss of revenue amounting to TZS 3,580,000 and USD 107,100 that could have been collected through registration fees.

¹⁵ Engineers, Architects and Quantity Surveyors

b) 21 out of 56 Low Level Positions of Contractor’s Design and Execution Teams Filled by Foreigners

Sub-clause 6.1 of the Particular Conditions of Contract states that, “any unskilled labour required by the Contractor shall be recruited locally directly by the Contractor or through labour supplier in accordance with applicable laws of Tanzania”. Contrary to the referred requirement, I noted that 21 out of 56 foreigners were employed at the positions of material test experts, land surveyors, laboratory technicians, survey technicians, quantity surveyors, and civil and structural engineers, which could be filled by Tanzanians. Officials from Employer’s Representative (TECU) pointed out that they had to engage foreigners in such positions at the beginning of the project implementation in order to operate complex machines and equipment and also transfer knowledge to local citizens.

There were not sufficient justification for the filled position which could not have been sourced within the country. This is based on the fact that there is a number of Universities and Colleges in the country that had produced graduates with similar qualifications.

Inadequate coordination between various Government Institutions and inadequate review of the work permit were the main causes. Further, the contractor used to advertise its vacancies through zoom and brighter Monday method which was not effective to reach majority of local citizen and that limited them to apply for the advertised positions.

c) None Compensation of the Dependants of the Deceased Staff

I further noted that as of December 2020, the project had three Occupational fatalities (deaths). However, these fatalities were not compensated contrary to sub-section 19(1) of the Workers Compensation Act, 2008 and PCC sub-Clause 18.3 (b) which specified compensation fee to be not less than; USD 100,000 for the death to any person. However, the Employer’s Representative did not have evidences to indicate whether contractor had compensated the dependant of deceased employee’s as required by sub clause 18.3(b) as well as sub section 19(1) of the Workers Compensation Act, 2008.

The main reason given for not compensating those two deceased include delay in payment of Contractor’s All Risk Insurance (CAR) by National Insurance Company which could have been used to compensate the deceased employees and inadequate follow up made by Employer’s Representative to ensure the NIC make timely payments.

d) 51% of Contractor’s Key Personnel Lacking Valid Work Permits

Regulation 10(1) of Non-citizens (Employment Regulations), 2015 states that “any person who wishes to engage or employ a non - citizen to an employment of occupation shall apply for a work permit from the Labour Commissioner prior to entry by that non-citizen. Further, Regulation 10(2) of Non-citizens (Employment Regulations), 2015 requires the application to be accompanied by a payment of fees as described in the sixth Schedule of the non- citizen”.

Reviewed Human resource information availed to me by the Consultant, revealed that 46 out of 91 contractors’ non-citizen key personnel equivalent to 51% were using Business Visa instead of Working Permit as required by Regulation 10(1) of the Non-citizen (Employment Regulations), 2015. Analysis of the extent on non-citizen employed by the Contractor lacking authorized working permit is shown in Table 6-1.

Table 6- 1: Summary of Contractor’s Personnel Lacking Authorized Working Permit

Project Component	Total Number of Personnel Mobilized at Site as of December 2020	Total Number of Personnel Lacking Authorized Work Permit	Percentage of Personnel lacking Work Permit (%)	Estimated Potential Revenue loss USD 550 per person
Contractors Design Team	16	7	28	3,850
Contractors Execution Team	75	39	52	21,450
Total	91	46	46	25,300

Source: Auditors’ Analysis from Contractor’s Human Resources Information, (2020)

Lack of mechanism to ensure that work permit is processed prior the arrival of non-citizen intended to be engaged in the project is contrary to the requirement of Regulation 10(2), which requires processing of permit to be done prior to the arrival of the expected employees

contrary to Regulation 10(2). Delay in requesting the working permits as most of non-citizens do prefer to start processing their working permit after being assured/ being certain on the period which they will be engaged in the project.

The main reasons given by the contractor and consultant for not seeking for the working permit to 51% of non-citizens staff of the contractor are:

- (a) Lack of mechanism to ensure that work permit is processed prior the arrival of non-citizen intended to be engaged in the project contrary to regulation 10(2), which requires processing of permit to be done prior the arrival of the expected employees contrary to Regulation 10(2);
- (b) Delay in requesting the working permits as most non-citizen do prefer to start processing the working permit after being assured/ being certain on the period which they will be engaged in the project; and
- (a) Lack of coordination of Government Institutions responsible for working Permit and Consultant.

I noted that the Government is running to the risk of losing revenues as a result of non-payments of prescribed working permit application fees of USD 500 for each non-citizen with prescribed professional and USD 1,000 for each non-citizen in possession of other professions. In total, it is estimated that the government has lost about USD 25,300 as a revenue from application fee for the Working Permit.

e) Inadequate Enforcement of Adherence of Contract Terms on Submission of Basic Wages of Contractor's Personnel

Clause 6 (e) of the Particular Condition of the EPC Contract states that “the contractor shall, during the early phases of activities, submit, in accordance with the Implementation Programme, documents related to the organization of the Works in accordance with the Contract Number among them is the proposed labour force together with the basic wages expected to be paid for each labour category”.

Evidence drawn from the reviewed correspondences between employers and the contractor letter with reference No. TECU//AC-EE-JV/783 dated 4th September 2020 revealed that TANESCO has not ensured that the contractor complies with the aforementioned Clause

6 of the Particular Condition of Contract by disclosing the basic wages paid for each labour categories (e.g. technicians, operators, engineers), particularly for foreigners engaged in the project. Officials from TANESCO mentioned that, the contractor was in a view that wages are among confidential information. This was due to non-compliance with the contract by the contractor. As a result, I faced difficulties in determining whether the contractor complied with the prevailing requirements of laws concerning rates of wages payments to be made to the citizen and non-citizen.

In order to improve Human Resources Management, I advise management of TANESCO to:

- (a) Collaborate with professional bodies to ensure the project, contractor, sub-contractors, sub consultants and professional staff engaged in the project are registered to their relevant professional boards; and
- (b) Collaborate with relevant Government institutions and develop mechanism that will facilitate process for acquiring work permit so as to ensure that all foreigners working on the Project have proper work permit thereby enabling the Government to collect expected revenue.

6.3.5 Budgeting and Adequacy of Internal Financial Control of the Project Fund

a) TANESCO Lacked Sufficient Information of Budget Set for the Project

TANESCO was expected to have sufficient information on a specific budget set aside for the project prior to its implementation. My analysis of TANESCO budget of 2017/18 to 2019/20 together with interviews held with the Project Coordinator and Accountant revealed that TANESCO did not have sufficient knowledge on the set aside project fund for the first two (2) years of project implementation. Table 6-2 presents an annual budget for implementation of the project for the period from 2017/18 - 2020/21:

Table 6- 2: Project Budget from 2017/18 to 2020/21 (amount in TZS/millions)

Financial Year	2017/18	2018/19	2019/20	2020/21
Budget Set Aside	Not Availed	Not Availed	1,443,264	1,440,000

Source: TANESCO Budget for Project Code No.3001-3172 and Project Code 3001-3172)

From **Table 6-2** it can be seen that, there were budgets for the two financial years i.e 2019/20 and 2020/21 (Refer TANESCO budget 2019/20 with respect to project with Project Code No.3001-3172 and Project Code 3001-3172) of which the budget set amounting to TZS 1,443,264 million and TZS 1,440,000 million respectively, and the Financier being the Government of Tanzania.

The budgets for 2017/18 and 2018/19 were not given to me for review despite several request and interviews conducted with Project Coordinator and Accountant. Although several reminders were made to avail me with budget of the JNHPP from the Ministry of Energy for my audit verification, I did not obtain them till the audit field work concluded. This means that TANESCO did not have in their disposal the evidence to justify the availability of funds set aside for the projects or budgeting for Construction of JNHPP.

Lack of sufficient information regarding the budget set for the project have a risk for failure to pay the contractors on time, and limit TANESCO position to control project cost and advice the Government on the adequacy of budget as well as taking corrective measures for cost control.

b) The Payments Made Correspond to the Physical Progress of the Project

In controlling project cost, TANESCO through TECU was expected to ensure that the payments correspond to the physical progress of the works executed. A comparison was made by me on the actual amount of payment made to the Contractor against the progress of the project made. The comparison shows the project physical performance was 27.87% while the financial performance was at 25.3%. This means that TZS 497,793,408,143 and USD 516, 949, 764.52 (which in total makes 25.3%) were paid as of November 2020. This implies that the amount paid correspond to the physical progress made. Furthermore, the Employer's Representative had not conducted an analysis to assess whether the remaining project activities will be completed within the remaining project funds. Instead, officials indicated that because they have not received any notification of claim from the contractor that

has indicated risks related to cost, officials do believe that the remaining activities will be accomplished within the planned budget.

However, since the remaining activities involved procurement of electromechanical plants and equipment (Turbine, Generators etc.), TANESCO may need to do further analysis to assess whether budgeted funds can cover the remaining project activities.

c) Absence of Significant Risk to Price Fluctuations due to Exchange Rate

I noted that availability of risks associated with price fluctuation was very minimal. This was because TANESCO had stated conditions regarding price fluctuations in the contract that minimizes the risks. The terms were indicated in Clause 14.15 of the FIDIC General Conditions of Contract which states that “the Contract Price should be paid in the currency or currencies named in the Contract Agreement, unless otherwise stated in the Particular Conditions of the Contract, if more than one currency is so named”.

Furthermore, Clause 14.15 of Final Particular of Contract states that “the contract price should be paid by using local currency, that is TZS (30%) and foreign currency that is USD (70%)”. According to the reviewed contract, I noted that the exchange rate has been fixed to USD 2,224 for payment of foreign currency portion to the Contract while the buying rate is prevailing rate as per Bank of Tanzania of which, was noted to be higher than paying rate. Hence there was a gain obtained most of the time when the payments were made to the Contractor TANESCO experience gain due to exchange rate.

d) Absence of Separate JNHPP Bank Account at BOT

Through the review of project funds management records, I noted that TANESCO maintains two accounts, which are foreign and local currency accounts for the payments made to the Project Contractor. These accounts receive funds from the Ministry of Finance and Planning through the Ministry of Energy. The Foreign Currency (USD) is maintained at the Bank of Tanzania named Government Subsidy Account, and it receives and disburses all JNHPP funds for the Contractor.

The other Bank Account is for local currency, maintained for disbursing the local currency portion to the contractor as per signed contract between TANESCO on behalf of Government of Tanzania and M/S Arab Contractor.

However, my review of funds management revealed that, the account maintained for JNHPP at BoT includes other funds for various projects managed by TANESCO, hence, it is difficult to establish and track the movement for the funds received, paid and the balance remaining during the year. For instance; during the period under review (July 2019 - December 2020) I noted that the Project Accountants' records indicated that there was exchange gain balance of TZS 284,659,603.85 resulting from receipts and payments of Contractor's claims as at 30th December 2020 which could be used for other projects as the same account used to account for project and other TANESCO's fund.

Without established financial procedures for monitoring and managing of JNHPP projects funds by TANESCO's Project Monitoring Unit, it may lead to loss of TZS 284,659,603.85, which is exchange rate gain accruing from JNHPP funds to be used to finance the other TANESCO's Projects.

e) Lack of Proper Mechanism for Recording, Acknowledging, Maintaining and Reporting Framework over JNHPP Fund

TANESCO as implementing entity of JNHPP has formed a separate unit namely, Project Implementation Unit (PIU) for monitoring, supervising and implementing the project which is under construction since 12th December 2018. Among other activities, the Project Implementation Unit (PIU) is responsible for initiating and processing payments to the contractor and consultant, and applying for VAT exemption from TRA on behalf of the contractor.

During the period under review (2018/19 -2019/20), I carried out an assessment on mechanism for recording, acknowledging, maintaining and reporting framework on affairs of JNHPP under TANESCO Project Coordination Unit and revealed that there was no proper mechanism in place for recording, receipt and payment acknowledgement, maintenance and reporting framework on day to day activities. Further, my scrutiny noted that the Project Accountant has been using

Microsoft Excel to keep records of accounts such as payment vouchers, fund received and paid to contractor.

Moreover, I could not track the control procedures in place for verification and approval of PIU of Interim Payment Certificates that were received from the Contractor (M/s Arab Contractor) and the Consultant (TECU).

In addition, I noted that there was neither evidence of fund received acknowledgement nor fund paid to the Consultant and Contractor in the project which may cause dispute in case Consultant or Contractor in the event raised claims of undisbursed or error or omission of the fund from the employer.

Furthermore, I noted that there was no reporting framework regarding the preparation of financial statements or special purpose reports for the project. The noted anomaly was attributed to lack of documented procedures on recording, receipt and payment acknowledgement, maintenance and reporting of project funds by TANESCO for the implementation of the project. Lack of mechanism in verifying supporting documents (such as attendance sheet) and records might lead to misstatement of reports and misappropriation of project funds.

In order to enhance Internal Financial Control of the Project Fund, I advise management of TANESCO to:

- (a) Ensure that they maintained a dedicated JNHPP Projects account for proper monitoring and management of the projects' funds received from the Government; and
- (b) Ensure there is a proper mechanism for recording, receipt and reporting framework for proper monitoring of project funds.

6.3.6 Sustainability of the Project and Coordination with Stakeholders

a) Inadequate Involvement of Stakeholders in Capacity Building for the Project

I noted that, TANESCO has not done much to ensure capacity building for the local staff is well exercised at all stages of the project. This is because TECU did not ensure that the contractor develop a comprehensive training plan that would guide the capacity building of

local staff and through that all smooth transfer of knowledge and expertise. I noted that TANESCO lack adequate succession plan that would allow its staff to take-over the project supervision and also be able to manage the operation of Hydro-Power Plant after the project has been handled over to TANESCO upon its completion. This was indicated by:

(i) Lack of a Comprehensive Training Plan

I noted that Contractor was lacking a comprehensive training plan for employer's staff as required by Regulation 7(2) of Non-Citizens (Employment Regulations), 2015 which requires TANESCO to establish an effective training programme to produce local employees to undertake duties of the non-citizen expert who are engaged in the project. This is because sub-section 2.2.4 of Employer's Requirement had specified to the Contractor training that were mainly focused on of Electro and Mechanical equipment assemblies and factory inspection facilities.

However, I established that a comprehensive training program and plan detailing on how the Contractor will implement the trainings to meet the Employer's Requirement was not availed to me for review. The plan will provide assurance of the Contractor's commitment towards meeting the Employer's requirement regarding training.

Follow up with responsible official, I noted that the trainings were intended for Electro and Mechanical (E&M) equipment assemblies that were yet to be attended. Officials also indicated the planned /intended training courses will be carried out in the countries of the manufacturers of Hydraulic Steel Structures (HSS) covering equipment assembling which will be carried out in the late stages.

This was due to non-inclusion of the needs for comprehensive training in the employer's requirements, which shall be provided to the Employer's staff covering all stages of the project and not some areas as mentioned in sub-section 2.2.4 of Employer's Requirement. Absence of a comprehensive training programme may lead to inadequate adherence to training requirement which will eventually lead to inadequate knowledge transfer and eventually may create a knowledge gap to the employer's personnel on how to operate and maintain the plant in future.

(ii) Lack of Succession Plan

Although there were various positions held by the contractor's key staff for both design and execution teams, TANESCO staff did not avail sufficient evidence indicating succession plan to take over those positions in future. This was contrary to Regulation 7(1) of Citizen Employment Regulation which states that any person who intends to engage a non-citizen to an employment or occupation shall prepare a well-articulated plan for succession of the non-citizen knowledge or expertise to the citizen during his tenure of employment.

Lack of succession plan was caused by inadequate supervision by TECU to ensure that the contractor develops an effective training programme to prepare its staff to take over the duties of the non-citizen expert after completion of the project. As a result, Tanzanians will not gain their own capacity to execute projects of a similar nature in the future.

Furthermore, the construction of the hydro-electric power project involves key elements such as dams, buildings, roads, bridges, waterways, roads and bridges. Experts from other government entities dealing with some components mentioned above such as Drilling and Dam Construction Agency (DDCA) and RUWASA had not been engaged, despite being governmental agencies dealing with construction of dams and water respectively.

Officials from TANESCO and TECU acknowledge that they did not take such experts into consideration at this stage, but they acknowledge that it is very crucial to engage them in the on-going activities.

In order to ensure that, there is sustainability of the project and coordination with stakeholders, I advise management of TANESCO to:

- (a) Collaborate with government institutions such as universities and colleges to develop a mechanism that will facilitate local citizen with required professional qualifications participate in the employment opportunities so as to avoid employing foreigners in the position that could be sourced locally. The mechanism to allow transparency and reach majority of the**

local citizen so as to provide equal chances for all qualified personnel; and

- (b) Ensure that the Contractor develop the training plan sufficient to facilitate achievement of Employer's Requirements by involving Tanzanian in every stage of the project in order to learn and gain knowledge which will be applicable during operation and maintenance of the project and execute similar project in future. The plan should among other attaching Employer's staff as assistants to key personnel as a way of knowledge transfer.

6.3.7 There is Highly Likelihood for the Project to Meet the Intended Output

Based on the assessment made so far, I noted that there is no major technical weakness that can hinder achievement of the intended project output. The fact that TANESCO understated the project's Annual Energy Generation Capacity by the 'Firm Energy' of 6307 GWh instead of 'Nominal/Average Energy' of 10300 GWh, indicates that likelihood for achieving the stated output is higher, provided that TECU would ensure that the contractor adheres to the project design and specifications.

CHAPTER SEVEN

IMPLEMENTATION OF DAR ES SALAAM RAPID TRANSIT (BRT) INFRASTRUCTURE - PHASE 2

7.1 Introduction

The Dar es Salaam Bus Rapid Transit (BRT) Project-Phase 2 involves construction of infrastructure that includes 20.3km of exclusive BRT lanes and Non-Motorised Transport facilities along Kilwa Road corridor and part of Kawawa Road. The project corridor traverses from Mbagala Area in Temeke District to the Central Business District where it connects with Phase 1 of BRT system at the Kariakoo Terminal.

The estimated total cost of the project net of taxes is USD 159.32 million (TZS 285.1 billion). The project is jointly financed by the African Development Bank (ADB) (61.1%), Africa Growing Together Fund (AGTF) (27.8%) and the Government of Tanzania (GoT) (11.1%). The project was expected to be implemented over a period of 4 years (2016-2020). However, due to delays in design and procurement phases, the contract completion date for Lot 1 is 5th May 2022 and for Lot 2 is 28th February 2021.

7.2 Audit Objective and Scope

The main objective of the audit was to assess whether Tanzania National Roads Agency (TANROADS) managed the construction of second phase of BRT with due regards to time, cost and quality (in accordance with standards and specification) in order to enhance traffic movement and eliminate bottlenecks to traffic flow to various centres of economic activities.

TANROADS, an Agency under the Ministry of Works, Transport, and Communications, is the main auditee, because it is the main implementer of the project. On other hand, the Dar es Salaam Rapid Transit Agency (DART) is also the audited entity for this project because, DART deals with procurement of services for bus operator, fare collection and its systems as well as overseeing operations of the BRT system. DART was involved in procurement and supervision of the Consultancy Services for Design of 42.9 kms of the Bus Rapid Transit System Phase 2 & 3 in Dar es Salaam City. Two components related to

construction activities were audited, namely civil works, and consultancy services. The activities were in Lot 1: Road works (Kilwa road, Gerezani road, Chang'ombe road, part of Kawawa road and part of Sokoine Drive (20.3 km) including two flyovers and bus stations along the road); and Lot 2 (Building works: One deport, two terminals and three feeder stations off roadway).

The Audit covered activities spanning from project initiation and feasibility studies to the current stage of implementation. The Audit covered all activities and works implemented in the last five (5) financial years from 2016/17 to 2020/21, mainly because this is the period when TANROADS and DART embarked on the implementation of the project.

7.3 Summary of Audit Findings

This section presents detailed audit findings on the Civil and Building works on issues which include planning, design and tender documentation; procurement; contract management; construction stage; financial management aspects; quality control issues; and human resources management.

7.3.1 Planning, Design and Tender Documentation Aspects

a) Consultancy Services for Design of 42.9KMS of BRT Phase 2 and 3 in Dar es Salaam City (under DART)

Consultant delayed the Work for Four Years

My review of BRT noted that the contract was signed on 25th February, 2011 commenced after 28 days, and was expected to be executed for a period of twelve months. The contract was expected to expire by 25th March 2012. On 25th January 2012, the consultant requested for an extension of time for two months which was granted by DART. However, the consultant did not complete the assignment as agreed and the delivery of the final design and tender documents were delayed for more than four years (up to 15th April 2016). The delay significantly affected the project commencement and the financing plan. The delay was mainly due to prolonged design review by DART which was caused by issuance of new instructions which required design modification. The second, reason was a delay processing of compensation.

b) Lot 1: Consultancy Services for Road Works

(i) Final Design Review Report was Delayed for Seven Months

According to Sub-Clause 8.3 of the Contract for Consultancy Services of Phase 2, Lot 1 project, the Consultant was expected to submit final design review report four months after commencement of the assignment. It was supposed to commence on 27th March 2017 and so the final design review report was supposed to be before 27th July 2017.

However, my review of correspondence files showed that the final design report was submitted on 27th February 2018, which is a delay of seven months. Failure to submit the design report timely could not present Consultant's findings of the design review, and improvements made to the design delayed the procurement of a contractor in time.

(ii) Final Detailed Design Report and Tender Documentation for Addendum No. 1 was Delayed for 8 Months

Section 9 of ToR for Addendum No.1 for the Additional services - Design of Overpass Bridge along the Bandari - Gerezani Road required the Consultant to submit a final design report three (3) months after commencement of the assignment. Commencement was supposed to be 17th February 2018 and so the final design review report was supposed to be before 18th May 2018.

However, my review of correspondences files showed that the final design report was submitted on 17th January 2019, with a delay of 8 months. Early submission of the Final Engineering Design Report and Bidding Document would have facilitated the inclusion of the Addendum in the Tender of contractor and Negotiation for the Construction of BRT Phase 2 Lot 1 for Road Works in time. The reason for delay of Addendum No. 1 was a prolonged discussion between Tanzania Railway Corporation (TRC) and TANROADS on whether to remove the existing railway or maintain its levels without affecting the design.

I advise Management of TANROADS in collaboration with DART to strengthen controls of time management to ensure designs are

carried out timely and all quality control review and approvals of the Draft Design Report are timely done.

(iii) Lack of Detailed City Master Plan that Resulted in Variation of TZS 28.05 Billion (VAT exclusive) for Construction of Overpass Bridge along the Bandari - Gerezani Road

According to Item 7 (Section 5.1- Design Review and Pre-Contract Services), the Consultant was supposed to review detailed engineering design reports including design reports, maps, and drawings; verify the correctness of survey data on site and previous studies, if any; and update the Detailed Engineering Design.

However, my review of project correspondences showed that there was no review of feasibility studies for the BRT project which was conducted in 2005. This was partly due to lack of information on the Government plans in establishing infrastructure, such as railways. As a result, while the tender preparation for Lot 1 was at advanced stage, there were design changes that were introduced at the Railway Overpass Bridge (RoB) along Bandari Road that required raising levels for the Standard Gauge Railway (SGR). These changes affected approach road gradient and the merge into road and railway crossing to the Oil Depot area. As a result, this work was added to the original contract of Lot 1 as Addendum No. 1 amounting to TZS 28,047,114,893.02.

These changes that resulted in redesign of the second overpass bridge were caused by lack of detailed city master plan for 10 years from the time the design was done which was supposed to be prepared by Ministry of Land.

c) Lot 2: Consultancy Services for Building Works

(i) Final Design Review Report delayed for Eighty (80) Days

According to Sub-Clause 8.3 of the Contract for Consultancy Services, the Consultant was expected to submit final design review report four months after commencement of the assignment. The design report was expected to present Consultant's findings from the design review, and improvements made. Commencement was expected to be 24th March 2017 and so the final design review report was expected to take place before 24th July 2017.

However, my review of correspondence files showed that the final design reports were submitted on 12th October 2017 which is a delay of 80 days. This was due to change of site since the site area was partially compensated during design period. Also, the Final Design Review Report delayed because the review of Draft Design Report was not done timely by the Client (TANROADS), and other stakeholders like DART, TRC and TAZAMA. The delay of Final Design Review Report led to the delay of procurement of contractor and commencement of works.

I advise Management TANROADS in collaboration with Management of DART to enhance multi-sectoral and inter-institutional collaboration during planning to ensure there is adequate integration to minimize the redesigns and additions of works.

7.3.2 Procurement Aspect

a) Lot 1: Civil Works

(i) Unsuccessful Bidders not Given Time to submit Claims

Section 60(3) of Public Procurement Act, 2011 (amended in 2016) requires the Accounting Officer to issue a notice of intention to award the contract to all tenderers who participated in the tender in question, giving them seven days within which to submit complaints thereof, if any. However, my review of procurement correspondences did not show whether all bidders were notified. Failure to give time unsuccessful bidders to submit claims deprived them of opportunity to know the reasons for their failures hence it has an impact on making improvement in future participation in bidding process.

(ii) Delay to Notify Unsuccessful Bidders for Four Months

Section 60(14) of Public Procurement Act, 2011 requires the accounting officer within thirty days after the communication of award, to notify unsuccessful tenderers the name of the person to whom the contract is awarded and the contract amount. However, my review of procurement correspondences showed that, a letter of acceptance was sent to successful bidder (M/s Sinohydro Corporation Limited) on 19th November 2018 and the contract was signed on 10th

December 2018, while the letters of notification to unsuccessful bidders were sent on 20th March 2019, about four months later. Delay in communication with unsuccessful bidders could suggest that the procurement of contractor was not fully transparent, and was not fair.

I recommend TANROADS to enhance transparency in procurement process in line with requirement Public Procurement Act and its Regulations.

7.3.3 Contract Management Aspects

a) Lot 1: Consultancy Services for Civil Works

(i) TANROADS did not second Engineers to Consultants During Supervision Work

Clause 5.2 (xxiv) of Terms of Reference (TOR) for the consultancy services required the Consultant to organize and undertake on job training for counterpart engineers. It was further envisaged that, TANROADS was supposed to second at least two engineers to the Consultant during supervision of the works.

Contrary to the requirement, my review noted that there was no item in the Bills of Quantities (BoQ) for the counterpart staff training. It was not clear whether TANROADS agreed with the Consultant during pre-contract to omit the item. Interviewed official of TANROADS showed that lack of item in the Bills of Quantities (BoQ) for the counterpart staff training was due to non-inclusion of the cost of training counterpart staff in the budget of the project.

Failure to second TANROADS staff to the project deprives the TANROADS engineers of the opportunity to get knowledge on different aspect of the project management. These include all aspects of supervision of road works contract, works scheduling, use of relevant software, quality control of completed works, setting out and measurement, including preparation of as-built drawings and final reports.

(ii) The Consultant did not prepare and submit Project Supervision Manual

Based on the Contract for Consultancy Services for Design Review and Construction Supervision of second phase of BRT, the consultant was supposed to prepare a Supervision Manual. This manual would have laid out procedures to be followed during execution of the works. My review noted that the Supervision Manual was prepared and submitted to TANROADS; however, it was not detailed to describe how the supervision was to be implemented. The Consultant was instructed to improve the supervision manual, but until completion of my audit (January, 2021), the supervision manual was not ready for re-submission.

(iii)The Contractor delayed in submitting the Performance Guarantee for 63 Days

In accordance with Clause 4.2.2 of the GCC for the contract¹⁶, the contractor was supposed to submit the Performance Guarantee to the Employer within 28 days after receiving the Letter of Acceptance and submit a copy of the same to the Engineer.

Contrary to the cited clause, my review noted that the Letter of Acceptance to the contractor was sent on 19th November, 2018 and the Performance Guarantee was supposed to be delivered to the Employer not later than 17th December 2018 (within 28 days). However, it was submitted to the Employer on 17th February 2019 (about two months later).

The delay in the submission of Performance Guarantee to the employer led to delay in commencement of the work by almost two months.

I recommend TANROADS to improve its contract management practices by ensuring all contractual agreements are adhered to including timely submission of Performance Guarantee.

7.3.4 Financial Management Aspects

a) Lot 1: Civil Works -Construction Roads

¹⁶ Construction of Dar es Salaam Bus Rapid Transit Infrastructure; Phase 2; Lot 1: Road Work (20.3 KM) including Two Flyover and 29 Bus Station along Kilwa Road (from CBD-Kariakoo to Mbagala)

(i) Uncalculated Liquidated Damage of USD 52,951.80

Review of Design Review Reports for Phase 2 indicated late submissions of 11 days for Draft Final Design Review Report and 215 Days for Final Design Review Report which makes a total of 226 delayed days. I noted that the employer approved and paid more than 20 certificates as per the amount of consultant invoice without charging/deducting the liquidated damages of USD 52,951.80 which is equivalent to TZS 120,610,962.45¹⁷ caused by delays in submitting the reports. This was contrary to item 8.9 in Appendix A of the Contract¹⁸ and denied the Government right to be compensated.

(ii) Payment of USD 300,645 made to Consultant without Insurance Cover

I noted that insurance cover against risk was submitted by consultant on 20th February 2019 through a letter with reference number No.TZ/3210/EG/70. However, prior to submission of the insurance cover, four payments had already been made, which were IPC1 to IPC3 with the total amount of USD 233,145 (VAT exclusive)¹⁹ and IPC 4 with the amount of USD 67,500 (VAT exclusive) as 50% of addendum No.1 payment.

Making payments without insurance cover is contrary to GCC 24.1 and SCC 12, which require insurance coverage against the risk to be submitted prior to commencing the services for a third-party liability insurance with a minimum coverage of TZS 10 million and professional liability insurance with a minimum coverage equal to the value of the contract. This posed risk of loss of government money in case of any failure of the consultant.

(iii) Late Payment to Consultant imposes Interest Penalties of USD 23,834.38

According to Clause 46.1 of General Condition of Contract (GCC), if the client delays payments beyond fifteen days after the stated due date, interest is supposed to be paid to the consultant on any amount due, but not paid on such due date for each day of delay at annual

¹⁷ According to contract the Exchange rate used TZS 2,277.75 per USD

¹⁸ Consultancy Service between TANROADS and Ms Botek Bosphorus Technical Consulting Corporation of Turkey in Association with M/s Apex Engineering Co. Ltd of Tanzania (As sub Consultant)

¹⁹ As indicated in SCC 20 as payment during design review phase for the instalments of 20%, 50% and 30% of the total price of design review phase

rate stated in the Special Condition of Contract (SCC). My review done on 20th October 2020 revealed that several invoices from the consultant were paid late, and some were not paid at all at the stated date of audit. Further review noted that most of delays are caused by the process of confirming and certifying the amount to be paid from TANROADS to MoFP and from MoFP to the financier. These delays of payment will cost the employer an interest penalty of USD 23,834.38, which is equivalent to TZS 54,288,759.05.

(iv) Overcharge of USD 4,315.84 Noted in IPC No.23

According to the SCC 20, payments should be made on monthly basis for undertaken assignments described in the Terms of Reference covering fees for approved personnel and approved reimbursable.

My review of IPC No. 23 noted that the approved amount not yet paid, under PV 000005235 of AFDB was USD 53,998.66 and PV 000005236 of AGTF was USD 24,487.76. These two amounts indicated in these PVs were higher than the certified amounts by USD 2,969.3 for AFDB certificate, and USD 1,346.54, for AGTF certificate. Further my review noted that the increase happened because the accountant processed payments based on the invoiced amounts instead of the certified amounts. This signifies lack of attention by the accountants and non-compliance to the existing internal control system of TANROADS. The control requires that payment be done based on the certified amount. Overpayments constitute nugatory expenditure.

b) Lot 1: Civil Works -Construction of Roads

(i) Late Submission of Certified IPC No.1 by both the Engineer and the Employer

Clause 14.6.1 of the GCC requires the Engineer within 28 days after receiving a statement and supporting documents to deliver to the employer an Interim Payment Certificate which shall state the amount which the supervising engineer fairly determines to be due.

My review noted that in the IPC No.1, the contractor had submitted the application and supporting documents on 21st December, 2019 while the supervising engineer had submitted the certified IPC No.1 to TANROADS on 27th January, 2020. Instead of spending 28 days as required by Clause 14.6.1 of the GCC, it took 36 days for the Engineer to certify the certificate. This affected the other 28 days of the employer, leaving the employer with only 20 days to finalize the payment to contractor whereby the due date for payment was on 15th February 2020. Thus, IPC No. 1 was paid on 29th April, 2020 creating a delay of 73 days.

(ii) Interest on Delayed Payments Amounting to TZS 30.3 Million

Based on the Clause 14.8.1 of the Conditions of contract for Road works Lot 1 states that, “if the contractor does not receive payment in accordance with Clause 14.7, the contractor shall be entitled to receive financing charges compounded monthly on the amount unpaid during the period of delay”. My review of Interim Payment Certificate No.1 and 2 shows that the payments were delayed for 73 days and 33 days respectively up to the date of audit 19th October, 2020 and gave a total amount of TZS 30.3 Million.

(iii) Miscalculation by the Engineer increased the Interest by TZS 13,143,232.97

According to Clause 14.7.1 (b) of the GCC, limitation of number of days for payment; whereby the maximum number of 56 days for IPC payment by both Engineer and Employer counts from the day after the engineer received the statement and supporting document of payment request from the contractor.

My review of IPC No.1 shows that, the Engineer calculated the delay interest by starting to count days after IPC Certification which is contrary to the requirement of Clause 14.7.1. In addition, based on Clause 14.8.2 of the GCC the financing charges shall be calculated at the annual rate of 3% points above the discount rate of the central bank in the country of the currency of payment or if not available the interbank offered rate and shall be paid in such currency. However, I noted that, the engineer used the interest rate which differ from the requirement of the contract for both TZS amount and USD amounts.

I noted that engineer used the BOT discount rate of 7% of domestic currency for both currencies without adding 3% for local currency amount. In addition, the BOT did not have the discount rate for USD, however, the engineer did not use the interbank rate but instead used the discount rate for domestic currency. This discrepancy led to the overcharge of TZS 13,143,232.97 as interest amount for IPC No.1.

I advise management of TANROADS to:

- (a) Collaborate with Ministry of Finance and Planning to strive so as to reduce time of cross-checking invoices in order to meet payment due dates; and ensure that outstanding invoices are paid to avoid interest on delayed payments in the remaining IPCs and Fee Notes.
- (b) Revisit its computation of interest charges and recover the amount overpaid to the contractor.

c) Lot 2- Building Works

- (i) Interest on Delayed Payment Amounting to TZS 49,263,362.87
Clause 14.8.1 of the GCC²⁰ state that if the contractor does not receive payment in accordance with Clause 14.7 the contractor shall be entitled to receive financing charges compounded monthly on the amount unpaid during the period of delay.

I noted that there were delays in payment of IPC No. 1, 2, 3, 4 and 5 to M/s China Civil Engineering Construction Corporation which, if claimed by the contractor, employer will incur a cost of interest payment of TZS 49,263,362.87 as per my computation which will increase the cost of the project without any benefit or returns from the additional cost.

Furthermore, I noted that the delay in paying the outstanding IPC No. 3, which was 78 days at the time of audit, was caused by the Development Partner (AFDB) by not paying the amount on time; however, the cost will be borne by the GoT.

d) Lot 2: Consultancy Services of Building Works

²⁰ Contract No. TRD/HQ/1009/2018/19

(i) Interest on Delayed Payment Amounting to TZS 9,789,534.31

According to Clause 46.1 of the GCC, if the client delayed payments beyond 15 days after the due date stated, interest is supposed to be paid to the consultant on any amount due but, not paid on, such due date for each day of delay at the annual rate stated in SCC.

I noted that payments to M/s Inter Consult were delayed in several invoices which accrued the interest of TZS 9,789,534.31 if claimed by consultant. Invoice 9 to 18 which were yet to be paid at the time of my audit paid will keep on increasing if not paid hence increase unnecessarily cost to the employer with no benefit from it.

My review of submission letters between parties involved, noted that these delays were caused by the Ministry of Finance and Planning, TANROADS and AFDB as tabulated in Table 7-1 below.

Table 7- 1: Interest Penalties due to Delayed Payments to M/s Inter-Consult

Invoice	Amount Certified (TZS)	Delayed days	Interest Amount (TZS)
Invoice No.2	61,235,000	103	1,764,375.89
Invoice No.3	36,141,000	38	330,774.28
Invoice No.6	126,850,000	103	1,368,894.69
Invoice No.7	32,745,000	66	378,016.58
Invoice No.8	36,875,000	39	183,346.75
Invoice No.9	36,875,000	246	1,288,551.37
Invoice No.10	36,875,000	202	1,059,721.75
Invoice No.11	36,875,000	153	787,727.31
Invoice No.12	36,875,000	153	787,727.31
Invoice No.13	41,418,000	120	734,503.56
Invoice No.14	42,078,800	91	510,985.82
Invoice No.15	43,070,000	62	376,371.00
Invoice No.16	43,070,000	36	218,538.00
Total	610,982,800		9,789,534.31

Source: *Correspondences*

7.3.5 Findings on Construction Stage

a) Lot 1: Consultancy Services of the Civil Works

(i) Remedy on Delayed Submission of Monthly Progress Reports

According to Item 8.9 of the Terms of Reference (ToR), the Supervising

Consultant was supposed to prepare progress reports every month for the duration of the contract. The reports were to reach the Client not later than 15 days after the end of the month being reported on. My review of the progress reports revealed that, the supervising consultant did not fully comply with the requirements on timely and complete submission of progress reports as stated in the Contract as there were delays that ranged from 1 to 37 days. I noted that, 11 out of 19 monthly progress reports were not timely submitted to the employer.

According to Item 8.9 of TOR, failure to submit reports whether at intermediate stages or overall, on the specified time periods was expected to result to imposition of liquidated damages equal to 1/1000th of the value of the Consultant's contract for the relevant Phase payable per day of delay up to a maximum of 15% of the Consultant's Contract Price.

My review revealed that the Employer did not deduct liquidated damages on delayed submission amounting to USD 309,200.55 which is equivalent to TZS 704,281,552.76. Delay in submitting the progress reports timely denied the Employer to get the status of the on-going project as well as making timely decisions in order to address issues which were likely to negatively affect smooth implementation of the project.

b) Lot 1: Civil Works -Construction of Roads

(i) Slow Work Progress by the Contractor

My review of 18th Monthly Progress Report of December 2020 revealed that the contractor's physical progress was 9% against 49%, which was the planned progress and leading to delay of 40%. Even though, there have been remainders on the progress from TANROADS to the contractor, the proactive actions have not been taken. The slow progress was caused by factors such as unwillingness of the contractor; Covid-19 Pandemic; stoppage for addressing and investigation of quality issues; design modification and replacement of staff which impaired the competency.

(ii) Quality Problems on the constructed BRT Lane Rigid Pavement

According to Drawings and Specifications, the concrete pavement is required to be constructed with 220 mm thick, with 3.5 metres wide lanes on C1 subbase and G15 improved subgrade. I noted that, the built roads had transverse cracks between 6.480km - 8.910km.

TANROADS decided to investigate to identify the reason for the failure. Based on the investigation report, major causes for the defects in concrete pavement were linked to inadequate handling of concrete from the production at batch-plant to the workplace. From the production point the concrete was transported by tipper trucks then at the work place the concrete was carried by excavator to the paver plant for placing. Thus, this handling procedure led to segregation of concrete. Other reasons connected with failure, included:

- Contractor did not adequately remove Clay and organic contaminants in the sand this caused large number of potholes both on the surface and within the concrete pavement
- Contractor did not adequately handle materials and concrete from stockpiling to laying. This resulted into non-homogeneous concrete which advanced to cracking. The investigation pointed out the major causes that have been addressed include the stockpiling of materials, the batching of coarse aggregate and the multiple handling of fresh concrete before placing.

The common uncontrolled full width and fill depth shrinkage crack found between the expansion joints was attributed to late cutting of the contraction joints. However, I noted that TANROADS did not take stringent measures to the contractor despite the quality problems that happened.

I advise management of TANROADS to apply stringent measures to contractor for Lot 1, for all poor-quality work done by contractor; and ensure that the contractor come out with plan to recover the lost time and redeem the slippage

c) Lot 2: Consultancy Services of Building Works

- (i) TANROADS did not Second Engineers for on-the-job Training Attachment to Consultant**

My review of project files, noted that, TANROADS did not second at least two (2) engineers to the Consultant for on the job training to gain experience on project supervision skill. I further noted that, TANROADS did not put this item in BoQ for the counterpart staff training. This was contrary to the Section 5.2 (xxiv) of Terms of Reference (TOR) for the Consultancy works which required the Consultant to organize and undertake on the job training for qualified counterpart engineers.

Because of this, TANROADS engineers did not benefit from the planned training which was expected to include all aspects of supervision of road works contract. Based on interview with TANROADS officials, the office was understaffed and there was no available engineer free for the on-the-job training attachment.

(ii) The Consultant did not Prepare and Submit Project Supervision Manual

My review of the Contract for Consultancy Services for design review and construction supervision of second phase of the Dar es Salaam Bus Rapid Transit System, revealed that Section 5.2 (xxii) of Terms of Reference (TOR) for the Consultancy works required the Consultant to prepare a Supervision Manual, which would have laid out procedures to be followed during the execution of the works. Upon request of the Supervision Manual from project Engineers, I noted that the document was not prepared and submitted to TANROADS. Availability of the Supervision Manual would facilitate supervision and serve as a basis for on-job training of the TANROADS Staff and visiting students during the implementation of the works contract.

d) Lot 2-Building Works

(i) Six frames for terminal shed were not constructed as per drawings at Kariakoo Terminal

A site visit at Kariakoo terminal found that six frames for terminal shed were not constructed as per the drawings by replacing frame type A with B. As a result, there was an overpayment of TZS 234,371,760. My review did not see any Engineer's instruction for the change or modification. The deviation from the structural drawings was due to inadequate supervision and inspection by the consultant during

construction and fixing of frames. Upon realising the overpayment the consultant decided to recover the excess payment. According to IPC No. 8 which was issued on 22nd December, 2020 part of the overpayment on Frame Type A was deducted from this IPC, hence the remaining overpayment for frame Type A is TZS 103,477,920.

(ii) Columns for Kariakoo Terminal Sheds were shorter than the Design Height and so resulted into Overpayment of TZS 91,138,320

The site visits at Kariakoo terminal sheds noted constructed columns to be shorter than the specified height on the designs and detailed drawings. According to drawing No. T497-BRT2L2-KRK-TSA-ST-06 of terminal Shed for Frame Type A details, the columns were supposed to bear a cross section dimension of (200x 200x52)mm with the height of 5305mm. However, the result of the joint measurement showed that, the columns had a length of 3,700mm which implies a difference of 1,605mm.

According to the BOQ a column of 5305mm long was to be supplied at TZS 3,586,180 which is equivalent to TZS 676,000 per linear metre. This means the missing 1605 mm is equivalent to TZS 1,084,980 per single column which is TZS 15,189,720 per single terminal shed. This cumulated an overpayment of TZS 91,138,320 for all six terminal sheds. At the time of this audit, I noted that TANROADS started to recover the overpaid amount. According to IPC No. 8 which was issued on 22nd December, 2020 there was an adjustment on the payment to recoup part of the overpayment which was made on IPC No. 4 by the deduction of TZS 83,430,816 out of TZS 91,138,320. This means that the amount remaining to be recouped was TZS 7,707,704.

I advise Management of TANROADS to deduct all liquidated damages caused by delays; should also, recover the overpayment to consultant.

7.3.6 Quality Control Management Issues

a) Lot 1: Civil Works -Construction Roads

(i) Stockpiled Gravel Materials did not meet specified Strength

The three point California Bearing Ratio test was conducted to determine the relationship between soil moisture, density and CBR values for the stockpiled materials. The results indicated that the value of CBR swell was within the specified requirements of below 1%, however, CBR value at 95% for stockpiled materials after four days soaking was less than 25%. The use of stockpiled materials with a CBR value of less than 25 will have impact on the strength of the subbase materials to withstand the load on the pavement.

(ii) Four Core Samples did not meet specified Unconfined Compressive Strength (UCS) for Stabilized Subbase

I extracted core samples from constructed stabilized subbase for assessment of Unified Compressive Strength (UCS). According to special specifications, the UCS of individual cores shall not be less than 90% of the minimum value specified in Table 3802/2 of the Standard Specification for Road Works 2000 (i.e., not less than 0.9 MPa). However, four out of 20 tested samples had UCS results less than the minimum specified value of 0.9 MPa.

Reasons for failure of the tested sections are likely to be unauthorised use of the stabilised subbase by traffic as observed during site visit, and long exposure of the stabilised layer without being covered for protection. Failed sections are likely to lower the strength of the rigid pavement that may affect durability and performance of the pavement.

(iii) The Subbase had Low Field Compaction

According to Standard Specifications for Road Works 2000, the minimum field density for Subbase of cemented material (C1) is supposed to be 95% of BS-Heavy. I revealed that, nine out of 23 tested points had field density test results on compaction below the minimum specified requirements (below 95% of compaction) as the failed compaction ranged from 83 to 94%.

Reasons for failure of the tested sections on field compaction are likely to be unauthorised use of the stabilised subbase by traffic as explained in 10.1.2 above.

I advise Management of TANROADS to ensure that the Contractor rectifies failed sections to achieve the required minimum specifications prior to placing rigid pavement on stabilized subbase and ensure that, the stabilised subbase is protected to avoid a risk of traffic to use the stabilised subbase.

7.3.7 Human Resources Management

a) Lot 1: Consultancy Services for Civil Works

(i) Two Supervising Staff were working without Working Permit

My review of the working permits revealed that, four out of six key staff were foreigners and one of them, holding a position of Resident Engineer, did not have a working permit. Also, one key staff did not have a valid working permit (Structural Engineer) because it was expired for both.

Based on interview with contractor's official, the Resident Engineer did not submit university transcript and secondary school education certificates to Tanzania Commission for University (TCU) for verification. Failure to submit the requested documents to TCU by Resident Engineer was caused by lack of access of the institutions from his country due to Covid-19 Pandemic. Failure to have working permit by the Resident Engineer is likely to have impact on the implementation of the project as the Resident Engineer may not have the credentials needed for the job.

(ii) Practising licenses issued by Engineering Registration Board for three foreign key staff at Consultant (Botek) were expired

Clause 6.1 of the Consultancy Service Contract requires the consultant to provide qualified key staff to fulfil the objectives of the services in the supervision of the project. However, review of the educational qualifications and professional registration showed that the key staff met minimum required qualification for the supervision of the project. I noted that, key staff had required education qualification, experience, and professional registration with their respective boards for supervision of the project. However, for the three foreign key staff, the practising licenses issued by ERB had expired

b) Lot 1: Civil Works -Construction Roads

(i) Two staff were working without settling Working Permits

According to Non-Citizens (Employment Regulations) Act No. 1 of 2015, a non-citizen is not supposed to engage in any occupation for reward, profit or non-profit unless he/she has a valid work permit that allows that person to engage in the occupation specified in the valid working permits.

I visited contractor's office (M/S Sinohydro Corporation Ltd) on 31st December, 2020 and I reviewed Working Permits Class C (Company Employees) to establish their validity for individual key staff in the project and found that, key staff who were working in the project with their working permits not well settled.

I noted that 11 out of 12 key staff positions were foreigners while the remaining one key staff (Health and Social Security Environment) was local. I noted that, for the 11 foreign key staff, six key staff had valid working permits and were on site, three key staff had valid working permits but were on leave, and two key staff had no working permits. I was informed that, for the two key staff members who had no working permits, the working permits were under application process and the staff are on leave.

(ii) Nine replacement Key Staff of Sinohydro Corporation did not have required Qualifications

I reviewed education qualifications and professional registration of the replacing key staff and found that not all key staff were registered by professional board which is Engineers Registration Board (ERB). I noted that, 11 out of 12 key staff were foreigners and one key staff is a local key staff. Out of 11 key staff who were foreigners, three staff had valid professional registration, eight staff were not registered with local professional registration boards. Also, for a local staff, was not registered with professional board.

Lack of registration with local professional boards denies assurance to the government that the project is in the hands of experts who are fit for the job and guarantee the quality of the executed works.

c) Lot 2-Building works

(i) Four Key Staff were working without Working Permits

I visited contractor's office on 31st December, 2020 and reviewed Working Permits Class C (Company Employees) to establish their validity for each key staff in the project and found that, there were key staff who were working in the project with expired working permits.

I noted that, four out of six foreign experts had valid work permits. Lack of work permits for foreign staff is a violation of laws of the country and denies the rights of the staff in getting important services to support life of the key staff such as bank account opening and health services.

(ii) Not all Key Staff had Education and Professional Qualification Higher or Equivalent to Staff in the Signed Contract

The works contract required the contractor to have qualified key staff members for the execution of the project. Furthermore, the contract required that, in case there is replacement of a key staff, the new key staff should have equivalent or higher qualification.

My review of Monthly Progress Reports and project correspondences showed that, key staff who were listed in the signed contract were all replaced by other staff during the execution of the project.

I reviewed education qualifications and professional registration of the new key staff to assess whether they had all credentials required for the execution of the project and found that not all new key staff were registered by professional boards which are Engineers Registration Board (ERB), Architects and Quantity Surveyor Registration Board (AQRB). I noted that all six foreign key staff members did not have minimum qualifications. One foreign staff did not present certificates for education and professional qualifications as he had submitted Curriculum Vitae (CV) only, hence there is no assurance on whether he fits for the position.

For the two local key staff, one key staff (Engineer) met the minimum requirements; however, his practising license expired on 3rd December, 2020, while other key staff had the required education qualification, but the professional registration was still in the process. Failure to have adequate qualification (education and professional

registration) does not provide adequate assurance for a key staff to fit the position. This may impact on the quality of work to be performed by respective key staff.

I advise management of TANROADS to ensure all:

- (a) Foreign key staff supervising construction projects in the country have the right credentials and possess valid working permits. This includes liaising with TCU so as to settle challenges facing the applications of working permits by key staff; and
- (b) Key staff possess required educational qualifications, registration with local professional boards and possess valid practising license.

7.3.8 Health, Safety and Environment (HSE)

Environmental Management Program was not adequately audited to comply with ESMP

Section 1.2 of the Environmental and Social Management Plan (ESMP) requires periodic environmental audit of the project in order to identify any deficiencies in environmental performance and advise measures to address these issues. The environmental management program required audits to be conducted after every six months. Also, Section 1.2 of the ESMP required the Contractor to prepare monthly environmental reports which summarize issues carried over from the previous report to show whether these were resolved or were going on and new issues arising.

I noted that, from the beginning of the project up to when this audit was conducted only one environmental audit report of December 2020 was availed to the auditors. Lack of environmental audits for the previous duration limited the employer from having information on environmental quality of the project, especially water pollution and control, air pollution, solid waste management and safety issues such as accident control, etc.

I advise Management of TANROADS to strengthen its contract Management mechanism to ensure that the project adhere to the approved schedule of Work, and Environmental Management Plan

is implemented, and all Contractual Documents are properly documented.



CHAPTER EIGHT

WIDENING OF THE MOROGORO ROAD (KIMARA - KIBAHA) SECTION

8.1 Introduction

Tanzania National Roads Agency (TANROADS) is implementing the Project of Widening of Morogoro Road which is expected to minimise the travel time from 3 hours to 30 minutes between Kibaha and Kimara section. Therefore, directly increase and improve the traffic movement by removing the bottlenecks of traffic flow to various economic activity centres.

Tanzania National Roads Agency entered a 30 months contract on 13th July, 2018. The contract price for this project was TZS 140.45 billion, and it is financed by the Government of Tanzania. The project is executed by M/s Estim Construction Limited and TANROADS Engineering Consulting Unit (TECU) act as the Supervising Consultant.

8.2 Audit Objective and Scope

The objective of the audit was to assess the processes and the manner, in which the project is implemented. It seeks to review the adequacy of the designs and tender documentation, procurement processes, specifications and drawings, construction quality and workmanship, cost control, time management and physical status of the project. The scope of project involved construction of 19.2 kilometres eight lanes for mixed traffic with six bridges, 36 culverts, one flyover, side drain along the road and other non-motorised transport facilities and bus stations and parking bays.

8.3 Summary of Audit Findings

This section presents detailed audit findings on the project on issues which include Planning, Design and Tender Documentation; Procurement; Contract Management; Construction Stage; Financial Management Aspects; Quality Control Issues; and Human Resources Management.

8.3.1 Planning, Design and Tender Documentation Aspects

a) Introduction of the new bus Terminal at Mbezi-Mwisho was not included in the design for this project so it is likely to increase congestion at the junction

According to TANROADS officials and field observations, I found that the Widening of Morogoro road project is not in the direction towards achieving some of its objectives. The Construction of Bus terminal at Mbezi Mwisho was introduced while the widening project was underway, thus the bus station was not included in the design for this project. This will affect the goals of lessening delays along this section. Furthermore, the operation of the bus station is likely to cause traffic congestion and create more conflicts at the junction entering Morogoro road. This Bus station is expected to serve about 700 buses each day. While TANROADS was planning on widening of the Morogoro road, the PO-RALG, through the Municipal Authorities in Dar es Salaam, was also planning for Central Bus station at Mbezi-Mwisho. These two plans were done without coordination between the two government entities. Lack of integrated, multi-sectoral and inter-institutional master planning has been the main factor of this weakness.

I recommend TANROADS to liaise with respective Municipal Authorities to mobilize funds and introduce a solution in order to reduce the potential traffic congestion that will arise from the operation of the New Bus Terminal at Mbezi Mwisho.

b) Cost estimates were Unrealistic

According to Regulations 69(5), (6) and 238 of Public Procurement Regulations, 2013 TANROADS is required to prepare estimates of requirements based on prevailing market prices and in accordance with available funds.

Regulation 69(6) of Public Procurement Regulations, 2013 (as amended in 2016) states that, “The procuring entity shall prepare its estimates based on prevailing market prices specified by the relevant public bodies and updated from time to time and made available to the Authority”. However, review of Employer’s Requirements and other planning documents found that the cost estimates for the project did not fully reflect the situation on the ground.

Review of Employer's Requirements and Tender Documents showed that important items were underestimated in the BoQ including: Land compensation; Construction of Engineer's office; Control of HIV/AIDs and STDs and cost of relocation of services. Since these items are important, they were later, during construction taken on board resulting in an increase in the Contract price. Examples of items which were under-budgeted are:

- Provisional Sum of TZS 10 for HIV campaigns while the actual was more than TZS 100 million;
- TZS 200 million on relocation of services was an underestimation while the actual cost was more than TZS 6 Billion.

c) Tender Evaluation Criteria Omitted a requirement on qualification Information

Review of tender documents showed that qualification information for evaluation of bids was not included as part of the evaluation criteria. This violated the Regulation 184 of Public Procurement Regulations, 2013, which requires the procuring entity to prepare tender documents which contained all the necessary information so as to enable prospective bidders to submit responsive tenders. The missing information included the contractor's experience; equipment; qualification and experience of key personnel; minimum annual turnover; and financial capability. This fault was caused by TANROADS' lack of thorough review and check-up of the tender documents when they were first developed. This anomaly caused difficulties for the members of Evaluation Team to assess the capacity of the contractor.

I advise management to develop Mechanism and plans to strengthen quality review process of plans, design and tender documents in order to ensure conformance with requirements.

8.3.2 Procurement Aspects

a) Weaknesses Related to Procurement Issues

The weaknesses on performance of compliance with the provisions of the Procurement Law and its regulations were as follows:

- (i) The budget for this project tender was TZS 170 Billion, calls for the International Competitive Tendering (ICT). However, the procurement used National Competitive Tendering (NCT), which is limited to tenders up to TZS 15 Billion. This is contrary to the Seventh Schedule made under Regulation 151(2)(c) of Public Procurement Regulations, 2013 (as amended in 2016). Failure to use international competitive tendering denied the Government advantage of wide participation, which include getting competitive price and transfer of technology.
- (ii) Based on reviewed procurement documents, TANROADS did not issue GPN during the FY 2017/18. TANROADS officials confirmed that, this was caused by the emergence nature of the project and short period of procurement. Therefore, the information on the tender was not in the GPN. I did not find any documentation to show that this procurement was emergence procurement which could follow the emergence procurement procedures. Failure to issue GPN could have affected the competition.
- (iii) Based on review of item III (b) of the minutes of negotiation meeting, I revealed that TANROADS modified the interest rate by changing from the interest rate at contract signing to the Bank of Tanzania (BOT) rate. This modification is contrary to Regulation 183(4) of Public Procurement Regulations, 2013 which stipulates that any changes to the standard tender documents shall be introduced only through tender data sheets, or through special conditions of contract. TANROADS did not adequately check compliance with regulations during negotiation, which may create unfairness.

I advise Management of TANROADS to:

- (a) Improve its quality control system in its procurement management to ensure that each document is thoroughly checked for compliance before advances to other steps of decision; and
- (b) Rectify the modified rate of interest in order to comply with the rate used at signing stage of the contract.

b) Procurement of Services without Competitive Tendering TZS 100,370,800

The procurement of supplier of services for inaugural and official laying of the Foundation Stone of the Project was not competitive since only one bidder was invited to submit a tender. However, I found that the items provided were not specialised to apply the single source procurement. The procurement amounted to TZS 100,370,800; which was paid through PV No. PV-00005337 dated 19th February, 2019. On other hand, I noted that this procurement had no approval from TANROADS Delegated Tender Board. Lack of competition is likely to make the cost of acquiring the goods higher than when competitive quotations are used.

I advise Management to use the right selection method, evaluation process and award of contract; and ensure that supervision and inspection is enhanced to ensure specifications are followed.

8.3.3 Financial management issues

a) Allowances and Salaries Paid over and above Approved Budget TZS 252,798,980

Based on the reviewed budget, the approved budget for salaries and supervision allowances for this project was TZS 1,110,350,000²¹ for the period from 21st July, 2018 to 21st January, 2021. However, examination of payment vouchers and supporting documents revealed payment of allowances and salaries which exceeded the approved budget amount by TZS 252,798,980, which was about 23%. This is a sign of weak internal controls which may also reflect unrealistic budget. Because of this, activities costing TZS 252,798,980 could be affected due to lack of funds.

I advise the Management to improve its planning and budgeting to ensure proper forecasting of requirements for goods, services and works in order minimize the variations during implementation of work program.

²¹ Letter with Ref. TRD/D/R.043/VOL.V/89 dated 3rd September, 2018

b) Delayed Payments Attracting Interest Charges Amounting to TZS 304,244,580.35

It was established that payments to the Contractor were delayed. This was contrary to GCC Clause 14.7 (a) which requires the Employer to pay the Contractor the amount certified by the Project Manager within 56 days, after the PM receives the statement and supporting documents. Furthermore, Clause 14.8 of the GCC and Item III (b) of Minutes of Negotiations Meeting stipulated that if the Employer makes a late payment, the Contractor shall be paid interest in the next payment. The audit found that delays in payments ranged from two days to 72 days with an average delay of 32 days thereby attracting interest charges amounting to TZS 304,244,580.35 as of 31st December 2020. The delays in payment cause disruptions of contractor's cash flow projections and may lead to project completion delay and increased project cost due to interest charges.

I advise the Management to ensure timely request for funds from the Ministry of Finance and Planning and close follow-up to expedite payment approval processes in order to avoid loss of public money attributed to interest charges on delayed payments.

8.3.4 Quality Control Issues

This section covers findings on technical issues including design, material test results, site inspections which are centred around on the following specific aspects: conformity of the approved design with the Employer's Requirement; conformity actual works with the approved design; and quality control aspects.

a) Stone Mastic Asphalt (SMA) core Thickness Complied with Specifications

Coring of the wearing course was done on ten locations where 150 millimetres diameter asphalt cores were taken for testing. The results showed that the average thickness of cores was 53.4 millimetres, which is above what was specified and the average binder content from extraction of cores was 5.6%. These parameters complied with Final Design and Specifications.

b) The Contractor's Materials Laboratory was not Furnished with Equipment

Clause SS.1305 of Special Specification required the contractor to have its own laboratory during the contract period. However, during site verification, I observed that the Contractor's Laboratory was not equipped with equipment and apparatus for performing the specified tests; as a result, all tests for the Contractor were carried out in the Engineer's Laboratory. This implies more maintenance cost to the employer because of depreciation of the equipment.

c) Lack of Tender Board approval for Pavement Layers and Surfacing

The pavement layers specified for surfacing in the Final Design did not fully comply with the employer's requirements. This is because the employer's requirements specified normal Asphalt Concrete, but the final design specified Stone Mastic Asphalt (SMA) for surfacing. I was not availed with Tender Board approval on the change of specifications. Furthermore, despite failure to obtain Tender Board approval, introduction of SMA was a positive initiative to improve performance of the road based on previous experience on application of Asphalt Concrete.

d) TZS 185 Million was paid for a Temporary Structure of Engineer's office

The Contractor constructed a temporary structure for the Engineer's office but was paid TZS 185 million which is 50% as lump sum of the total amount for the item. However, TANROADS paid this amount without any evaluation associated with the deviation from the Employers requirements. According to clause SS.1404.01 of Special Specifications, the engineer's office building was supposed to comprise the following rooms: five single man office, one meeting room, four double man offices and two storerooms. Also, the building was to be a permanent structure constructed with a minimum of 2.8 metres internal headroom. However, during site measurements, I observed that the arrangement of the rooms for Engineer's office did not comply with the Employer's requirements and internal headroom

was 2.4 metres for all the rooms which was less than the specified height.

I recommend TANROADS to request from the contractor to provide justification of cost incurred in construction of Engineers' office and recover the unutilized amount.

8.3.5 Health, Safety and Environmental (HSE) Aspects

a) Environmental Impact Assessment (EIA) was not Conducted

Environmental Impact Assessment (EIA) study was not conducted as per Section 81(2) of the Environmental Management Act, 2004 which requires the study to be conducted and approved by NEMC before a project starts. TANROADS did not set realistic time for conducting detailed EIA since construction activities were required to start within a short time, thus there were not enough time to conduct detailed EIA. As a result, there was no early identification of alternatives to solve the likely environmental problems. Lack of EIA affected preparation of cost estimates related to mitigation of environmental degradation. This is likely to cause cost increase during project implementation.

b) Contractor did not Take Precautions Against Spread of HIV/AIDS

Based on document reviewed and field visit, I noted that the contractor did not take all reasonable precautions for HIV/AIDS control. Detailed records of the number of condoms issued, and other HIV/AIDS awareness and prevention programs as part of the precaution taken were not documented. Based on interview with officials, I noted that TANROADS did not give much priority to these areas. This was manifested by the fact that the budget for awareness programs was significantly reduced from TZS 100 million to TZS 10 million. Lack of investment in HIV/AIDS control could lead to weakening the workforce in case of the spread of this disease among the workers.

c) Contractor did not Provide Temporary Road signs to Control Traffic as per the Contract Requirements

According to Clause SS.1503.01, the Contractor was required to erect signs with information written in Kiswahili and English (Kiswahili at the top followed by the same information in English underneath). During site inspection, I observed that the information provided on temporary

erected road signs to control and direct traffic was only written in English; hence, the messages intended could not be understood by all road users; and posed risks of causing accidents and confusion.

d) Contractor did not Provide Fresh and Safe Water for Site Workers

Clause SS.1715 of Special Specification required the Contractor to provide fresh drinking water at the site. During site inspection, I observed that the Contractor did not provide fresh and safe water. The water was supplied using a plastic tank exposed to all weather elements without cover or lid. This compromised the health and safety of workers at site since the water used for drinking could be easily contaminated.

e) TANROADS did not Put a Requirement for Provision of Toilet Facilities at the Parking Lot for Lorries

Based on site inspection, I observed that there were no toilet facilities at the parking lot at Kibanda cha Mkaa located, at 4.7km to 5.1km on the Right-Hand Side (RHS). It was further noted that the employer's requirements did not provide for toilet facilities for this truck parking lot designed to host about 80 truck drivers each day. According to interview with TANROADS officials, the toilets were overlooked on the original plan and it was feared that toilets could increase the project budget if they had to develop an addendum for toilet. Given the importance of health of users of the parking lot, toilets are important to minimise the risk of diseases.

I advise Management to improve its supervision of the contractor to ensure that the Contractor is in full compliance with health and safety requirements by instructing the Contractor to adhere to the provisions as stipulated in the Special Conditions of Contract, General Conditions of Contract and Special Specifications.

8.3.6 Human Resources Management

Key Staffs to the Project were on Part - time basis

According to the approved organisation structure, the TANROADS Dar es Salaam Regional Manager (RM) was supposed to be the Project Manager. Also, the Project Engineer and Resident Engineer were supposed to come from the TANROADS Dar es Salaam Regional Office.

Based on the review of project file I found that the Regional Manager (RM) was the Project Manager, this complied with the requirement of the approved organisation structure. However, I found that Regional Manager also served the position of Resident Engineer. This is contrary to the requirement of the organisation structure.

Handling each position was caused by inadequate management of change which occurred in the project, that some key staffs left the project. The notable effect for handling both positions is to lower the check and balance in decision making concerning the project (conflicting role).

On other hand, I noted that other staff on this project were supposed to be fulltime employed officials who would dedicate their time to this project. However, review of Project Organisation structure revealed that the designated Materials Engineer for the Project was not a full-time employee of this project. The Materials Engineer was a fulltime employee of Central Materials Laboratory (CML) and gave his time for this project on part-time basis. According to interview with the officials, all the approval of materials and test results were delegated to the Materials Technicians. This was not a healthy delegation and contravened the requirements of the project since such delegation will likely lead into inadequate supervision and delayed decisions and actions.

I advise Management to separate key staff assigned to the project from other demanding assignments.

CHAPTER NINE

SAME - MWANGA AND KOROGWE WATER SUPPLY PROJECT

9.1 Introduction

The Government of Tanzania has allocated significant amount of funds for the construction of Same-Mwanga and Korogwe Water Supply Project as one of the strategic Development projects. This project has a total budget amounting to TZS 450.3 Billion financed by the Government of Tanzania together with other financiers such as Arab Bank for Economic Development in Africa (BADEA), the OPEC Fund for International Development (OFID) and Kuwait Fund for Arab Economic Development (KFD) and Saudi Fund for Development (SFD).

The intention of implementation of this project is to facilitate the availability of clean and safe water to residents of Mwanga and Same towns together with other villages in Mwanga, Same and Korogwe districts by constructing water source, intake, treatment plant, storage facilities, pumping stations, transmission lines, distribution networks for house connections.

Actual project implementation started with design review during 2013/2014, which was supervised by the Ministry of Water. Construction was split into two phases: the first phase was for development of the water source at Nyumba ya Mungu by drawing water from Pangani River downstream Nyumba ya Mungu dam; construction of transmission pipelines and storage tanks; water distribution networks and small pipes reticulation for house connections in Mwanga and Same towns; distribution in villages around Nyumba ya Mungu dam; and in Mwanga and Same towns. This phase had three contracts, namely Contract I, II, and III.

The Second Phase was for the transportation of water from Same to Korogwe district and distribution of water in villages along the transmission pipelines. Phase I was to serve 9 villages including Mwanga and Same towns, and Phase II was for 29 villages (adapted from MoW project proposal dated 27/1/2014). Due to budget constraints implementation of the project started with Phase I by excluding the nine villages surrounding the Nyumba ya Mungu Dam.

Implementation of the Projects for Phase 1

Implementation of Phase I has been split into four works contracts namely:

Contract I: This is contracted to M.A. Kharafi and Sons from Egypt with Contract sum of USD 41.36 million. Its scope covers construction of Raw Water Intake; Raw Water Pumping Station; Transmission Main from Raw Water Pumping Station up to Raw Water Treatment Plant; Water Treatment Plant; Treated Water Pumping Station (PS1) located inside the Treatment Plant; 9.25km DN900 Ductile Iron Transmission Main from PS1 up to Kisangara Storage Tanks; and construction of Kisangara tank with storage capacity of 2000m³. The Contract started on 17th February, 2014 and was expected to be completed on 16th July, 2017 but still it is not completed. In December 2020, the Overall work progress for whole project was at 64% while contract duration had already expired. This contract is supervised ECG from Egypt in association with ATKINS.

Contract II: Construction of transmission pipelines and distribution network in 9 villages surrounding Nyumba ya Mungu dam. This contract has not been procured yet due to budget constraints.

Contract III: This is contracted to BADR East Africa Limited from Tanzania with Contract sum of USD 36.08 million for the construction of Kisangara Treated Water Pumping Station (PS2) and installation of the phase 1 pumping units which includes 11 centrifugal pumps, with capacity of 126L/s, at Head of 234m; construction of 6,000m³ Reinforced Concrete Ground Water Storage tank at Vodoi area in Mwanga Town; Construction of Transmission main line 900mm (Ductile Iron) from Kisangara PS2 up to Kiverenge Storage tank of about 18km; Construction of Gravity transmission line from Kiverenge Storage tank up to Mwanga Storage tanks; 600mm (4.55km) and 500mm (11.95km) Ductile Iron pipes; Construction of Distribution system in Mwanga town (HDPE Pipes) ranging from 90mm to 630mm of total distance of about 95km; Supply and installation of reticulations pipes 32mm HDPE of about 10km and 5000 water meters and Rehabilitation of existing four (4) Storage tanks located in Mwanga town. Contract started on 28th August, 2018 and original completion date is 4th April, 2021. In

December 2020 the physical progress was 60.35% against elapsed time of 86%. This contract is supervised by Don Consult Ltd from Tanzania.

Contract IV: This is contracted to BADR East Africa Limited from Tanzania with Contract Sum of USD 35.25 Million. Its scope covers construction of Kiverenge Storage tank 7,500m³ with chemical room (Chlorination System), at Kiverenge Hill; Construction of 9,000m³ with Chlorination System and workshop building at Kavambughu hill; Construction of two ground tanks of capacity 300m³ each in Same Township; Construction of Transmission Main Pipe System of about 34.7km involving DI C 30 pipes of size DN 900mm, 800mm and 500mm and HDPE PN 16; Construction of Distribution Pipe Network System for Same township totalling 100km of HDPE pipes; Procurement and installation of Reticulation pipework, 12,120m of HDPE including all necessary bends and fittings; and Supply of 7,500 Water Meters with its associated plumbing works. The contract started on 1st June 2017 and it was expected to be completed on 30th July, 2019 but it is not yet completed. In December 2020 physical progress was 87% while contract duration had already expired. This contract is supervised by M/S Don Consult Ltd from Tanzania.

9.2 Audit Objective and Scope

The main objective of the technical audit was to assess whether the implementation of this Project is effectively being done with due regard to time, cost and quality (Value for Money) in order to facilitate provision of clean and safe Water to intended users in the project area. The technical audit sought to identify areas for further improvements in the implementation of the projects in order to foster the attainment of the intended objectives. It further seeks to review the adequacy of designs (quality and fit for purpose), tender documentation, procurement processes, specifications, drawings, construction and workmanship, cost control, time management and physical status of the project.

The main audited entity is the Ministry of Water. In the implementation of this project, the Ministry of Water is responsible for formulation of policies regarding water sector in the country, and implementation supervision, including approval designs and payments made at each stage of implementation of the project.

The Technical Audit covered activities spanning from Feasibility stage, design to implementation up to the time of audit. The Technical Audit focused on key project elements covering management of aspects related to technical, procurement, financial, contract management, environmental, safety and social impact issues. This involved reviewing and assessing the processes and the manner, in which the project was planned, designed, procured, implemented, and where applicable completed and closed. I also verified design standards used, specifications, quality and workmanship of constructed parts of the project, physical status and its functionality.

9.3 Summary of Audit Findings

This section presents detailed audit findings on the Same-Mwanga-Korogwe Water Supply project on issues which include Planning, Design and Tender Documentation; Procurement; Contract Management; Construction Stage; Financial Management Aspects; Quality Control Issues; and Human Resources Management.

9.3.1 Planning, Design and Tender Documentation Aspects

During the Audit, I noted that planning and design of Same-Mwanga & Korogwe Water Supply Project was inadequately done. This was manifested by (a) inadequate Water demand forecast (b) inadequate design of water infrastructures (c) absence of a feasibility study for contract III (d) uneconomical design of project structures, and (e) improper preparation of tender documents.

The details for each of the observed weaknesses related to Project planning and design are provided below:

a) Inadequate Water Demand Forecast of the Project

Chapter 1.1.4.3 (e) of Ministry of Water Design Manual, 2009 requires population to be a major component of water demand and hence much care and attention must be paid to it.

During the design of the Project the population Census of 2002 for Same, Mwanga and Korogwe was estimated to be 127,796 which was used, and the population growth rate for Kilimanjaro rural and urban, as per National Bureau of Statistic, was 1.8% and 4.01% respectively and for Tanga region rural it was 2.2%.

However, from the review of the Design Report, I observed that the growth rate used was 5% for urban centres of the project area and came up with a forecasted population of 456,930 people. Using this growth rate of National Bureau of Statistic for forecasted population become 287,989 people. This indicates that the actual forecasted population up to year 2038 will be 63% of the estimated population.

The effect of using the wrong growth rate is that the subsequent design has used a population of 456,930 people instead of 287,989 people (63%). Therefore the projected water demand by the Year 2038 has been exaggerated as 101,600 m³/day instead of 60,708.52 m³/day which is equivalent to 702.64 litres/second (67% more). This has caused over design of Pumps and Pipes used for the Project.

I advise the management to revisit its water demand forecast in-terms of population projection in order to avoid possibility of over/under estimation of requirements related to pumps and pipes that may unnecessary additional project costs.

b) Inadequate Design of Water Infrastructure

(i) Inadequate Design of Water Treatment Plant

Chapter 3.3.1.4-B&C and 3.3.2.1 of the MoW Design Manual, (2009) stipulates that, “the detention time, for gravitational flocculation a slot velocity should be 0.5 to 0.6 m/s in the first 2/3 and 0.3 - 0.4 m/s in the last 1/3 of the chamber and detention time should be 20 to 30 minutes”.

Review of Design Report indicates that the detention time and velocity in Flocculation Tank is 30.6 minutes and 0.2 m/s respectively. However, when calculated based on the dimensions of the Flocculation Tank indicated in Shop Drawing No SMK-WTP-SET-CIV-504, detention time for the incoming raw water of 103,680m³/day is 13.23 minutes and maximum velocity is 0.052m/s, against the recommended minimum required detention time of 20 minutes and minimum velocity of 0.5 m/s for slot velocity.

The effect of inadequate design of Water Treatment Plant is that, unless confirmed otherwise, there is possibility that performance of

the proposed flocculation units will not be satisfactory, hence water that is expected to be produced from the treatment plant will be unsafe and harmful to human consumption as the product will contain undesired dosed chemical and existing unwanted organic matters as the flocculation process will not be attained properly.

I advise management to carry out rapid assessment for adequate design of water treatment plant in order to ascertain usefulness of the designs to mitigate flooding issues at the raw water pumping station, flocculation and sedimentation and hydraulic performance of pipelines. This is recommended to be done before engaging new contractors to avoid any possibility of disputes on design responsibility.

(ii) Unnecessary Designed Tank at Water Treatment

From the review of drawings it was found out that at the water treatment station, there were three tanks located between clear water pump house and rapid sand filter of which two are of capacity of 200m³ and of 2,000m³ of water respectively.

Circuit flow of water from filter to clear water pump house was as follows; from filter base water flow to adjacent tank with the capacity of 200m³ from which, water is transported by gravity to clear tank having a capacity of 2,000m³. This clear tank feed another 200 m³ tank adjacent and beneath to clear water pump house.

Introducing filter, backwash and pump house tank in a circuit of flow of water from the raw water pumping station to clear water pumping station was not necessary because the 2,000m³ Tank was enough to be used as back wash tank as well as for balancing water flow between raw water and clear water pumping station.

Analysis of overdesign of pumps and pipes due to over estimation of population is presented in **Table 9-1** which covers installation cost and running/operational cost of pipes and tanks.

Table 9- 1: Capital Cost Analysis on the Effect of Over- design

No.	Item	Cost as per Contract Price in USD	Revised Cost as per Replica Contract Price in USD	Amount that could be Saved Using Contract Price in USD	Remarks
1.	Nyumba ya Mungu Raw Water Pumps	467,280	233,640	233,640	-
2.	Nyumba ya Mungu Raw Water Pipes to Treatment Plant	1,506,507	931,348	575,159	DN900 C30 reduced to DN800 C20
3.	Treatment Plant to Kisangara Pipeline	5,312,578	4,313,445	999,133	DN900 C30 reduced to DN800 C30
4.	Kisangara to Kiverenge Pipeline	6,912,276	4,812,630	2,099,646	Reduced size from 900 to 600 mm and is under Procurement Process
3.	Kisangara Pumps	1,760,000	279,064	1,480,936	-
5.	Kiverenge Tank	3,708,067		3,708,067	The Tank was unnecessary
Total		19,666,708	10,570,127	9,096,581	

Source: Contract Documents (mainly BoQs) and Progress Reports

(iii)Unsatisfactory Location of Backwash Pump

During the site visit I found that Backwash pumps installed do not have provision for ventilation. Physical verification done by Audit Team found that the Room where backwash pump is installed does not have provision for ventilation required for cooling the motor. That might result into premature major breakdown of the motor during the operations. Hence high maintenance cost to pumps.

(iv)Output of Water at Kisangara Tank is Greater than Input

A review of the Design Report of the Project indicated that the amount of water supplied to the Kiverenge Tank is less than the amount of water to be distributed to Same and Mwanga from the Kiverenge Tank. The Detailed Design Report for Phase 1 lot 2 indicated that water to be distributed to Kiverenge Tank is 1008 litres/second while water to be drawn from Kiverenge tank to Mwanga and Same is 1313 litres/second. This indicates a deficit of 305 litres/second, and will

bring the possibility of water rationing. This overdesigning has resulted in overpricing of USD 27,967,539.78, which is equivalent to the total amount of TZS 61.57 billion. This money could have been saved if the design was properly done.

Table 9- 2: Operational Cost Analysis on Effect of Over-design

Item	Power Cost as per Constructed Design Price in TZS./day	Power Cost as per my Proposed Design Price in TZS./day	Amount that could be saved price in TZS./day
Energy cost at Nyumba ya Mungu Raw Water Pumping Station	5,427,562.97	2,796,330.71	2,631,232.26
Treatment Plant Pumping Station	2,265,217.68	1,006,763.41	1,258,454.27
Energy cost at Nyumba ya Mungu Treated Water Pumping Station	23,236,484.78	12,948,223.82	10,288,260.96
Energy Cost at Kisangara Pumping Station	16,344,520.07	2,554,927.78	13,789,592.29
Total	47,273,785.50	19,306,245.72	27,967,539.78

Source: BoQs and Design Reports of the Project

(v) Over-Design of Septic Tank Design and Staff Houses

From the review of the Contract Drawings, I found that the designer designed a septic tank using reinforced concrete walls (Contract Drawing NoS-17-002) without any design justification. Taking into account the capacity of the Septic Tank, I am of the view that, using reinforced concrete instead of concrete block is wastage of resources since the concrete Block could suffice.

Furthermore, I observed from the staff houses that a one storey building was built with 18 Nos 300x400mm columns and 300x400mm foundation beams (Figure 9-1 below) Contract I Drawing No.S-17-002) is overdesigned as there are no loads to warrant such massing concrete frame. This is also an over-design and wastage of resources, contrary to the requirements of Regulations 4(1) and 5(1) of the Public Procurement Regulations, 2013.

Figure 9-1 provides the details on the over designed structures:

slabs are redundant and is wastage of resources contrary to Regulations 4(1) and 5(1) of the Public Procurement Regulations, 2013. The designer could have proposed normal ceilings instead of concrete slabs. Refer photo 9-1 for further details.

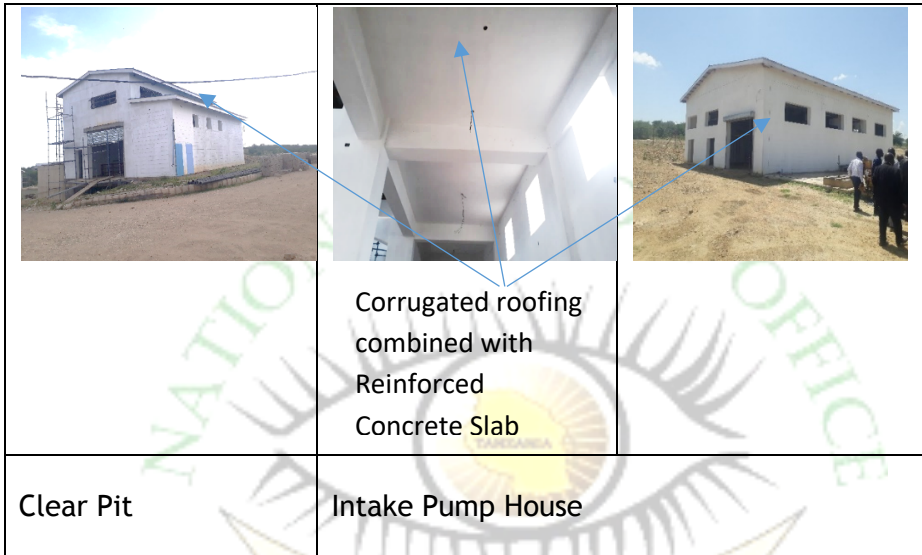


Photo 9-1: Reinforced Concrete Slab in a Single Storey Building (Photo was taken by Auditors on 21st December, 2020)

c) Absence of Feasibility Study for Contract III

I found out that there was no separate Feasibility Study for Contract III works. This contract is part of Same-Mwanga-Korogwe Water Supply Project with a Feasibility Study prepared by M/S SEURECA in joint venture with M/S NETWAS Tanzania Ltd in April 2009.

I found out that in the pipeline design for transmission main (pumping main) from Kisangara Pump Station to Kiverenge Tank and the transmission main (gravity main) from Kiverenge to Mwanga Tanks were specified to be DI K9 DN900, DN600 and DN500 of which according to their thicknesses they can withstand pressure of 31.2, 35.7 and 38.4 bars respectively. The distribution pipes for Mwanga town with diameters from DN600 to DN125 (mm) are specified as PN16 (to withstand 16 bars or 60m column of water) and HDPE DN90 (mm) are specified as PN10 (to withstand 10 bars).

Through simulation analysis, I noted that Distribution Hydraulic Model considered the period when there was no flow water at midnight while

this is the time when pressure in the pipes is maximum. The maximum pressure was found to be 195m (19.5 bars) of which the specified pipes of PN16 (16 bars) and PN10 (10 bars) cannot withstand. Therefore, pipelines are not adequately designed with a possibility of premature failures (bursts) and massive leakages that might cause loss to the utility.

When the Transmission Model from Kiverenge Tank to Mwanga Tank was simulated, some nodes appeared to have pressure greater than 30 bars; therefore, the specified DI C30 could not withstand the water pressure and some pipes are over specified/over designed as their nodes have pressure lesser than 20 bars and some even lower than that.

I therefore urge management to take contractual measures against Consultants who did not advise the Employer properly in various aspects such as wrong design of intake raw water pumping station rendering its useless on floods incidences.

d) Uneconomical Design of Project Structures

I found that there was uneconomical planning of project structures because some of the quoted prices were higher than the prevailing market prices.

I observed that, there was assessment done on the design of the project by M/s DON Consult Ltd (Project Supervisor). The review modified pipe routes, pipe quantities, tank location and tank design by introducing partition walls.

Despite the review done by the Consultant I also found that during the contract implementation there were design issues which were not identified by the review done. The identified design issues led to delays and additional cost to the client.

Some of the issues noted during site visit and document review include:

(i) Inflated Cost in Rehabilitation of Tanks and Access Roads

Items such as rehabilitation of four small tanks, including access roads, were quoted very high at price i.e. USD 580,000 (equivalent to TZS 1.28 Billion) in the BoQs. Based on my analysis, this amount could suffice to cover cost for construction of four new Storage Tanks of 500m³ each. A Storage Tank of that capacity costs USD 14,000 (equivalent to TZS 30 million).

(ii) Design of Chemical Room

Chemical room, a normal building made of block work with dimensions 10.9m length, 5.5 m width, 3.9m height (with 4.25m with gable) quoted at USD 185,380.10 which is equivalent to TZS 408 Million.

I further found that this over pricing was attributed to an absence of Engineers Cost Estimates which could guide the Evaluation Team to assess the economical implementation of the building.

The above mentioned observations contributed to the increase of the contract price and also the used added quoted price could be saved and used for other purposes.

(iii) Uneconomical Pipeline Route Design

I assessed and revealed that C30 pipeline class that was used throughout in the transmission of water was oversized. The proposed design used for transmission pipelines of 20,583.58m cost of USD 5,762,615.6. According to my assessment I found out that an alternative and economical route of 15,129.9m with implementation cost of USD 3,908,364.4 could fit the purpose and save about 5,358m with total cost of USD 1,854,251.2, equivalent to TZS 4.0 billion.

(iv) Unjustifiable Change of Project Drawings during the Project Implementation

I also observed that, the original Tender Drawings for Same Main and Kiverenge Tanks issued by M/s DON Consult Ltd in March 2014 (Drawing No. S-92-201 Kiverenge Floor Plan) had provided for partitions walls. However, during the assessment done by the same Consultant after the contract signing, the consultant agreed to change the design to introduce expansion joints at additional cost to client amounting to USD 15,652.75. In addition to cost, these changes caused delays in the construction due to waiting for the variation orders. There was no proof of argument from the Ministry of Water against the additional

costs which rose from Consultant's advice to change his own design as guided by Regulations 5(1) of Public Procurement Regulations, 2013 and GCC 3.5(a) on Professional Liability.

(v) Inadequate Quality and Completeness of the Feasibility Study Report

My review of the Project Feasibility (FS) Study Report noted that, the available Same-Mwanga-Korogwe Water Supply Project Feasibility Study Report is in the draft form. The Ministry of Water initiated the implementation of the project based on draft feasibility Study Report contrary to requirements of Regulations 239(8) of the Public Procurement Regulations, 2013.

Furthermore, the Feasibility Study Report was missing key information to make it complete and acceptable. Some of the missing information include: Preliminary Environmental Assessment and mitigation measures, Cost Benefit and Economic Analysis (CAPEX and OPEX), discussion of alternative solutions, design for climate Change, Flood modelling using 30 years' data or above as best practice. This is contrary to Sections 1.1.3, 1.1.4.3 and 1.4.2 of the Ministry of Water Design Manual, 2009 and Regulations 5, 241(3) and 321(1) of the Public Procurement Regulations, 2013.

I further urge management to liaise with consultant in order to rectify the aforementioned deficiencies and ensure full compliance with contracts requirements.

e) Inadequate Preparation of Tender Documents

I found that the Bills of Quantities were inadequately prepared. The following weaknesses were noted regarding Bills of Quantities:

(i) Contractors were Required to Price for Submission of Performance and Advance Payment Securities

Regulation 29(1) of Public Procurement Regulations, 2013 requires the Procuring Entity to ensure the successful Tenderer submit a Performance Security to Guarantee the faithful performance of the contract and payment of all labourers, suppliers, mechanics and subcontractors, if any.

Clause 4.2 of the Contractor’s General Conditions of Contract states that “The Contractor shall obtain (at his cost) a Performance Security for proper performance in the amount and currencies stated in the Appendix to Tender. If an amount is not stated in the Appendix to tender this Sub-Clause shall not apply”. The amount stated in the appendix to tender was 10% of the accepted contract price.

Review of preliminaries items of the BoQs on first page under item three and four indicated that the contractor was required to price the Advance Payment Security and Performance Security. This means that these items were borne by the Ministry of Water. The contractor priced those items and they were paid by the Ministry of Water in the subsequent certificates. Furthermore, extensions of these items were part of the addendums. Table 9-3 indicates the amount of the Priced Advance Payment and Performance Security.

Table 9- 3: Items that Were Not Supposed to be Priced

Item	Initial Cost (USD)
Page 1 of 6 item 3 Advance Payment Security	10,620
Page 1 of 6 item 4 Performance Security	796,500
Total	807,120

Source: Contract Documents and IPC 21 Evaluation Report for Contract 1

Table 9-3 indicates that a total of USD 807,120 (equivalent to TZS 1.8 Billion) formed contract amount was the cost of acquiring Performance Security and Advance Payment Security which was not required to be billed items but not the priced items. As a result, during implementation the cost of these items was approved for payment via certificate number 1 and it was paid. This amount of money could be used in other activity of the Government.

I recommend that during the notional final account the amount paid to contractor should be recovered to client in order to retain the funds paid contrary to the conditions of contract.

(ii) Inadequate Pricing of Items in the Bills of Quantities

Review of Preliminary Section of the BoQs indicated that contractors were required to price for the work completion of all specified works in the contract documents describe on the project scope of work. This means the item was not required to be priced because there was no line item on the Bill of Quantities to complete the required works of

the project according to the contract drawings, and specifications as this was just instructions to the contractors.

Furthermore, during the pre-bid meeting, the contractor requested clarifications indicating that this was difficult to be priced on the item by indicating that “It was very difficult to quote for this item and they suggested to delete this item and add 10% contingencies in the BoQs Grand Summary to cater for this item and any unforeseen”. I noted that the Ministry replied that the tenderer has to stick to the tender documents including the BoQs. As a result, the item was priced at USD 295,000 (equivalent to TZS 649 Million) and it was paid through subsequent certificates. This was a misuse of public resources because this item increased the unneeded contract cost which could be directed to other activities.

I found out that there was performance securities item in the BoQs and it was paid to a contractor a total of USD 200,000. This was against Clause 4.2.1 of the General Conditions of Contract which requires the contractor to obtain (at his cost) a Performance Securities for proper performance in the amount stated in the particular conditions and denominated in the currency (ies) of the contract or in a freely convertible currency acceptable to the employer.

Also, Item No. 7 of the Contract Close Out which reads “Identified local taxes, levies, income taxes, etc. locally payable under the laws of the Government of Tanzania” was not mentioned/defined in the Technical Specification Section 01770. This item was not clear because the project is tax exempted, yet the contractor was paid USD 30,000 to accommodate taxes while there was tax exemption of the contract.

I recommend that Ministry of Water to recover from contractor the amount paid on items which were not supposed to be priced as per contract.

(iii) Multiple Pricing of Items in the Bills of Quantities

Review of Preliminary Sections of BoQs revealed that there were some items which were multiple priced. **Table 9-4** indicates the multiple Priced Items

Table 9- 4: Items that Appeared Twice in the Bills of Quantities

Name of the First appeared Item	Name of the Second appeared Item	Cost of Items in first Appearing (USD)	Cost of Items in the Second Appearing (USD)
Contract I			
Page 1 of 6 Item 7 Project Management Staff	Page 3 of 6 Item 3 Administration and Staff	792,511.60	84,960
Page 1 of 6 Item 8 Construction Supervision Engineer	Page 3 of 6 Item 5 Foremen, General and Supervisors	217,002.00	124,006.02
Page 1 of 6 Item 11 Provide adequate resources to complete Progress scheduling as Per Section 01320	Page 1 of 6 Item 12 Planning and Scheduling Engineer	24,780.00	47,200
	Page 1 of 6 Item 13 Scheduling including Updates and Revisions		18,290
Page 3 of 6 Item 8 Provide temporary facilities for the Employer, and Engineer as per Sections 01510 and 1590 Which include project signs	Page 4 of 6 Item 2 Provide Projects Signs	161,660	5,900
	Page 1 of 6 Item 3 Provide Project identification		5,900
Page 4 of 6 item 1 Demobilization of All Facilities	Page 4 of 6 item 5 Provide contract close out work as per section 01770	64,900	23,600
Contract III			
Temporary Facilities Section 01510 Telephone services Transportation Site office for use of engineer Measuring and testing instruments Project signs Section 01590 Power supply Water supply Maintenance Communication equipment including computer, photocopier, telephone services.	Item 2 mobilization Engineers and employers cars- Nos.3	800,000.00	480,000.00
	preliminaries General-item 10 computer, software and printer		21,000.00
	Preliminaries Temporary facilities and control-item 12 supply and erect sign board to the project area		1,900.00
Preliminaries General-item 3 Project sign	Preliminaries General-item 2 project identification sign	6,000.00	6,000.00
Preliminaries Progress schedules-item 12 planning and scheduling engineer	Preliminaries Progress schedules-item 13 scheduling including updates and revision	50,000.00	25,000.00
Total		2,116,853.60	843,756.02

Sources: My Analysis from Contract Addendum No.1 (Preliminaries)

My analysis from **Table 9-4** above shows that in the BoQs there were a number of items which appeared twice. By arranging the items in the order of first and second appearances, it shows the item cost USD 2,116,853.60 and 843,756.02 respectively. This indicate that if first option could be selected the second option cold be saving to the Government USD 843,756.02 which is equivalent to TZS 1.9 Billion.

I advise the Ministry of Water to crosscheck the items in the BoQs and recover from the contractor the amount paid twice.

(iv) Lack of Clarity in Preliminary Item of Bills of Quantities

I found out that BoQs included ambiguous items called ‘Others to Specify’ without giving details on what is expected under these items and what if bidders did not specify what they would do to use this item at the tender stage.

Further, during tender evaluation and negotiation, the Ministry of Water did not seek for clarifications from bidders to confirm the scope of Item 7 &10 of Bids in preliminaries having items termed “Others Specify” which is contrary to the requirements of Regulations 5(1) of the Public Procurement Regulations, 2013.

The best practice would be to delete these items from BoQs if they did not specify what was included during tendering. However, I observed that the Consultant has certified payment for these items amounting to USD 1,936,062.54 equivalent to TZS 4.2 Billion as presented in **Table 9-5**.

Table 9- 5: Items Priced by the Contractor Without Specifying the Activities in the Preliminary Items

Item No	Name of the Item	Total Initial Cost (USD)	Total Current cost raised and Certified during execution (USD)
Page 1 of 6 Item 10	Other (specify)	756,297.4	1,199,069.03
Page 3 of 6 Item 7	Other (specify)	464,849.20	736,993.51
Total		1,221,146.60	1,936,062.54

Source: Contract Document and Payment Certificates

Table 9-5 indicates that items worth USD 1,221,146.60 in the contract did not specify work to be done and they contributed to unnecessary

increase of the cost. The review of the evaluation for the payment certificate No. 21 I found out during the implementation of the Project due to extension of time, the cost of the items increased to USD 1,936,062.54.

Further, during the interviews with the contractor's staff provided justifications of items named "Other specify" which covered accommodation, hospitality, communication, computer and accessories, consultations, transportation, office and consumables, license & certificates, small equipment and devices, electricity and contractors renting. All these items were already covered in Other Items in the preliminaries and Other Rates in the Contracts between the Ministry of Water and Contractors.

Since contractors did not specify what would be covered by that item during the tendering, it led to contractor to look for any means that would justify them to be paid and hence caused unnecessary cost increase to the contracts.

I recommend the Ministry of Water to review the justification of activities paid to the contractor under item of the BoQ named "Other Specify" and recover the amount which is not qualified to be paid as contract requirements.

(v) Inconsistencies of Procurement Documents for Contractors

I found out that the Ministry of Water did not check for inconsistencies of procurement documents which was contrary to Regulations 185(2) of the Public Procurement Regulations, 2013 that requires the Evaluation Team to have a checklist of all the required tender documents which includes BoQs, specifications and drawings. Also, this was contrary to Regulations 239(8) of the Public Procurement Regulation, 2013 which states that "the Procuring Entity shall not invite tenders for works unless drawings and specifications are complete and firm estimates of cost have been prepared". Continuing the tender and starting construction work with incomplete drawings and specifications resulted into variations to change locations,

additional or reduction in quantities. I noted that variations raised have reached USD 1,110,816.94 which is equivalent to TZS 2.4 Billion.

I recommend the Ministry of Water to ensure tender documents are completed before inviting tenders

(vi) Incompatible Specifications and Standards

The Ministry prepared Contract Documents (Instruction to Tenderers and Specifications) based on foreign standards and Specifications not applicable in Tanzania. Earthwork specification 02300 is referring to the standards of American Society of State Highway and Transport Officials (AASHTO), American Society of Testing and Materials (ASTM) and NEMA. All these standards not appropriate for the pipe installation project contrary to the requirements of Tanzania Ministry of Water Design Manual, 2009 widely uses ISO Standards for DI and HDPE pipe installation in Tanzania. This means that there were inconsistencies in the Contract Documents in terms of specifications and standards. The impact of using inappropriate specifications and standards is the deficiencies noted in pipe backfilling and compactions that jeopardizing the quality of works and future sustainability of the laid pipes.

I advise the Ministry of Water to thoroughly review, improve and use the standards contract documents and related manuals during preparation of contract documents for implementing water project in the country in order to avoid unnecessary dispute which may result loss of taxpayers' monies.

(vii) Inclusion of Letters which Modified the Tender Documents

Section 29.1 of the Instructions to Tenderers stipulates that, tenderers shall not cross out any item in the Tender Documents or any of the Technical Design and Specifications or make any change in them. Alternatives and modifications shall not be considered. If the Tenderer desires to offer special conditions or introduce technical changes or alternatives, they must be submitted in a separate envelope attached to his Tender as per Clause 26 of the Contract Document and at the same time make reference thereto in the Form of Tender and the Employer/Engineer reserves the right to accept or reject any of these variation, deviation, or alternative offers.

During the audit, I noted that the Contract Documents included tender letters which were inserted into the Main Tender Documents and allowed bidders to offer special conditions or introduce technical changes or alternative which significantly modified tender/contract key terms and requirements. Tender letters attached are indicated in **Table 9-6** below.

This also was contrary to the Requirements of Regulations 4, Part 2(d) of the Public Procurement Regulations, 2013 which provides for the importance of integrity, accountability, fairness and transparency in the procurement process, whereas Regulation 5(1) restricts departure from the standard practice, and Regulation 78(1), 79(3). It is also Contrary to Sub Clause 83(1) and GCC 15.6.3 of the Contracts which restricts fraudulent practice in the procurement and contract implementation.

This resulted to several disputes. Two critical disputes were on DI Pipes and the Payment of Material on site. The DI pipe issue forced Ministry of Water to remove DI Pipes from the Main Contract so as to find another contractor for the removed scope.

Table 9- 6: List of Letters with Ambiguities (Contract III Tender)

Reference Number of the Letter	Contents of the Letter	Noted Anomaly
Ref No. BDR/0309/3112/2017	Preliminary Item Lump sum prices are based on FIDIC regulation based on payment to be endorsed by the Employer upon the serviced items start to be rendered by the Contractor	FIDIC Regulation on lump sum was not part of the contract
Ref No. BDR/0392/3112/2017	Preliminary Mode of Payment as per FIDIC Clauses, the Contractor request the full amount to be certified for payment without any deduction after the Contractor fully mobilized	FIDIC Regulation on lump sum was not part of the contract
Ref No. BDR/0391/3112/2017	Taken into consideration that the procurement material of this project (Contract III) exceeding 50% of the total amount of the project. The Contractor is requesting Advanced Payment not less than 25% of the total price of the project	Relaxation of the key tender requirements with one bidder which is unfair to other bidders. While in the tender documents it was set at 10% which later was agreed through negotiation to be 20%

Reference Number of the Letter	Contents of the Letter	Noted Anomaly
Ref No. BDR/0313/3112/2017	Provision of 15% Retention Money Bond to substitute the deduction of retention money in each IPC	Relaxation of the key tender requirement with one bidder which is unfair to other bidders while in tendering process was supposed to be recovered from each IPC
Ref No. BDR/0309/3112/2017	Request for materials on site payment to be incorporated at 70% of the value rated in the BoQ and plant & accessories to be incorporated at 70% of the value rated in the BoQs.	Relaxation of terms because if client paid as per request there is a possibility of losing some of installation and execution money if the contractor is terminated
Ref No. BDR/0377/3112/2017	Contractor informed the Client the place where the camp location would be located Accommodation, Offices, Workshops and Warehouses.	Contractor was able to notice area of camp site before the government procedure of acquisition of land to be suggested. Possibility of the tender letter modification were directed to a known tender before proper procurement procedures were initiated. This could be termed as Fraud and Collusion as per GCC 15.6.3 (ii)&(iii).
Ref No. BDR/0376/3112/2017	Items of the Bills of Quantities, the Contractor informed the client that there is no items for bush clearing, trench excavation, rock excavation and backfilling for the transmission and distribution mains proposed to discuss the rates for these items in the negotiation meeting	The contract specification included in Sections 02620 and 02621 all activities mentioned but the contractor claimed that they were not included. Contractor requested for variation and Client agreed and paid for bush clearance and excavated
Ref No. BDR/0380/3112/2917	From the items in the Bills of Quantities items clarifications, the contractor explained the class of pipes he included in his tender as it was not clearly specified in the tender document. D500 DI pipes C25, DN600 & DN 900 DI pipes C20	Contractor changed specification from K9 which is equivalent to C30 and in his tender letter he said price quoted for K9 is equivalent to C25 and C20. During bid clarification this issue was raised by the contractor by indicating that K class pipes and fitting were obsolete but they produce C-class from manufacturer of DI pipe and the client replied that it shall be sorted at a later

Reference Number of the Letter	Contents of the Letter	Noted Anomaly
		stage of the procurement which was not done.

Source: Technical Envelop Tender Letters from the Ministry of Water

I urge management to take legal action against the Contractor and those found to be involved in fraudulent acts related to Tender Letters, Advance payment Guarantees and Retention Guarantees.

9.3.2 Procurement Aspects

a) Inadequate Procurement of Contractors and Consultants

I revealed the following discrepancies regarding the procurement of Contractors and Consultancies:

(i) Absence of Procurement Records for Contractors and Consultants

Regulation 15 of the Public Procurement Regulation, 2013, requires the Procuring Entity to maintain records of the procurement proceedings containing the following information:

Brief description of the goods, works or services to be procured; Names and Addresses of Tenderers who were pre-qualified, short listed or selected and invited to submit tenders including the procedure used to select them; Names and addresses of tenderers that submitted tenders and the name and address of the tenderers with whom the procurement or disposal contract is entered into and the contract price; The price, valuation basis for determining the price; and Summary of the evaluation and comparison of tenders, including the application of any margin of preference pursuant to these Regulations.

I noted that documentation of the procurement proceedings at the Ministry of Water was not sufficiently done. Key procurement documents were not available hence could not be availed for my audit. The missing documents included: Engineers Cost Estimate, Bidding

Documents issued to bidders and those submitted by bidders, complete set of Evaluation Report and Correspondences between different parties. Tender Board files were also not availed to the auditors for review and this was contrary to the requirement of Regulations 239(8) of the Public Procurement Regulation, 2013, Article 143(3) of Constitution of United Republic of Tanzania and Sect. 15 of Public Audit Act, 2008.

Apart from the missing procurement files, some of the general correspondence files were either missing or incomplete. For instance, files covering the period from Financial Year 2013 to 2016 were missing and could not be provided.

I urge management to submit the missing procurement records for verification purposes.

(ii) Procurement using Incomplete Tender Documents

The audit found out that the Employer initiated procurement process of works and supervision contracts without having a complete set of tender documents (refer Kick-off meeting held on 17/11/2013, agenda item No 7). This happened because the design review was not done as envisaged or was of unacceptable quality. This was the violation of Section 184 of the Public Procurement Act and Regulations 239(8) of the Public Procurement Regulations, 2013.

I advise management to use complete tender documents during procurements as required by Section 184 of the Public Procurement Act and Regulations 239(8) of the Public Procurement Regulations, 2013.

(iii) Specifications and Drawings were Missing

The Contract was signed without specifications and drawings because they were still compiled, and the contractors started the work without these key documents. The Works Supervisor (Consultant) M/s Don Consult reported that the contractor had started the works using a copy of his bidding documents submitted with his tender. This was evident from the Minutes of Contract Negotiations Items No. 18 discussing the need to carry-out the assessment of the project within a month after commencement date.

Though the assessment was envisaged to be complete in one month, specifications were signed and issued to the Consultant and Contractor one year later and it took almost three years to carry-out the assessment, approval date of reviewed distribution line drawing was dated 2/3/2018, and confirmation of transmission location was in 26/3/2019. Up to reporting of this Audit in December 2020 there was no complete set of approved drawings.

This deficiency contributed to insufficient quality of works because of incomplete design done by M/s. ECG and the review of work done by M/s. Don Consult are the ones used to produce revised tender documents including Drawings for Contracts III and IV as evident by Letters Nos. DCL/MOW/PH2/2015/06 and DCL/MOW/PH2/2015/07 dated 13/10/2015 and 11/11/2015 respectively, and also information contained on a CD and Drawings from M/s Don Consult Ltd.

Furthermore, lack of complete set of contract documents contributed to disputes, variations and delays in project execution due to changes in pipe alignment, storage tank modification, and additional rock excavation, variation for additional cost due to missing item for horizontal drilling at railway and road crossings as evident by Contractor's Letters Nos. BDR/S539/0218/2019, BDR/S543/0218/2019 BDR/S537/0218/2019 dated 18/2/2019 and Minutes of a meeting held on 17/11/2013, Agenda Item 7.

(iv) Relaxation of Contract Terms

I found out that in the Tender Document, the total advance payment was 10% of the contract sum while advance repayment amortization rate was 10% of the Interim Payment Certificate, while in negotiation it was agreed to raise the advance payment to 20% and also advanced payment recovery of 18% which is contrary to Regulation 225(2) of the Public Procurement Regulations, 2013 which prohibits negotiation to alter the terms and conditions of contract stated in the tender documents.

I urge management to ensure full compliance with contract requirements as specifically noted on relaxation of contract terms, specifications and drawings.

(v) Validation of Price Increase

I noted that tender evaluation for Contractors had a correction of errors which caused an increase of USD 202,367 (equivalent to TZS 445 Million) without any supporting documents. I could not verify if the corrections were genuine and were in compliance with PPA Regulations 5(1) of the Public Procurement Regulations, 2013. According to my assessment, the following are the items that were found to have been priced very high compared to market price as presented on **Appendix 9-1** below.

From **Appendix 9-1** it can be seen that the items were priced very high causing the overpricing of USD 1,486,041 which is equivalent to TZS 3.2 Billion. If the proper analysis had been done, the Ministry of Water could have saved that huge amount of money.

I advise Ministry of Water to ensure that BoQ items are thoroughly reviewed in order to avoid possibility of overpriced items.

(vi) Working without Contract due to Delay in Approving of Addendum by the Employer

There have been delays in the approval of addendums for extension of time. I noted two incidences where the Consultant was operating without having a valid contract after expiry of the previous Contracts. First time 7 months between June 2018 and January 2019 while waiting for Addendum No. 1, and 10 months between December 2019 and September 2020 while waiting for approval of Addendum No 2.

I advise management to fast track approval of the addendum so that the contract is signed without further delay.

(vii) Non-compliance with Financier's Guidelines

Section 4.7 of the Project Co-Financier (Saudi Fund for Development-SFD), Procurement Guidelines Section 4.7 requires the Employer to submit technical evaluation report to the Financier for approval before proceeding with the next stage of opening financial offers. I noted that the Employer violated this condition and SFD sent Fax No. SFD REF. NO: TD-2013/18364 dated 12/4/2013 complaining about the Ministry of Water for evaluating technical and financial offers and submitted to the Co-Financier the combined report indicating the winning

contractor for Same-Mwanga-Korogwe Water Supply Project. This is to the requirements of SFD Guidelines. As per SFD fax, I noted that this was not the first time for the Ministry of Water to ignore the procedures and guidelines of SFD since the same issue happened for Mugango - Kiabakari- Butiama Water Supply Project in Mara Region.

I urge management to ensure that technical evaluation report is prepared as required by section 4.7 of the Project Co-Financier (Saudi Fund for Development-SFD) and section 4.7 of the Procurement Guidelines.

(viii) Vague Responses during Bid Clarifications

Response to bidders’ queries and clarifications were not adequately conducted by Ministry of Water, as the responses provided were not clearly described to close the matter contrary to the requirements of Regulation 239(8) of the Public Procurement Regulations, 2013.

For example, an extract of the bidder’s query and employer’s responses on clarification No.1 on the specification for Ductile Iron (DI) Pipes is provided in Table 9-7 below:

Table 9- 7: Bidder’s Query and Employer’s Responses on Clarification No.1

Bidder’s Query	Employer’s Response
Section 02620, page 5 of 10 part 2.1.3-wall thickness, are of K Class pipe and fittings stipulated under ISO2531-1998 which is absolute, however nowadays since 2009 manufacturers of Ductile Iron Pipe and fittings produce C-Class as stipulated under ISO2531-2009	This new ISO classification may be adopted at the later stage during material procurement. However, it is expected that the overall specifications will remain the same.

Source: Bidding documents

Instead of giving revised specification backed up with hydraulic analysis, the Employer lightly responded by saying ‘This new ISO classification may be adopted at the later stage during material procurement ‘and ‘However, it is expected that the overall specifications will remain the same’, which is not possible. As a result of this ‘loose’ response, significant dispute aroused during the implementation which caused delay in project completion and additional cost for new DI Pipes.

The consultant's analysis submitted vide: DCL/SMK/CONTRACT IV/BADR/516 dated 12/10/2018 has shown that, the new prices of DI Pipes has contributed into the additional cost amounting to USD 1, 504,435.92 as the new rates were applied and paid during the supply of DI Pipes for requirement of contract IV. **Table 9-8** provides more details about the assessment made by the audit team on the additional cost.

Table 9- 8: Additional Cost due Change in Price of DI Pipes

Pipe Type & Size	Revised QTY (m)	Old Rates in USD	Amount in USD	New rates in USD	Amount in USD
DI C30 DN900	1,202	554	665,908.00	609.56	732,691.12
DI C30 DN800	24,000	462	11,088,000.00	517.44	12,418,560.00
DI C30 DN500	2,220	380	843,600.00	428.24	950,692.80
Total			12,597,508.00		14,101,943.92
Additional cost					1,504,435.92

Source: Consultant Analysis Submitted vide Letter with Ref. DCL/SMK/CONTRACT IV/BADR/516 dated 12/10/2018

Table 9-8 indicates the additional amounting to USD 1,504,435.92 which is equivalent to TZS. 3.3 Billion. The additional cost was attributed to lack of commitment by the Ministry to deal with Clarifications sought by the Contractors during the Tendering Stage.

(ix)Irregularities in Bid Submission and Contract Preparation Process

There are allegations that the Contractor M/S BADRI East Africa inserted tender letters after tender submission date illegally; refer Consultant Letters Nos. DCL/SMK/CONTRACT IV/CLIENT/1120 & 1126 dated 26/8/2020 and 9/9/2020. However, these letters were not submitted in a separate envelop, instead they were inserted into the main tender document and the Bidder did not make reference thereto in the Form of Tender. Worse enough the employer accepted all letters from the bidder/contractor even those which significantly modified tender/contract key terms and requirements. This is against PPA Act (2013) Sub Clause 83(1), Regulations 5(1), 78(1), 79(3) of the Public Procurement Regulations, 2013 and General Conditions of Contract Section 15.6.3.

Contractor's tender letters modify key technical specifications and terms of the BoQs and conditions of Contract to favour the Contractor, contrary to the requirements of Section 83(1) of the Public Procurement Act and Regulation 5(1), 78(1) and 79(3) of the Public Procurement Act, and GCC 15.6.3 which restricts fraud and improper inducement.

I advise management to ensure that contracts are adequately prepared and that contractors are instructed to comply with bid submission requirements as per procurement Acts and Regulations.

9.3.3 Health, Safety and Environmental (HSE) Aspects

a) Non-Compliance to Safety signs and Personal Protective Equipment (PPE)

(i) Performing Construction without Safety Gears

I noted that there were no enough safety signs and Personal Protective Equipment (PPEs) in the Project.

The contractors for Contract I did not observe Health and Safety requirements, contrary to the requirements of GCC 4.8 and that of the Occupational Health and Safety (OSHA) No.5 (2003). Staff members were working without wearing Safety Gears and proper warning signs on areas deemed dangerous areas to the health and safety of staff. For example, at the intake, there was no any sign to warn staff to take precaution at the side of deep waters. Photo 2 below shows labourers who were working without having any safety gears to protect them against any harm. That situation of fixing still without wearing gloves exposes them to risk. Refer photo 9-2 below:



Photo 9-2: Staff are Contractors Staff are Fixing Bolts in Columns Without Wearing Groves to Protect their hands against injuries (Source: Progress report)

Further review of Health Safety Report prepared by the Health and Safety Officer of the Contractor indicated that one death report of the staff was reported. The death occurred at the Clear Water Pit at water Treatment Plant. It was reported that the labourer fallen at 7 meter high indicating, he was working at elevated area without wearing Safety Belt.

(ii) No Control Measures of Noise Pollution

Under Section 6.1 Preliminaries Item 8.7 of the BoQs the contractor priced USD 15,015.50 to control noise pollution. However, I noted that there was no measure that was in place to control noise pollution. The reason provided was that the contract has not set limit or level of acceptable level of noise.

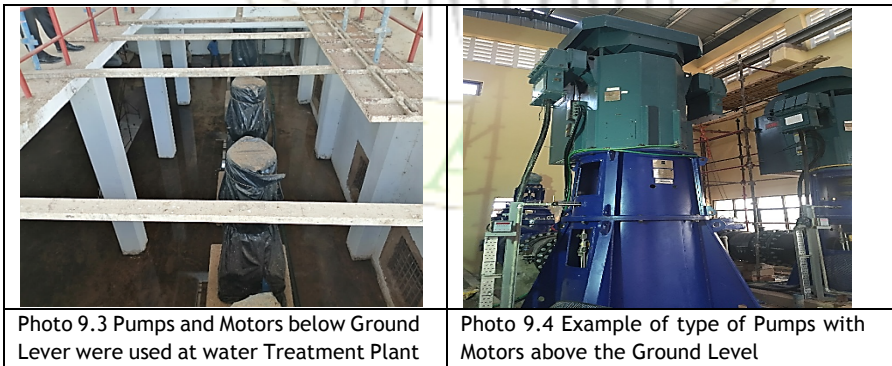
Furthermore, through the review of payment records, I found that the quoted USD 15,015.50 in the BoQs was paid to contractor. I could not see the basis for the Engineer to certify that payment while there were no noise reduction measures in place.

(iii) Inadequate Implementation of Social and Environmental Issues
There were no Environmental and Social Impact Assessment (ESIA) conducted as per the requirement of Section 81 of the Environment Management Act and its Regulations.

This is also against the requirements of Section 63(8) of the Engineers Registration Act, 2010. Since EIA was not done, there was no any Environmental Management Plan for the entire Project.

However, it was also reported that the Employer conducted Baseline Environmental Assessment when the project started though the recommendations from that study have not been shared with contractors and consultants for implementation.

Due to non-consideration of Social and Environmental issues even the water level used for the design of intake was not adequate to mitigate flooding. This is evidenced by floods that occurred in April 2020 which submerged the pump house basement from where it is located. This triggers high risk of destruction of raw water pump if flood of similar nature to the ones happened in April 2020 re-occur. If issues of flood could be considered Turbine (Vertical) pumps with motors could be positioned some meters high instead of using horizontal pumps as presented in Photos 9-3 & 9-4 below.



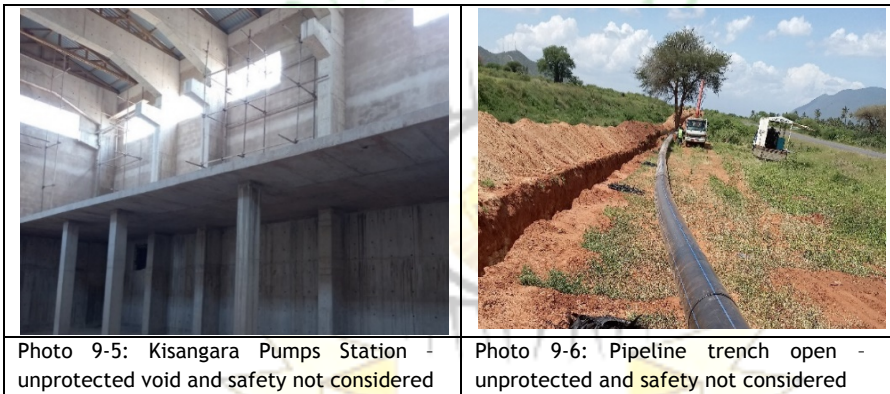
Photos 9-3 and 9-4 provides the comparison of Intake Pump Selection. They show the Pumps Installed below Ground Level at Water Treatment Plant and an Example of Type of Pump with Motors above the Ground level.

(iv) Insufficient Protection at Construction Site

I noted that on the on-going construction, the issue of safety was not considered on the on-going construction site contrary to GCC 4.8 Safety Procedures and it is against Sections 60, 62 and 93-0 of the Occupational Health and Safety (OSHA) Act No.5 (2003) which entails

about safety special provisions describing about risk assessment, provision of protection equipment and health safety of employed person.

There is no protection from falling from high heights. The void for Kisangara Pump Station is not protected to avoid accidents as elaborated to 1.5.2(a) of this report. There were no warning tapes to warn the public as the sites were near built up areas. Also, I observed that Pipeline trench left open and unprotected for long time waiting for pipe laying. Refer photos 9-5 & 9-6 below:



I urge management to provide safety gears to the workers at construction sites, establish measures for control of noise pollution, conducting the environmental and social impact assessment, and ensure sufficient protection measures such as warning gestures in order to minimize possibility of accidents or unsafety incidences.

(v) Social and Environmental Management Plan not Prepared




Section 81(1, 2&3) and 99(1) of the Environmental Management Act 63(8) and Section 63(8) of the Engineers Registration Act require Environmental Impact Assessment (EIA) be carried out prior to project execution.

My review of the carried out project files noted that the Environmental Impact Assessment (EIA) was not done at the planning stage. As a result, there was no Environmental Management Plan prepared for mitigation measures.

During the site visit, I found out that the Contractor left trenches open for more than six months. Open trenches are safety hazard to the community and animals in the surrounding areas.

Excavations around Kiverenge and Same Main Tanks have not been protected against erosions and there was erosion which is dangerous for the safety of the Tank structures left unattended as showed in Photo 9-7, 9-8 and 9-9 below. Contract IV Design did not consider structural measures to prevent erosion around Kiverenge and Same Main Tank sites which are located on hills.

Trenches are left open for long time without warning and not barricaded (currently 23km of pipe trenches are not backfilled for over five months Photo 9-7 to 9-9).

		
Photo 9-7: Open Trench along Kiverenge -Same main transmission line	Photo 9-8: Erosion around Kiverenge Tank	Photo 9-9: Open Trench Waiting Approval of Rate for excavation of Rock of Kiverenge-Same Main Line

I urge management to comply with Environmental Management Act 2004 with regard to upgrading the Safeguard responsible Unit within the Ministry of Water to be effective in environmental management and monitoring.

9.3.4 Time, Cost and Quality Control Issues

The findings on matters associated with compliance to terms and conditions of contract regarding to management namely time, cost, and quality as well as payments of certificates and Sanctions (e.g. Liquidate damages) are discussed in this Section.

a) Inadequate Time Control of the Contract

Regulation 114 of the Public Procurement Regulation 2013, requires a Procuring Entity to ensure that there is effective management of any of works for which it is undertaking and should monitor the costs and timely delivery of the work.

My review revealed that all three contracts of Same-Mwanga-Korogwe Water Supply Project failed to be completed within the Original Contract Completion Time. **Table 9-9** below indicates the time lapse with the percentage of completion by all the three Contractors.

Table 9- 9: Percentage Completion of the 3 Contracts as of December, 2020

Contract No.	Original Completion Time	Revised Completion Time	% Completion up to Dec.2020
I	16th July 2017	28th October 2019	64
III	4th April, 2021	NIL	60.35
IV	30th July,2019	31st July 2020	87

Source: Contract Documents and Progress Reports

Table 9-9 indicates that the percentage completion of all contracts were not satisfactory. By the end of April 2021 the service was supposed to be available in Same and Mwanga Districts. Contrary to that Contract I which is implementing the infrastructure for Water Sources was at 64% of completion with four years lapse of time. This signifies no hope of receiving the intended services to users.

b) Extension of Time for the Manageable Reasons

I noted that the Ministry of Water approved extension of time with reasons that could be manageable and not warranting extension of time. The review of records approving extensions of time based on the reasons as presented **Table 9-10** below:

Table 9- 10: Extension of Time for Works Contracts and their Reasons

Addendum No	Extension Date From	Extension Date To	Reasons for Extension
1	16/07/2017	01/05/2018	Delay in Paying Advance Payment Delay of design of discrepancies of HV and MV electrical works Delay of approval to proceed with the procurement of transmission pipeline materials Lack of access to site and relocation of Kisangara Water Tank Delay of approval of Contractors' Reinforcement Shop drawings
2	02/05/2018	30/11/2018	Delay in modification of design as per TANESCO suggestions,

Addendum No	Extension Date From	Extension Date To	Reasons for Extension
			Delay of design of discrepancies of HV and MV electrical works Delay of approval of Contractors' Reinforcement Shop drawings
3	01/12/2018	19/04/2019	Delay arising from employer's payments (Advance Payment), Delay arising from Electrical Works, Delay arising from Transmission pipeline, Delay arising from access to the relocation of Kisangara Water Tank, Delay arising from employer's payments(Advance Payment), Delay in Pump works, Delay due to flooding of the intake, Delay to chemical dosing system due to failure to issue of approval compliant dosing system approval

Source: Contract Addenda

Table 9-10 presents reasons which contributed to the extension of time. My analysis shows that most of the reasons were associated with delayed payments to contractors, design problems and delays in issuing approval by the consultant on design issues. Further, the mentioned reasons could be avoided if the Ministry would insure contracts are adequately managed.

These extension of time caused additional cost on preliminary items amounting to USD 2,584,257.17 equivalent to 43.45% of the original cost. Further, the total cost of supervision increased by USD 906,947.44 equivalent to 210% and TZS 1,175,019,439.70 equivalent to 931% of contract cost.

Underestimation of Time for Supervision Contract

I found that the Ministry of Water failed to plan for the supervision contract, particularly the fact that the works contracts duration was 30 months plus 12 months for defects notification, but the supervision contract duration was 30 months for supervision only. This has resulted into Addendum No. 1 to increase 12 months to match with contractor's duration (In addition, there have been second addendum to add staff input due to delays in works contract resulting from variations due to design review and delayed payments. Up to December, 2020 the

contract was extended by 30 months and additional cost TZS 1,770,750,000 which was 106% increase to the original contract price. I advise management to increase monitoring on contract execution so that contract endeavours are implemented within the scheduled time.

c) Inadequate Cost Management (Control)

Review of the following payment records revealed the following weaknesses:

(i) Inadequate Negotiation during Addendum Approvals

Through review and analysis of preliminary cost increased due extension of time noted that in the IPCs, there are some items whose costs were not was not required to increase as they were not been affected with time. But, the Ministry approved those items and caused unnecessary cost increment. An analysis of those items is as presented in the Table 9-11.

Table 9- 11: Items that were not Affected with Time But their Cost Increased

Item No. in BoQ	Item No. in IPCs	Item	Initial Cost (USD)	Total Approved Amount to Date (USD)	Additional Cost (USD)
Page 1 of 6 Item 10	4.4	Other (specify)	756,297.4	1,199,069.03	442,771.63
Page 1 of 6 Item 14	6.1	Provide Construction Photograph	118	187.09	69.09
Page 2 of 6 Item 1	7.1	Arrange for Factory Inspection	25,960	41,159.16	15,199.16
Page 2 of 6 Item 2	7.2	Independent inspection & testing services	29,500	46,771.77	17,271.77
Page 2 of 6	8.7	Noise Pollution Prevention ²²	15,016.50	22,048.57	7,032.07

²² This items was not required to be paid at all as during interview with consultant and Contractors representative they were not able to justify activities that was done in order to control noise pollution.

Item No. in BoQ	Item No. in IPCs	Item	Initial Cost (USD)	Total Approved Amount to Date (USD)	Additional Cost (USD)
Item 10					
Page 3 of 6 Item 7	10.5	Other (specify)	464,849.20	736,993.51	272,144.31
Page 3 of 6 Item 11	14.1	Digital Camera (Minimum 8 Megapixel)	472	1,498.91	1,026.91
Grand Total			1,292,213.1	2,047,728.04	755,514.94

Source: BoQs for Addendum 1 and IPC 21

Table 9-11 indicates that USD 755,514.94 equivalent to TZS 1.6 Billion was inadequately approved for payments for items which are not affected due to time extension. This amount was overpayment to contractor and caused loss to the Government. This situation was caused by inadequate review by MoW on contractors request for payment and inadequate analysis of contractor claim by a Consultant.

I recommend that the Ministry of Water to review the items that are not affected by time in all addenda and recover the amount of the mentioned items during final account procedures.

(ii) Delayed Payments to Contactors

Contract documents (Appendix to Tender Number 29 for GCC 14.7(b)) require payments to be done within 90 days for foreign currency and within 60 days for the local currency after delivery by the Engineer.

Review of the payment records for Contract I indicated delayed of payments for local components ranged from three to 906 days for 19 certificates and for foreign components the delays ranged from five to 794 days.

The delay of payment made up to July 2019 caused interest on late payment amounting to USD 475,149.69 as per Consultant's Letter to the Ministry of Water with Ref No. Ref. No. ECGHH/SMK/MOW#128/2018 dated 6th November 2019.

Furthermore, I found that all payments to Contractors for contract III&IV were delayed. With regard to KUWAIT FUNDS, the shortest delay observed was 56 days whereas the longest delay was 161 days. Also with regard to GoT Funds the shortest delay observed was 66 days whereas the longest delay was 342 days.

Delayed payment to contractors attracted financial charges on late payment pursuant to PCC Section 43 which requires 3% interest rate on late payment. Up to November 2020, delay in payment has observed on eight IPCs and resulted into financial charges amounting to USD 441,686.

Moreover, delays in payment to the contractors slowed down the work progress and resulted in weak supervision by a Client. This was attributed to prolonged approval process of payment from the Ministry of Water to the Development Partners.

(iii) Inaccurate Payment of Preliminaries Items

I noted that 95.8% of the total preliminaries items were paid which was equivalent to USD 4,437,700 as observed in IPC 2 and 3 while the progress of the project was only 54%. This was significant percentage of the preliminaries paid and exceeded preliminary payments by 41.8% equivalent to USD 1,215,110 as mentioned in **Table 9-12** below. Thus overpayment of the preliminaries triggered the project at risk to recover the paid amount in case of contract termination.

Table 9- 12: Status of Preliminaries Payments

Total preliminaries per Project Status	Amount (USD)	Percentage
Contract Amount	2,911,000	100.0
Total Amount Paid	2,791,000	95.8
Total Supposed to be paid at the project progress	1,575,890	54.0
Total Overpaid Preliminaries	1,215,110	41.8

Source: Reviewed Contract Documents and Progress Reports

It is my advice that, the Ministry of Water is either to provide a rationale on the overpayments and unjustifiable payments made to the contractors or to recover the aforesaid overpayments.

d) Quality Management Issues

Quality assurance for Same-Mwanga and Korogwe Water Supply Project is provided in Section 01400 (Quality Requirement of the specification) and in the Ministry of Water Design Manual of 2009. Through site visit I noted weaknesses regarding the Quality of Work;

(i) Deprived Quality of Constructed Structure

I observed out through physical observation that seven constructed structures were not in good quality. The structures that were not in good quality are as detailed in **Table 9-13**.

Table 9- 13: Observed Defects during Visual Inspection

Location of Structure	Name of the Structure	Observed Defect	Impact	Causes
Intake	Raw water Tank Slab	Cracks	It may reduce mechanical stability	Poor workmanship
	Flow Meter Chamber	Honey comb	The steel may be exposed to rust	Poor workmanship
Power Station	Power Control House	Rusting of the erected columns' steel bars	It may reduce tensile strength of steel bars	Poor workmanship
		Bending of erected columns steel bars due to absence of starter columns	It may reduce tensile strength of steel bars	Poor workmanship
Water Treatment Plant	Walk Way Slab	Longitudinal cracks	It may reduce mechanical stability	Poor workmanship
	Pump House Wall	Wall cracks	It may reduce mechanical stability	Poor workmanship
Kisangara	Kisangara Water Tank	Honey comb on Tank Wall	The steel may be exposed to rust	Poor workmanship

Source: Auditors' Analysis on Observed Defects during the Site Visit

Table 9-13 shows that most of the observed defects were caused by unsatisfactory workmanship during construction.

Furthermore, there were issues with workmanship on concrete in the treatment structures mainly 'Honey Combs' indicating weak quality control during concrete work as indicated in Photos taken in Contract I. Refer photo 9-10.



(ii) Outcome of the Quality Test for Concrete and Soil Compaction
 Random tests were done by TANROADS Kilimanjaro Laboratory to check the quality of concrete in civil structures and soil backfilling along pipeline trenches. Summary of the results for contracts I, III and IV are presented in Table 9-14.

Table 9- 14: Concrete Structures and Soil Test Results for Contract I, III & IV

Item	Unit	Results	Requirement in the Specifications	Remarks
Concrete Strength Test at Nyumba ya Mungu- Contract No. I				
Pump station Sump (Kisangara Tank) -slab	N/mm ²	35.6	35	Pass
Pump station sump (Kisangara Tank)-wall	N/mm ²	40.4	35	Pass
Raw water pump station-slab	N/mm ²	37.5	35	Pass
Raw water pump station-wall	N/mm ²	44.3	35	Pass
Treated water Pump house (wall)	N/mm ²	41.5	35	Pass
Treated water Pump house (Base)	N/mm ²	39.1	35	Pass
Treated water Pump house (slab)	N/mm ²	38.0	35	Pass
Soil Compaction Test Contract I				
Average Degree of Compaction for Contract I pipe line				
Location 1		87.9	80-90%	Pass
Location 2		56.5	80-90%	Fail
Location 3		80.4	80-90%	Pass
Concrete Strength Test at Kisangara - Mwanga-Contract III				
Mwanga Tank (wall)	N/mm ²	39.7	35	Pass
Mwanga Tank (Roof slab)	N/mm ²	31.7	35	Fail
Mwanga Tank (Wall II)	N/mm ²	39.4	35	Fail

Item	Unit	Results	Requirement in the Specifications	Remarks
Soil Compaction Test Contract III				
Average Degree of Compaction for Contract I pipe line				
Location 1		69.0	80-90%	Fail
Location 2		75.3	80-90%	Fail
Location 3		64.4	80-90%	Fail
Concrete Strength Test at Kiverenge Same Contract IV				
Kiverenge Tank				
Walls	N/mm2	41.8	35	Pass
Roof slab	N/mm2	36.2	35	Pass
Floor slab	N/mm2	37.5	35	Pass
Same main Tank				
Walls	N/mm2	42.3	35	Pass
Roof slab	N/mm2	33.3	35	Fail
Floor slab	N/mm2	36.4	35	Pass
Soil Compaction Test Contract IV				
Average Degree of Compaction for contract IV Pipe Line				
Item		Results	Requirement in Specification	Remarks
Concrete Strength Tests at Nyumba ya Mungu- Contract I				
Location 1		65.8	80-90%	Fail
Location 2		61.9	80-90%	Fail

Source: Test Result Report of Laboratory Test Performed by TANROAD Kilimanjaro, 2020

Table 9-14 indicates that there were nine out of 24 structures that failed the Quality Test. The area that has been highly affected was the soils compaction which seem to be a problem in all three contracts. Some of structures also failed the concrete strength tests.

I advise the Ministry of Water to:-

- (a) Review the quality of work done and take necessary measures to remedy pipeline trenches with compaction below the required standards; and
- (b) Repair the concrete elements failed during quality assessment to avoid collapse of respective structures.

(iii) Good Quality of Concrete Strength

Random Non Destructive Tests were further conducted to check the quality of concrete in civil structures. The structures that concrete

test were Kisangara Tank Wall and Slab, Low Water Pumps House Slab and Wall, Treated Water Pump House Wall, Base and Slab. The summary of the results is presented in Table 9-15.

Table 9- 15: Outcome of Non Destructive Test in Project Structures

Item	Results	Requirement in the Specification	Unit	Remarks
Pump Station Sump (Kisangara Tank) -Slab	35.6	35	N/mm ²	Pass
Pump Station sump (Kisangara Tank)-Wall	40.4	35	N/mm ²	Pass
Raw Water Pump Station - Slab	37.5	35	N/mm ²	Pass
Raw Water Pump Station - Wall	44.3	35	N/mm ²	Pass
Treated Water Pump House (Wall)	41.5	35	N/mm ²	Pass
Treated Water Pump House (Base)	39.1	35	N/mm ²	Pass
Treated Water Pump House (Slab)	38.0	35	N/mm ²	Pass

Source: Test Result Report of Laboratory Tests Performed by TANROADS

Table 9-15 shows that through material testing conducted for concrete strength all structures successful passed since all the sampled tests qualified met the requirement of minimum strength of 35 N/mm².

(iv) Quality of Compaction of Filling Materials

Destructive test was conducted on filling materials used for backfilling on pipelines trench so as to assess the degree of compaction and Ductile Iron Pipe as follows:

Outcome of Compaction Tests

The results of the compaction tests are presented in Table 9-16 below:

Table 9- 16: Soil Compaction Test Results on Project Areas

Item	Unit	Results	Requirement in Specification	Remarks
Soil Compaction Test Contract I				
Average Degree of Compaction for Contract I pipe line Contract I				
Location 1	N/mm ²	87.9	80-90%	Pass
Location 2	N/mm ²	56.5	80-90%	Fail

Item	Unit	Results	Requirement in Specification	Remarks
Location 3	N/mm ²	80.4	80-90%	Pass
Average Degree of Compaction for Contract III pipe line				
Location 1	N/mm ²	80-90%	69.0%	Fail
Location 2	N/mm ²	80-90%	75.3%	Fail
Location 2	N/mm ²	80-90%	64.4%	Fail

Source: Test Result Report of TANROADS 2020

Table 9-16 shows results of the material testing conducted for quality assurance for the underlying layers of the trench. It indicates that two out of six locations selected for random passed. The remaining four locations did not pass the minimum requirements as per specification section 01400. This indicates that the quality of compaction did not meet the set requirements.

Non Destructive Test

A Non-Destructive Tests were also conducted on concretes structures, the structures that concrete test was conducted were Mwanga Tank Wall and Slab. The test results are presented in **Table 9-17** below.

Table 9- 17: Concrete Strength Test Results for Contract III

Item	Requirement in Specification	Results	Remarks
Concrete strength test - Contract III			
Mwanga Tank (wall)	35 N/mm ²	38.7N/mm ²	Pass
Mwanga Tank (top slab)	35 N/mm ²	31.7N/mm ²	Pass

Source: Test Result Report of Laboratory Test Performed by TANROADS, 2020

(v) Working Without Essential Standards and Manuals

Specifications Section 014000 Sub section 1.6.5: Codes and Standards stipulates that the contractor shall submit to the engineer two copies of the latest standard publications, specifications, regulations and codes of practice for review and /or approval of applicability and compliance with materials, plant and equipment delivered. In the event of conflict between various codes and standards, the most stringent conditions shall apply.



I observed that neither the Contractor nor the Engineer had copies of key standards mentioned in the contract specifications as reference documents for compliance and verification.

Risks associated with lack of referred copies include unsatisfactory quality and poor workmanship as evident from pipe installation, where pipes were installed using unapproved backfill material without proper compaction. In such a condition, the pipes are likely to fail prematurely.

(vi) Unsatisfactory Quality Work of Installed Pipelines

Physical inspection at site indicated that the quality of pipe installation was not satisfactory and does not comply with requirement of Ministry of Water Design Manual, 2009 chapter four, and the specification Section 02300 with regard to pipe installation, backfilling and compactions, and this is evident in photos 9-11 & 9-12.

Photo 9-13 also shows that pipes backfilling was done using a dug material which is not suitable, and no soil compaction was done, contrary to the requirement of MoW Design Manual (2009) Section 4.1.1.3 and Specification Section 02300. The Contractor is not following best practice and specifications, yet the Engineer has been inspecting and approved his work contrary to consultant’s GCC 3.1.1 which faithful advice to safeguard Client’s legitimate interest and GCC 7.1 requiring the Engineer to operate in good faith.

	
Photo 9-11: Backfilling Using Black-cotton soil, Un-compacted for HDPE 500mm Pipes - Same-Mwanga Distribution Network	Photo 9-12: Backfilling using Black-cotton Soil, Un-compacted for HDPE 90mm Pipes for Same-Mwanga Distribution Network



I urge management to prepare and put in use the essential standards and manuals as required by Specifications Section 014000 Sub Section 1.6.5 Codes and Standards

(vii) Unsatisfactory Quality of Concrete and Pipes Backfilling Materials

I conducted a strength test on the concrete structure and observed that, the quality of concrete tested at the Same Main Tank top slab failed, yet the Engineer has inspected and approved his work contrary to Consultant’s Contract GCC 3.1.1 and GCC 7.1 requiring the Engineer to operate in good faith and safeguard client’s legitimate interests.

Furthermore, Random tests to check the quality of work on soil compaction for pipe backfilling were done. Results for material tests are as shown in Table 9-18 below:

Table 9- 18: Concrete Structures and Soil Test Results for Contract I

Item	Results	Requirement in Specification	Unit	Remarks
Concrete strength test at Kiverenge Same Contract IV				
Kiverenge Tank				
Walls	41.8	35	N/mm ²	Pass
Roof slab	36.2	35	N/mm ²	Pass
Floor slab	37.5	35	N/mm ²	Pass
Same main Tank				
Walls	42.3	35	N/mm ²	Pass
Roof slab	33.3	35	N/mm ²	Fail
Floor slab	36.4	35	N/mm ²	Pass

Item	Results	Requirement in Specification	Unit	Remarks
Soil Compaction test Contract IV				
Average Degree of Compaction for contract IV pipe line				
Location 1	65.8	80-90%		Fail
Location 2	61.9	80-90%		Fail

Source: Report of the Laboratory Test Results Performed by TANROADS

I recommend the Ministry of Water to assess all:-

- (a) Routes of the pipelines to reveal all the areas with weak compaction and rectify them
- (b) Concrete elements of structures to identify the failures in strength and correct them.

9.3.5 Contract Management Issues

a) Addenda were Approved after Contract Expiry

Review of Contract Addenda Indicated that the Contractor's addenda were approved after the contract period has already expired. Table 9-19 provides a detailed description of the situation.

Table 9- 19: Delays in Approval of Addenda for Extension of Time

Item	Contract Expire Date	Date of Approval of Extension of Time	Delay (Days)
Addendum No 1	16/07/2017	17/07/2017	1
Addendum No 2	02/05/2018	27/05/2018	25
Addendum No 3	01/12/2018	18/02/2019	79

Source: Contract Addenda

Table 9-19 indicates delays in providing approval for the extension of time of works contract ranging from 1 day to 79 days. This implies that some works were executed without existence of any contract which is contrary to the requirements of Regulations 111(1) (4), 5(1) 5(2) of the Public Procurement Regulations, 2013.

b) Irregular Extensions of Time

I noted that, during a high level meeting held on 18th March 2020, and employer's letter with reference No. BC 226/303/05A/05 dated 2nd April 2020, after expiration of the extended time, the Employer

granted 338 days' grace period to the Contractor which ended in September 2020. There is no grace period clause in the contract and it is against Regulations 5(1) and 111(1) of the Public Procurement Regulations, 2013 and contrary to GCC 1.1.3.3, 8.2 & 8.7.

Although the Contractor was given grace period at no cost, this grace period caused additional cost to ECG contract. Pursuant to Appendix to Tender Item 16 under GCC 8.7 & 14.15(b) the Employer was supposed to recover this cost from the Contractor.

c) Contractor Working without Guarantees from December 2019 to December 2020

During the audit, I noted that the Contractor did not submit the updated Performance Guarantee, Advance Guarantee and Insurance despite several reminders from the Engineer contrary to GCC.4.2& 18. The Contractor submitted to the employer suggestions to complete the works in lieu of submitting the required guarantees via his letter REF/MAK/SMK//4.2#0204/20 dated 11th October 2020 and REF/MAK/SMK//4.2#0205/20 dated 26th October 2020 whereby the contractor requested his unpaid amount to be replaced with un-updated securities which was not honoured and the employer did not take any action.

I also noted that the Ministry of Water had not responded to the contractor suggestion and the Contractor had suspended most of the activities waiting for the Employer's response, and the engineer requested the employer to reply to the Contractor suggestion in order to know the way forward through his letter Ref: ECGHH/SMK/MOW#189/2020 dated 14th October, 2020.

d) Delays in Forming a Dispute Board (DB)

While PCC 20.2.1 stipulates that parties shall appoint a Dispute Board (DB) after the commencement of. The Contractor made initiative to start the process in September 2019 (REF/MAK/SMK/4.2#0159/19 as supported by Consultant's advice to the Employer via letter No. ECGHH/SMK/MOW#126/2019 dated 30/9/2019, but there has been no positive response and cooperation from the employer. Therefore, a number of issues have not been resolved because the Contractor was

disputing engineer’s determination. Delay in forming dispute Board disputes were not resolved, hence adding time and cost to the project.

I advise management to address the aforementioned contract management challenges identified in the report in relation to procurement, internal audit and contract management. I further urge management to Conduct a quick review and update of all contract documents (Instructions to Tender, Conditions of Contracts, Bill of Quantities, Specifications, Drawings and Schedules applicable on individual contracts) to remove ambiguous sections, clear inconsistencies, and improve specifications as applicable in Tanzania.

9.3.6 Inadequate Human Resource Management

The details of findings on Human resource Management covered under this section are explained based on key actors of the project as elaborated below.

a) Inadequate Staffing Level

Shortage of Qualified Technical Expertise/Personnel

I assessed the three divisions of the Ministry of Water that were closely linked to the implementation of project. The divisions noted to have a shortage of 52 staff out of 68 staff required which is equivalent to 76%. Table 9-20 below provides more analysis about noted shortage of Staff.

Table 9- 20: Technical Staffing Level in Various Divisions within the Ministry of Water

Divisions	Status of Staff			Percentage Shortage (%) (A-B/A)*100%
	Requirement 'A'	Available 'B'	Shortage 'C=A-B'	
DWR	17	8	9	53
DWSS	39	7	32	82
DWQ	12	1	11	92

Source: Ministry of water’s Job List of the Ministry of Water, 2020/21

The staff shortages noted have contributed to insufficient engagement of technical personnel to the Same-Mwanga-Korogwe Water Supply Project. This was evidenced by assigned on-site project coordinator who is an Automobile Engineer instead of Civil Engineer which is

contrary to Section 64(1) of the Engineering Registration Act, 2010 which states that “every engineering work shall have an incorporated engineer or professional engineer in the relevant field who shall be present at the site when works are in progress”.

b) Inadequate Composition of a Procurement Management Unit (PMU)

Section 37 (1) & (2) of Public Procurement Act of 2011 requires that, in every Procuring Entity there should be established a Procurement Management Unit (PMU) staffed to an appropriate level. The Procurement Management Unit should consist of procurement and other technical specialists together with the necessary Supporting and Administrative Staff.

During the audit, I noted that the established Procurement Management Unit (PMU) at Ministry of Water lacked technical specialists and procurement experts. The detail of the composition of PMU is shown in Table 9-21 below.

Table 9- 21: Staffing Level of PMU at the Ministry of Water

Cadres	No. of available staff			Percentage
	Requirements	Available	Shortage	Shortage (%)
	'A'	'B'	'C' = A-B	=A-B/A*100
Director	1	1	0	-
Principal Supplies Officer I	1	1	0	-
Senior Supplies Officer	2	2	0	-
Supplies Officer I	4	4	0	-
Supplies Officer II	10	7	3	30
Total	18	15	3	17

Source: Personal Emoluments Annual Estimates of the Ministry of Water for 2020/21

This has led to several functional inefficiencies in the Ministry of Water. For example, discrepancies in BoQs’ preparation resulted in Contract III Price Error of total amount of USD 4,332,326.57.

c) Inadequate Staffing of the Internal Audit Unit

Section 86 (1) of the Public Procurement Act, 2013 states that “the Head of the Internal Audit Unit of each public body shall prepare and submit to the Accounting Officer a Quarterly Audit Report”.

During the interview held with the Chief Internal Auditor of the Ministry of Water revealed that the Internal Audit Unit being understaffed and had a shortage of four Internal Auditors. It has not sufficiently audited all projects and components covered in the Projects.

This understaffing of the Internal Audit Unit led to insufficient audit coverage, commencement, progress and their finalization. One of the projects not covered adequately was Same-Mwanga-Korogwe Water Supply Project as evidenced by lack internal audit report for approximately six financial years.

d) Inadequate Training and Staff Development

Section 103 (1) (6) of the Public Service Regulations 2003, requires that every employer to be responsible for training and developing his employees and prescribe terms and conditions for the public servants attendance at various training courses respectively.

I found out that, the last training conducted by the Ministry of Water was in 2018, which included employees who most of them who are either retired or have been transferred elsewhere outside the Ministry.

Ineffective implementation of training and staff development has led the Ministry of Water to a risk of being unable to meet objectives such having staff with good knowledge of project supervision and monitoring due to lack of enough professional exposure and competence.

e) Lack of Succession Plan for Technical Personnel

Section 7 (1) (b) of Non- Citizens (Employment Regulation) Act, 2015 requires that any person who intends to employ or engage a non-citizen in an employment or any other occupation to prepare a succession plan that would guide local employees to tap knowledge and expertise from foreign expatriates and later on takeover and manage things. Furthermore, Section 5.3 of the Appendix to the Consultant Contract MS/ECG Engineering Consultants Groups S.A in association with M/S Howard Humphreys Tanzania Limited, 2013 requires the Ministry of Water personnel to be the consultant for on the job training.

I noted that the Ministry of Water did not have a succession plan designed for developing, in-house technical expertise to undertake duties of the foreign expatriates from contractors and consultants for on the job training as per contract requirements.

Thus, without effective succession plan designed to enable in-house technical staff to succeed the non-citizen's the Government through the Ministry of Water keeps on incurring more cost for the recruitment of foreign expatriate staff.

f) Non-Appointment of Project Manager and Assistant Project Manager

As enshrined in the Article III Section 3.02 of the Loan Agreement between the URT and BADEA dated 11th October, 2014, the borrower shall appoint a Project Manager (Civil or a Water Engineer) with no less than eight years of experience in the execution of similar project and an Assistant Project Manager (Civil or a Water engineer) with no less than five years of experience in the execution of similar Project.

During the Audit, I noted that there was neither a Project Manager nor a Project Assistant Manager that was appointed by the Ministry of Water to be the in-house Technical Staff of Same-Mwanga-Korogwe Water Supply Project. I also noted the presence of two on-site Project Coordinators, one of whom was an Automobile Engineer and the other a Graduate Civil Engineer.

g) Delayed Payments of Staff Claims

Standing Order L.2 (1) for the Public Service, 2009 requires that a public servant to be given subsistence allowance in respect of every night for which he is away from his duty station.

The review of the personal files and documents related to employees' claims revealed that project coordinators complained on the delay of payment of TZS 38, 400,000 being subsistence allowance for a period starting April 2018 to August 2019 through a letter with Ref.MW/PF.14738 dated 21st May, 2020 and MW/PF.14738 dated 30th March, 2020 despite the fact that he was already on site and continued to work. This is shown in **Table 9-22** below.

Table 9- 22: Extent of Delays in per diem Payment to the Project Coordinator

Months	Days	Rates Per Day (TZS)	Amount (TZS)
April to December, 2018	247	80,000	19,760,000
January to August, 2019	233	80,000	18,640,000
Total			38,400,00

Source: *Personal Files of the Staff from the Ministry of Water*

Through my review of the Internal Audit Report for Same-Mwanga-Korogwe Water Supply Project of 2019, it was also noted that, there have been delays in paying statutory entitlements to client representatives on site. The non-payment of statutory entitlements was due to low priority attached to this assignment. In this situation, it was difficult to perform their duties efficiently and impairs the independence of the client's representatives on the execution of their entrusted duties.

h) Foreign Expatriates Working Without Valid Work Permits

Section 9 (1) Non- Citizens Employment Regulations, 2015 states that “non-citizens shall not be engaged in any occupation unless they have a valid permit that allows that persons to be employed in the occupation specified in the valid work permit”.

My review of Quarterly Reports on Non-citizens Employment and Foreign Employment (2020) noted that seven foreign expatriates from the contractor M/s M. A. Kharafi & Sons for implementation of Contract I and 10 foreign expatriates from the contractor M/s BADR EAST AFRICA were working without having valid working permits.

The deficiencies noted contributed to the risk of delay of the project and affected indigenous employment thus minimizing technology transfer. Moreover, it has to some extent led to loss of the Government revenue due to non-payment of work permit fees.

i) Deployment of the Same Key Personnel in Contract III and Contract IV

Agenda No.8 (iii) of the minutes of negotiations meeting held on 27th October 2017 (Lot 2, Construction Package I, Contract III-Tender No.ME/011/2013-2017/W/49) requires Contract III to be treated separate from Contract IV in terms of staffing, equipment and premises. Also Tender Requirement and General Condition of Contract require each contractor to submit separate set of key personnel.

I noted that nine key personnel deployed in Contract III were also used in Contract IV as evident in Progress Reports No. 25 and 42 of the list of key personnel. Key personnel were paid for job site administration (Bill Items, Division one, Page one of six: Preliminary, Job Site Administration Item seven, eight and nine - Contract III, similar items -Contract IV) I found use of the same staff in both contracts as shown in the Table 9-23 below.

Table 9- 23: List of Key Personnel Appeared in Contract III and IV

Position	Contract III	Contract IV	Contract Cost for Job Site Administration (USD)	
			Contract III	Contract IV
General Manager	/	/	470,000	491,300
Architect/economist	/	/		
Project Coordinator	/	/		
Contractor's representative	/	/		
Planning and Design	/	/		
Chief Surveyor	/	/		
Administrator/Human Resource officer	/	/		
Procurement and logistic Officer	/	/		
Foreman	/	/		

Source: Progress Reports No.25 and 42 of Contract III and IV, 2020

This indicates that there was insufficient workmanship as contractors did not have sufficient personnel for the effective implementation of water supply project which led to construction of substandard infrastructures and late completion of the project.

j) Contractors' Staff Working Without Certificate of Registration

Sections 19 and 20 of the Engineering Registration Act, and its Regulations, 2010 state that “foreign engineers shall register with the Board before starting engineering operations in Tanzania and all engineering job positions shall be filled by registered engineers in relevant categories respectively”. Furthermore, sections 34 (1) (a) of

the Architects and Quantity Surveyors (Registration) Act, 2010 states that “any person not being registered as an architect or quantity surveyor and practices or carries on business in Tanzania as an architect or quantity surveyor commits an offence”.

During the audit I noted that 13 staff members of M/S BADR for contract III and IV and 23 Staff members of M/s M. A. Kharafi & Sons’s for contract I were working on the waterworks project without being registered with the relevant Professional Boards.

This situation exposed the project at high risk based on the quality of work and operational efficiencies due to use of non-qualified personnel in execution of the project.

I advise Ministry of Water to:-

- (i) Fill the staffing gap for qualified technical personnel, Internal Audit Unit, Procurement Management Unit;
- (ii) Improve staff training programs and development;
- (iii) Establish a success plan for technical personnel;
- (iv) Appoint project manager and assistant project manager;
- (v) Ensure staff claims are timely paid;
- (vi) Ensure that foreign expatriates solicit for the working permits and submit to the Employer without further delay;
- (vii) Ensure that another key personnel is deployed in order to have different key personnel for contract III and IV; and
- (viii) Ensure that corresponding contractor’ staff are registered with the respective professional bodies without further delay.

9.3.7 Inadequate Financial Performance of Same-Mwanga and Korogwe Water Supply Project

a) Under-release of External Projects Funds

The Same -Mwanga-Korogwe Water Supply Project is financed by a loan from OFID, BADEA, KUWAIT FUND, SAUD FUND, and Government of Tanzania. Table 9-24 provides analysis of loan budgeted and amount disbursed to date by each financier.

Table 9- 24: Loan Budgeted and Amount Disbursed by each Financier

Financier	Budget (USD)	Budget (in TZS)	Amount Released (in USD)	Amount Released (in TZS)
OFIC	15,000,000		7,897,453	
BADEA	12,000,000		3,566,728	
KUWAIT Fund	34,000,000		13,061,451.53	
SAUD Fund	25,000,000		8,335,909.41	
Government of Tanzania	24,340,000	40,684,310,000		41,641,595,281.73

Source: *Projects Budget by the Ministry of Water*

b) Only 57% of the budgeted Amount for the Project was released
 The Government set aside TZS 70,783,803,000 for Same-Mwanga and Korogwe Water Supply Project from financial year 2014/2015 to 2019/20 but managed to release TZS 40,225,721,374.36, equivalent to 57% of the total budget. **Table 9-25** provides details for each financial year.

Table 9- 25: Amount Budgeted and Released for the Project

Financial year	Budget(Amount in TZS)	Amount released(Amount in TZS)	Percentage Released(%age)
2014/15	10,278,803,000	0	0
2015/16	Not given	2,996,072,183.29	NA
2016/17	19,224,000,000	3,111,374,456.64	16
2017/18	12,000,000,000	10,164,613,571.95	85
2018/19	18,000,000,000	15,151,178,047.20	84
2019/20	11,281,000,000	8,802,483,115.27	78
Total	70,783,803,000	40,225,721,374.36	57

Source: *Randama and Payment Vouchers*

The analysis from **Table 9-25** shows that for six years the Government on average, managed to release 57% of the whole budget for that period. This means that there was the under release of budgeted project fund from Treasury, equivalent to 43% of the entire budget. I also noted that under-release of the budgeted fund for the project contributed to delays in paying contractors that resulted to accumulation of works performed but not paid.

I advise management of Ministry of Water in collaboration with Ministry of Finance and Planning:

- (a) Review funds approval procedures in order to avoid unnecessary delays that increase project costs in form of accrued interest
 - (b) Liaise with Treasury to ensure adequate flow of funds for the project.
 - (c) Negotiate new terms of loan agreements to be sure of budget before initiating new procurement, and
 - (d) Amend loan agreement conditions which have been identified as obstacles to the smooth implementation of the Project.
- c) Non- Maintenance of Project Account and Preparation of Financial Statements

Section 4.01 of BADEA loan agreement, 2014 states that “a borrower shall in respect of the project keep separate accounts for the project, have these separate accounts for each fiscal audited, furnish to BADEA as soon as available but in any case not later than six months after the end of each such year certified copies of its financial statements for such year as so audited.” Contrary to that requirement of loan agreement I noted that, there was no separate Bank Account maintained for the project. Also there was no separate project Financial Statement prepared by Ministry of Water as per that requirement.

I further noted that the management of the Ministry of Water overlooked on the clause that required preparation of financial statements and maintenance of project account. Due to this anomaly the project funds could not be easily confirmed.

I advise the management to ensure that project account is maintained and financial statements are prepared and submitted for audit as required by the loan agreement.

d) Unjustified payments for Health, Safety and Environment Components USD 49,148

GCC.4.18.1 states that “the Contractor shall take all reasonable steps to protect the environment (both on and off the site) and to limit damage and nuisance to people and properties resulting from pollution, noise and other result of his operations”.

Through my review of payment certificates I noted that USD 49,148 was paid to contractors with TIN No. 100-202-646 for contract I and TIN No.10-00 6179-W for Contract III & IV for noise pollution prevention without attaching methods and mechanism used to control noise pollution. **Table 9-26** below provides details of payments done to the contractors

Table 9- 26: Details of Payments done to the Contractors

Contract No.	Payment Certificate No.	Amount in USD
IV	2 & 3	17,100
III	2	10,000
I	21	22,048
Total		49,148

Source: BoQs and Interim Payment Certificates

The analysis from the **Table 9-26** shows that the unjustified payments for Health, Safety and Environment Components were done in four different IPCs.

This was noted to be caused by insufficient internal controls when processing contractors claims; supporting documents to safeguard contractor’s claims and payments were not assessed to establish the adequacy of the payment done.

I urge management to submit the corresponding supporting documents for justification of the payments made.

**e) Retention Money Deducted but not Retained by the Employer
USD 2, 762,995.34**

GCC.14.3.2(b) states that “the statement shall include any amount to be deducted for retention, calculated by applying percentage of retention stated in the particular condition to the total of the above amount until the amount so retained by employer reaches the limit of retention money(if any) stated in particular condition”.

My review of the payment certificates revealed that for Contract I retention money amounting to USD 2,762,995.34 was deducted from contractor with TIN No. 100-202-646 but actual fund was not retained by the employer. As for Contracts III and IV, retention money was not deducted since it was insured as stated in a particular condition No.41.

Table 9-27 below provides details of retention money deducted for each contract:

Table 9- 27: Retention Money Paid but not Retained by the Employer

Contract No.	Amount Deducted in USD
I	2,762,995.34
III& IV	0

Source: Interim Payment Certificates

This was mainly caused by the fact that payments were done direct to the Bank Accounts of the contractors by the financier since there was no Project Bank Account maintained by the employer. This implies that there will be no immediate funds to be used during the defect liability period.

I advise management to refund the retention monies so that they are retained by the employer to be used during defect liability period.

f) Amendments of Contract Price above the Acceptable Limit Without Approval

Regulation 61(4) of PPR 2013 stipulates that a contract amendment shall not increase the total contract price by more than 15% of the original contract price without the approval of the budget approving authority.

Minutes from the negotiation meeting on Addendum No. one to five between the Ministry of Water and the consultants namely M/s Engineering Consultants Group and M/s Howard Humphreys (T) Ltd who were implementing Contract I discussed and agreed to increase labour rates and reimbursable costs at a rate of 10% from those indicated in the consultant's contract that resulted to increase in contract's price as seen in the **Table 9-28**.

Table 9- 28: Amended Contract Amount above 15%

Date	Addenda	Foreign (Amount in USD)	Local(Amount in TZS)
July 2013	Original(A)	432,320	126,149,375
Dec 2014	1	511,700	381,718,496
Dec 2017	2	716,005	668,447,942.6
Nov 2018	3	854,428.4	850,273,563.5
Aug 2019	4	1,142,014.81	1,163,721,455
May 2020	5(B)	1,339,248.44	1,301,138,815

	B-A	906,928.44	1,174,989,440
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Source: Contract and Contract Addenda

Analysis of above addenda revealed that there was an increase of USD 906,928.44 for foreign ceiling and TZS 1,174,989 for local ceiling which is equivalent to an increase by 209% and 931% respectively.

Furthermore, I noted variation of contract price for the consultant named Don Consult LTD who supervised Contracts III and IV. The original contract was TZS 1,666,600,000, but the consultant proposed amendment of the contract price through Addendum 1 and 2 signed on 31/01/2019 and 22/09/2020 respectively which subsequently raised the contract price to TZS 3,437,350,000, equivalent to an increase of 106%. This was also contrary to the requirements of Regulation 61(4) of Public Procurement Regulation, 2013.

The main causes of the increase of cost includes, slow pace in the implementation of the contract that brought about extension of time; and the difference of contract period between Contractor Consultants since each of them had a different contract period which do not match to one another.

This implies that the contracts had cost more than expected.

I urge management to ensure that approval is sought from budget authority in case of contract amendment above acceptable limit as required by Regulation 61(4) of Public Procurement Regulation 2013.

g) Interest Accrued as a Result of Delay Payments Amounting USD 966,240.96 and TZS 892,271,045

Clause 14.8.1 of GCC states that “if the contractor does not receive payment as per GC 14.7 the contractor shall be entitled to receive financing charges compounded monthly on the amount unpaid during the period of delay and the contractor shall be entitled to this payment without notice or certification and to any prejudice to any other right or remedy as per clause 14.8.3 of General Conditions to Contract”.

My review noted delays in paying contractors with TIN No.10-00 6179-W and 100-202-646 for Contracts I, III and IV as seen below:

Contract No. III

My review noted accumulation of interests as a result of delay to pay contractors with TIN No.10-00-6179-W as evidenced by letter with Ref No.DCL/SMK/CONTRIII/CLIENT/.01A of 11th March 2019 and letter with Ref No Ref: DCL/SMK/CONTRIII/CLIENT/IPC.03A of 23rd May 2019 written by Consultant with TIN. No. 100-178 claiming for the compounded interest of USD 354,969.63 payable to the contractor in respect of contract III.

Contract No. I

Interest was compounded to the tune of TZS 892,271,045 and USD 475,149.69 in respect of delay to pay contractor with TIN No. 100-202-646 for contract I. This was evidenced by letter with Ref No. ECGHH /SMK/KF500/2019 of 8th October 2019 written by the Consultant M/S ECG Consultants Group to present the final contractor entitlement to finance charges for the duration starting from the project commencement date to 25th July 2019. This was also contrary to Clause 14.8 of the contract.

Contract No. IV

General Condition of the Contract (GCC) 14.2.1 requires the employer to make an advance payment as an interest free loan for mobilization and cash flow support when the contractor submits a guarantee in accordance with the GCC. Furthermore, GCC 14.8.1 states that “if the contractor does not receive the payment as per the mentioned General Condition of Contract, the contractor shall be entitled to receive financing charges compounded monthly on the amount unpaid during the period of delay”.

Contrary to the referred requirement, the Ministry of Water was supposed to pay on advance payment of 15% of the contract sum USD 35,249,092.76 equivalent to TZS 77,548,004,072 to contractor with TIN No. 10-00-6179-W upon submission of the acceptable Bank Guarantee (Clause 14.1.1 of Particular Conditions of contract as amended in the negotiation meeting held on 30th May 2013) but the amount was not paid. This resulted to the accumulation of interest amounting to USD 136,121.64. The amount was raised under IPC 2.

The main causes of delays for the payment of advanced payment include, prolonged approval process of payments between the Ministry of Water level to Financiers, and inadequate flow of funds from the Treasury.

This in turn contributed to project cost increase and might lead in utilizing funds which could have been used for other economic activities.

I advise management to ensure that contractors' claims are paid on time in order to avoid interest charges due to penalty from delayed payments.

h) Withholding Tax Deducted but no Evidence of Remitting to the Commissioner of Domestic Revenue TZS 96,921,534.37

Section 83 of the Income Tax Act, Revised 2008 requires the withholding Agent to withhold Income Tax at a rate of 2% and 5% of the gross payment in respect of goods and services provided respectively. The withheld amount has to be remitted to the Commissioner within seven days after the end of each calendar month.

My analysis of the payments records revealed that withholding tax was deducted from various payment certificates but there was no evidence confirming that the deducted amount TZS 96,921,534.37 was remitted to the Commissioner for Domestic Revenue.

Comply with Section 83 of the Income Tax Act, Revised 2008 and remit the withholding amount without further delay; and submit remittance particulars to the Controller and Auditor General for verification.

i) Performance and Advance Payment Obtained at the Cost of Employer USD 1,737,120

GCC 4.2.1 states that “the contractor shall obtain (at his cost) a performance security for proper performance in the amount stated in the particular conditions and denominated in currency (ies) of the contracts or in freely convertible currency acceptable to the employer”. My review of the payment certificates for Contract I, III & IV noted that contractor with TIN No.10-00-6179-W have been paid Performance and Advance Payment Guarantee amounting to USD

1,737,120 contrary the above mentioned GCC.4.2.1. Table 9-29 provides more details of the payments.

Table 9- 29: Advanced Payment Obtained at the Cost of the Ministry

Contract No.	Particular	Certificate No.	Amount(USD)
III	Advance Payment Security	2	150,000
	Performance Security	2	200,000
IV	Advance Payment Security	2	250,000
	Performance Security	2	330,000
I	Advance payment security	2	10,620
	Performance security	2	796,500
Total			1,737,120

Source: Interim Payment Certificates

This is caused by inadequate preparation of bidding documents and internal controls over supporting documents to safeguard contractor's claims and payments. Consequently, the value of the contracts has increased by USD 930,000 without receiving the same value of works.

j) Retention not Insured but Paid to Contractor, TZS 822,112,687.01

The Particular Condition of Contract (PCC) No. 41 (percentage of retention) states that "five percent of interim payment certificates which will be substituted by insurance bond by the contractor for a period of 42 months validity and no deduction from the IPC for retention". Also PCC No. 41 requires limit of retention to be 10% of acceptable contract amount.

My review of the payment certificates noted that five percent of the retention was neither insured nor deducted from payment.

I urge the management of Ministry of Water to ensure sufficient amount is retained as per requirement of contract to cater defects liability that may arise in the constructed water supply projects.

k) Advance Payment Obtained by Using Contradicting Bank Guarantee USD 5, 287,363.91

My review of payment certificates and payment vouchers noted that the contractor performing contract III submitted Advance Payment Guarantee No. CRDB16-IGT815 with amount of USD 5,287,363.91. The third party confirmation made to guarantor through a letter with Reference No. EA.35/390/02/13 noted that Advance Payment

Guarantee submitted by the contractor was not genuine. Furthermore, third party confirmation made by the Ministry of Water with reference No.GC.242/547/01B/27 noted that the same Advance Payment Guarantee submitted by Contractors was genuine.

This implies that the Ministry of Water does not have sufficient control over the Bank Guarantees which implies that the mentioned amount was paid to the contractor at the expense of the employer.

I urge management to strengthen control over contract management and ensure that contractor complies with contract clauses.

I) Unproduced Evidence of Insurance Premium Paid by Contractor, USD 1,112,049

GCC No.18.1.7 states that “when each premium is paid, the insuring party shall submit evidence of payment to other party”. My review of the payment certificates noted that employer paid USD 700,000 to the contractor performing Contracts III & IV as insurance premium without the contractor submitting evidence of insurance premium paid. **Table 9-30** below provide details of payments.

Table 9- 30: Insurance Premium Paid without Evidence of Payment

Contract No.	Particular	Certificate No.	Amount (USD)
III	Insurance of the works	3	180,000
	Third party insurance	3	120,000
IV	Insurance of the works	2	250,000
	Third party insurance	2	150,000
I	Insurance of the works	21	210,000
	Third party insurance	21	202,049
Total			1,112,049

Source: *Interim Payment Certificate*

This implies that contractor may be paid the amount that exceeded the insured amount.

I therefore advise the management to liaise with contractors so that the insurance premiums paid for are submitted in order to comply with contracts requirements.



CHAPTER TEN

MBIGIRI SUGAR PRODUCTION PROJECT

10.1 Introduction

Mkulazi Holding Company Limited (MHCL) is a joint venture company established by the Parastatal Pensions Fund (PPF) and the National Social Security Fund (NSSF) on 6th September 2016. The main objective of the company is to undertake production and importation of sugar. However, currently the MHCL is under the ownership of NSSF and Prison Corporation Sole (PCS). The company's shareholding structure will be 96% by NSSF and four percent by PCS.

The main activity of the company is to produce quality sugar and related downstream products. In order to achieve this, the company plans to implement two sugar projects which aim at producing 250,000 metric tons of sugar per annum. One of these projects is Mkulazi Sugar Production Project which will be implemented on farm No. 217 located at Mkulazi, Morogoro Rural District. The targeted production for Mkulazi estate is 200,000 metric tons of sugar per annum. The other project is located at Mbigiri Estate, Kilosa District in Morogoro Region. This project aims at producing 50,000 metric tons of sugar per annum once it becomes fully operational.

10.2 Audit Objective and Scope

The overall objective of the audit was to assess whether the management the of farm and sugar factory production ensured compliance with relevant standards and that value for money has been attained.

Specifically, the audit assessed whether MHCL ensured that; farm management was done according to the established plan and guidelines, procurement activities were done in accordance with relevant procurement laws and regulations, financial management were carried out in accordance with the financial guidelines, and the construction activities meet the intended quality, are timely completed, and are accomplished at a reasonable costs.

The main audited entity was Mkulazi Holding Company Limited (MHCL), which is responsible for implementation of Mbigiri Estate Project. The audit covered all parts of Mbigiri Estate Project, which were farm management and factory for sugar production with special attention on farming, procurement, financial management and construction. Mkulazi Estate Project was not covered because there is no significant development which has been achieved so far.

The audit covered the financial years 2016/17 to January, 2020/21. The chosen period enabled me to assess the extent of project implementation which started in 2016/17 and is expected to be finalized in 2022/23.

10.3 Summary of Audit Findings

This section provided a summary of the main audit findings related to farm management, procurement, financial management, and management of construction activities. These are further summarized below:

10.3.1 Improper Management of Farm Activities

a) Unused Boreholes Worth TZS 81,500,000

Mkulazi Holding Company Ltd (MHCL) entered into contact with Drilling and Dam Construction Agency (DDCA) (Contract No. MKL/W/03/2017) on 7th November 2017 at a contract sum of TZS 815,000,000 to survey, drill eight boreholes, and install submersible water pumps for irrigation activities at Mkulazi and Mbigiri farms in Morogoro Region. The duration of contract was six months from November 2017 to May 2018.

However, based on physical verification conducted on 20th November 2020 I observed that four boreholes at Mbigiri farm located at block E3, D2, E4 and F4 were drilled but are not in operational.

I further noted that the contractor had abandoned the site despite the fact that 10% of the contract price, equivalent to TZS 81,500,000 had been paid to the contractor.

According to management, boreholes were not in use because they did not provide enough water for irrigation as it was intended. Also, inadequate knowledge of geological formation which led to frequent

changing of drilling methodology was the cause of unsuccessful boreholes.

b) Usage of Fertilizers and Herbicides without Supporting Evidences

In the financial year 2019/20, MHCL introduced Daily Fertilizer and Daily Herbicide Issue Books to Agriculture Department for the purpose of recording quantity of fertilizers and herbicides used, block applied, date applied and operator. In August 2020, the said controls were effectively applied.

It was noted that before introduction of the said controls, the review of Cash Book of 2018/19 and Store Ledger of 2019/20 revealed that fertilizers and herbicides with the sum of TZS 155,290,000 were issued from store but there was no justification of its usage. According to interviewed management from Mkulazi all purchased fertilizers and herbicides were utilized but the management did not provide any evidence to justify the above mentioned scenarios.

Furthermore, after introduction of Daily Fertilizer and Daily Herbicide Issue Books as control of utilization of fertilizer, the same was noted. For instance, the review of AMIDAS Daily fertilizer Issue (SN. 101-150), DAP Daily fertilizer Issue (SN. 51-100), and Store Ledger of 2019/20 revealed that fertilizer and herbicide worth TZS 86,599,000 was issued from store but there was no justification as to whether they have been used as intended.

This condition was caused by the fact that the control set on utilization of herbicides and fertilizer had some weaknesses because the review of herbicide and fertilizer books showed that the books were recorded by field workers and signed by an Agronomist who was not a field worker. Farm supervisors and group leaders who were field workers and supposed to ensure fertilizers or herbicides have been utilized accordingly at farm did not sign anywhere in those controls.

c) Loss of TZS 379,338,245 for Destroying Overgrown Sugarcane

In the ordinary meeting of the Board of Directors held at Mezzanine floor, NSSF Mafao House on 22nd June 2020, the board decided to

harvest and sell the overgrown sugarcane to avoid further deterioration and damage. The Board agreed that harvesting and procurement process must comply with the laws and regulations of the country at large.

The review of paper presented to the Board of Directors shows that a total of 740.43Ha have over-grown sugarcane.

My review of documents and my analysis based on physical verification conducted on 20th and 24th November, 2020 observed that over grown sugarcane at various blocks were destroyed as they lost economic value. Therefore, it was estimated that the cost of TZS 379,338,245 was incurred for production of sugarcane that were destroyed. Hence, actual costs of production of sugarcane at these blocks were considered as a total loss to the company.

According to the management, the decision to destroy the sugarcane was based on the fact that MHCL was yet to install plants for sugar production. According to Corporate Strategic Plan of 2019/20 to 2023/24, plants were supposed to be installed and operational by December 2020.

In addition, destroying the sugarcane implies lack of proactive preparedness of obtaining value from the production of sugarcane prior to installation of plants.

d) Potential Loss of TZS 499,934,750 on Overgrown Sugarcane

MHCL and Mtibwa Sugar Estate Limited entered into agreements for voluntary sugarcane supply and sugarcane harvesting on 17th September 2020. Sugarcane supply agreement was in force for the 2020/21 harvesting period that spanned from September, 2020 to February 2021 or earlier should the milling season close before this date. Also based on paper presented to the Board of Directors, MHCL planned to harvest 740.43Ha of overgrown sugarcane during the said harvesting season. The idea behind these agreements was to cover costs incurred in producing sugarcane before production of sugar starts at Mbigiri estate.

However, it was noted that by 31st December 2020 MHCL had managed to harvest only 318Ha, which was equivalent to 43% of the planned harvested area. That means MHCL lagged behind in harvesting sugarcane based on agreements which was likely to cause some of

planned area not to be harvested within specified period. These planted blocks had overgrown sugarcane aged up to 30 months, if not harvested beyond February, 2021, may lose the economic values and result into losses.

According to MHCL Agriculture Policy and Operating Procedures of 2020, plant canes should generally be cut at 13 to 14 months and ratoons at 11 to 12 months. And since most of these overgrown sugarcanes had more than 30 months of age, there was high risk that the economic value was likely to deteriorate. Therefore, failure by MHCL to harvest overgrown sugarcane on time will likely result into estimated loss of TZS 499,934,750.

e) Inadequate management of out-growers

Agricultural Policy (2013) requires all bids for agricultural investments to ensure that they benefit the surrounding community. It also aims at empowering farmers to articulate their needs. However, the audit noted the following shortfalls in management of out-growers:

(i) Out-growers Suffered Losses due to Delay of Installation of Factory Plants at Mbigiri Estate

According to Tripartite Agreement between Azania Bank Ltd, Magole Joint Enterprises Ltd and MHCL (2018), the parties agreed to embark on promoting the sugarcane value chain through the establishment of a relationship in which the bank was willing to provide loan facility. The loan facility amounting to TZS 4,962,800,000 was to be used to finance sugarcane farming to meet the cost of farm preparation, fertilizers, herbicides, cane seeds and drilling wells.

However, review of Tripartite Agreement between Azania Bank Ltd, Magole Cooperative Joint Enterprises Ltd and Mkulazi Holding Company Ltd (2018) and correspondences²³ revealed that, Azania Bank suspended to provide TZS 1,797,050,000 to the out-grower for the purpose of financing sugarcane farming and to meet the cost of farm preparation, fertilizers, herbicides, cane seeds and drilling wells. This was because MHCL had not yet started to produce sugar till the time of this audit.

²³ Letter No. ABL/CR-HQ/MJCE/VOL 0232/2020 of 16th June, 2020

Due to the above challenge, MHCL and Magole Cooperative Joint Enterprises Ltd amended the contract for procuring sugarcane between the company and sugarcane out-growers in March 2020. Review of Section 7.4 of the amended contract indicated that, at the time when the sugar processing mill is yet to be installed, farmers/out-growers were allowed to sell their sugarcane to the nearby sugar milling factory based on the agreement made between cooperatives with the respective milling plant. Therefore, during financial year 2020/21 out-growers started to sell their overgrown sugarcane to Mtibwa Enterprise Ltd.

As a result, loss of loan facility and other challenges suffered by out-growers would impact their ability to participate in farming and production of sugarcane²⁴ which might affect MHCL from getting enough raw materials for sugar milling.

(ii) Inadequate Monitoring of out-growers performance

The review of Out-grower's Program Policy (2020) indicated that MHCL was required to monitor, supervise and manage the performance of out-growers by providing technical advice to ensure availability of adequate sugarcane. However audit noted that MHCL did not adequately monitor the performance of out-growers.

Interview with MHCL official responsible for supervising out-grower revealed that the company is supposed to conduct routine supervision of at least once per month to out-growers to monitor their progress. But, due to limited manpower it become difficult to effectively supervise out-growers' performance.

Due to inadequate supervision of out growers' performance, it was indicated that out-growers, through their AMCOS, failed to reach estimated target in production of sugarcane. For financial year 2017/18 the target was to cultivate and plant 3200 acres but only 1044 acres were planted, and for 2019/20 the target was to plant 2500 but only 1035 acres were planted.

Moreover, site visit made by the audit team at Mbigiri and Msowero out-growers farms revealed that about 202 acres from Msowero AMCOS have overgrown sugarcane. If these sugarcane continue to stay for six

²⁴ Letter with Ref No:ABL/HQ/CR/09-09/VOL.01/VC from Azania Bank Limited to MHCL dated 9/10/2019

more months without being harvested are likely to be out of its economic values. Review of Magole Cooperative Joint Enterprise budget for sugarcane cultivation (2019/20) indicated that, the estimated budget for cultivation of sugarcane was TZS 907,000 per Acre. Based on that, potential loss due to overgrown sugarcane from 202 acres of Msowero AMCOS was equivalent to TZS 183,214,000.

I urge the MHCL to:

- (a) Fast-track procurement and installation of sugar production plants at Mbigiri estate;
- (b) Strengthen internal controls to ensure usage of fertilizers, herbicides, and fuel adheres to the intended purposes and established standards;
- (c) Establish and maintain the Farm Cost Management System to assist the Company to efficiently and effectively manage farming cost and measure performance of the farming activities over years

10.3.2 Procurement and contract management

Audit noted weakness regarding to implementation of procurement activities. Noted weaknesses are further explained below:

a) Loss of TZS 101,535,460 for Improper Decision Made during Procurement of Motor Grader

Section 75 (b) of Public Procurement Act, 2011 allowed Tender Board to review the evaluation report and may refuse to authorize recommendation for award of the tenders and refer the evaluation to the Procurement Management Unit with an instruction to re-evaluate the tenders or retendering or other action.

During the tender opening held on September 23rd, 2019 the read out price for Tender No. PA/150/2019-2020/G/02 LOT 2 was as shown on Table 10-1.

Table 10- 1: Read out Price for Tender No. PA/150/2019-2020/G/02 Lot 2

S/N	Bidder	Amount (TZS)
1	Mantrac Tanzania Limited	780,723,636 VAT Inclusive
2	Achelis Tanganyika Limited	566,783,000 VAT Exclusive
3	General Motors Investment Limited	276,120,000 VAT Exclusive
4	Eristic (T) Investment	431,617,500 VAT Exclusive
5	Avic Shantui (T) Limited	327,096,000 VAT Exclusive

S/N	Bidder	Amount (TZS)
6	Lonagro Tanzania Limited	826,581,600 VAT Inclusive

Source: Evaluation Report, 2019

Further review of evaluation report indicated that three bidders namely Mantrac Tanzania Limited, Achelis Tanganyika Limited and Eristic (T) Investment passed preliminary evaluation stage. In the detailed evaluation stage all three bidders were found to be non-responsive on the ground of non-conformity with technical specifications.

On the 7th Extra-ordinary Tender Board Meeting held on 2nd November 2019, the evaluation report was referred to PMU for re-evaluation by waiving the following specifications: Engine with displacement of a minimum of 6.5-8 Litres instead of 9-12 with a fuel tank not less than 300 instead of 400Litres; Rear Ripper lift above the ground not less 450 instead of 600mm; Rear Scarifier lift above the ground not less 500 instead 800mm as advised by user department. Re-evaluation was done after waiving the aforementioned criteria. The re-evaluation report concluded that, none of bidder was responsive due non-conformity to specification.

On the 4th January 2020, the Tender Board decided to approve revised tender documents for Procurement of Motor Grader 250 HP (Tender No. PA/150/2019-2020/G/02 LOT 2), whereby all bidders who submitted tender document were invited for resubmission and the deadline for resubmission was on 14th January, 2020. The new tender document waived specification of Rear Ripper width of cut from 2200-2400 to 1100mm.

Only two out of six bidders responded namely Mantrac (T) limited for TZS 770,339,400 and Lanagro Tanzania Limited for 794,000,000 VAT inclusive. Tender evaluation was conducted and the 9th Extra Ordinary Tender Board meeting approved evaluation report and tender awarded to MS Mantrac at TZS 770,339,400 VAT inclusive.

Waiving specification of Rear Ripper width of cut from 2200-2400 to 1100mm during retendering implies that it does not constitute material deviation. According to Clause 28.4 of Instruction to Tender stated that, "PE may waive any minor nonconformity in a tender which

does not constitute a material deviation provided such waiver does not affect relative ranking of any tenderer”.

I noted that MHCL did not waive specifications of Rear Ripper width of cut during re-evaluation. The company waived it during re-tendering as a result: few bidders participated in re-tendering; delayed the procurement of items to be used for intended purpose; increased procurement activities; and finally awarded tender to Mantrac (T) limited for TZS 770,339,400 VAT inclusive instead of Achelis Tanganyika Limited for TZS 566,783,000 VAT exclusive.

Due to this, MHCL incurred additional cost of TZS 101,535,460 due to improper decision made that could be avoided if proper decision was made.

b) Inclusion of VAT in Exempted Supplies Amounting to TZS 1,797,043,446

According to section 6(1) and First and Second schedule of Value added Tax Act, 2014 (R.E 2019) agricultural implements inclusive of irrigation equipment and parts; and agricultural inputs are among the supplies exempted from VAT.

My review of procurement awards from 2018/19 to 2020/21 noted that MHCL included VAT amounting to TZS 1,797,043,446 when awarding contracts for Supplies which are VAT exempted as presented in **Table 10-2**. In addition, I noted that MHCL did not raise VAT refund claims. In interview, MHCL Officials shared that they did not claim for VAT refund because the company was not VAT registered.

Table 10- 2: Inclusion of Value Added Tax (VAT) for Exempted Supplies

S/N	Detail of Procurement	Amount (TZS)	VAT 18 Percent (TZS)
1	Tender for Supply of Pipes and Fittings for 400HA (Tender No. PA/150/2019-20/G/11 LOT 2)	1,196,460,173	215,362,831
3	Supply of Rescue Sprinkler Irrigation System, Equipment and Accessories (Lot 1)	440,000,000	79,200,000
4	Construction and installation of semi-solid sprinkler irrigation system facilities for 756ha at Mbigiri estate	8,347,114,531	1,502,480,615
Total		9,983,574,704	1,797,043,446

Source: Review of Tender files at Mkulazi Holding Company, 2020

As a result VAT refund could be used to finance other important activities.

I urge the MHCL Management to expedite the process of VAT registration so as to prevent the Company from incurring more cost during acquisition of services and or goods; and ensure proper decision are made so that additional cost are avoided whenever proper decision are made.

10.3.3 Inadequate Management of Finance issues

Below are weaknesses noted regarding financial management;

a) Withholding Tax Not Deducted TZS 34,410,167

The Service Level Agreement for Provision of Farm Management Services between MHCL and Prison Corporation Sole (PCS), comprised provision of casual labour services for farm activities and other non-farm activities. Clause 26.3 of the agreement states that after provision of service, the Service Provider should submit the request for payment and the Farm Owner (MHCL) will respond by making payments to service provider (Prison Corporation Sole) if all documents are available and MHCL should deduct withholding tax from the payments.

However, the review of payment vouchers and supporting documents (pay lists), noted that MHCL was making payments direct to the individual casual labours with who MHCL did not have agreement.

In this regard MHCL made a total payment of TZS 688,203,339.05 for two consecutive years (2018/19 and 2019/20) directly to casual labours instead of PCS. Interview with the MHCL officials revealed that, there was an overlook, though they have done that as requested by PCS themselves and they haven't gone back to check the terms and conditions in the contract. The total amounts paid for each year are as shown in Table 10-3 below.

Table 10- 3: Total Amount Paid by MHCL direct to Casual Labours

Financial Year	Amount (TZS)	Amount of WHT not deducted (TZS)
2018/19	292,509,000.00	14,625,450

Financial Year	Amount (TZS)	Amount of WHT not deducted (TZS)
2019/20	395,694,339.05	19,784,717
Total	688,203,339.05	34,410,167

Source: *Cashbook*

Based on **Table 10-3** a total of TZS 292,509,000 and 395,694,339.05 in 2018/19 and 2019/20 respectively were paid directing to casual labours. In addition, MHCL did not deduct the 5% withholding tax amounting to TZS 34,410,167 according to the requirement of the terms and condition of the contract.

b) Lack of Insurance Cover to the Company Assets

Para. 29 of the MHCL Asset Management Policy and Procedures require that, all fixed assets are to be adequately insured and cover is to be reviewed on a regular basis. Also, the Human Resources Manager is supposed to ensure that all movable fixed assets are insured at least against fire and theft, and that all company buildings are insured at least against fire and allied perils.

However, review of fixed asset register and insurance policy covers noted that, company machines, motor vehicles and buildings were not insured as per requirements of the aforementioned policies.

My interviews with the MHCL officials indicated the management was working to ensure that, all fixed assets are insured, a total of 13 motor vehicles and machines with a cost of TZS TZ 2,874,668,225.9 were not insured. Interview with MHCL officials also indicated that, negligence of the responsible staff was the likely cause of not insuring the assets.

Lack of insurance covers to company assets may result in loss to the company in case of accident or any future uncertainties which can affect the performance of the company.

c) MHCL not Registered for VAT

Section 29(2) of the Value Added Tax Act, 2014 (R.E 2019), requires a Government entity which carries out economic activity to be registered for Value Added Tax. Also, Section 3 of the same act, stipulates that the Commissioner General may register a taxable person as intending trader upon fulfilling the following conditions- (a)

provide sufficient evidence to satisfy the Commissioner of his intention to commence an economic activity, including contracts, tenders, building plans, business plans, bank financing (b) the person makes or will make supplies that will be taxable supplies if the person is registered, and (c) specify the period within which the intended economic activity commences production of taxable supplies.

MHCL as a Government entity carrying out or intending to carry out economic activities is required by the VAT Act to be registered for VAT.

However, since its establishment, MHCL has not been registered for VAT. Further interviews with MHCL officials indicated that at the time of audit, the company was in discussion with the TRA regarding the registration for VAT. The reason for this was that MHCL management was reluctant to follow up on the registration process and it resulted in unnecessary delay of the process.

By not being VAT registered, MHCL is losing a lot of money as VAT paid without claiming it back during acquisition of goods and services since VAT increases the cost of respective service or goods. In course of audit, we noted that, MHCL had entered various contracts, 52 contracts among of them with contract price worth TZS.50, 279,515,851.70 had included a VAT of TZS.7, 669,756,655.34 during the financial year 2017/18 to 2019/20.

The amount being paid as VAT on acquisition of goods and services could be saved and used for the benefit of the Company.

d) Improperly Recognition and Disclosure of Assets Contributed by PCS as Share Capital which Make up Share Holding Ratio between NSSF and PCS

According to the Memorandum and Article of Association, Article 6, the nominal share capital of the Company is TZS 30 billion divided into three million shares of TZS 10,000 each. On 8th August 2018, the authorized share capital of the company was increased to TZS 250 billion divided into 25,000,000 ordinary shares of TZS 10,000 each.

During the Audit, I noted that the shareholding ratio presented in the financial statements of MHCL is 96% for NSSF and 4% for PCS. However,

review of Subscription and Shareholders Agreement of 17 October, 2020 between the Board of Trustees of NSSF and PCS revealed that, the two agreed on the asset contributed by PCS which amounted to TZS 19,380,164,500 which is 7.6% of the authorized share capital; hence PCS deserve more shareholding ratio as per assets contributed.

Further, my interviews with MHCL officials showed that, from assets contributed by PCS only TZS 10,000,000,000 was recognized in the financial statements as share capital and the excess contribution amounting to TZS 9,380,164,500 was recognized as liability (account payable) to the Company (MHCL). However, there was nowhere a clear disclosure on terms and conditions for the recognized liability and there was no any agreement on how the liability will be settled. Improperly recognition and disclosure of the assets contributed by PCS may lead to conflict among shareholders.

e) Payments Made to the Contractor without Supporting Evidences worth TZS 202,020,000

On 15th September 2020, MHCL entered into contract No. PA/150/2019-2020/W/04 Lot 1 with the contractor M/S China Schuan International Corporation Co. Ltd (SIETCO) for Construction of three irrigation water storage ponds at Mbigiri Estate in Kilosa District, Morogoro Region. The contract price was agreed at TZS. 4,448,502,230.41 VAT Inclusive.

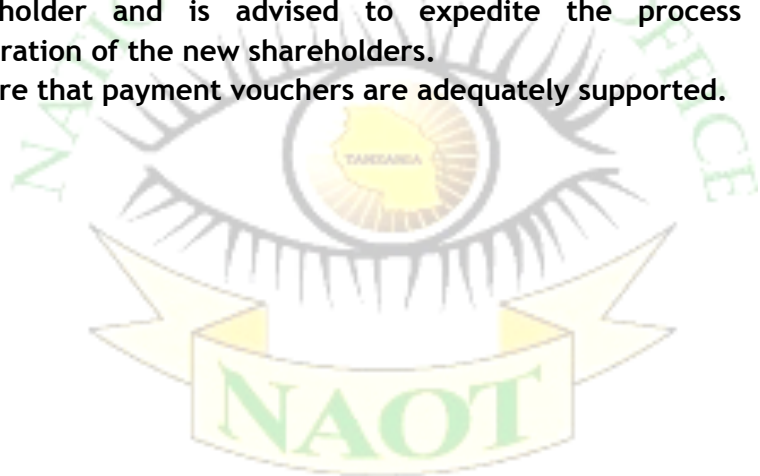
Review of contract file, payment documents and site inspection found that, Mkulazi Holding Company Limited paid the contractor a sum of TZS 202,020,000 in the preliminaries without evidence of execution of the paid items.

Such payments impaired the value for money worth of TZS 202,020,000 as its use were not substantiated. **Table Appendix 10-1** provide details of the items paid for but whose validity could not be substantiated. Other Performance Issues Noted During Financial Audit.

I recommend management of MHCL to:

- (i) Deduct withholding tax in the subsequent certificates. In addition, MHCL to ensure that in future withholding taxes are deducted as per requirements.**

- (ii) expedite the process of VAT registration so as to prevent the Company from incurring more cost during acquisition of services and or goods;
- (iii) Re-think the Company's automation of business processes and to come up with robust systems so as to achieve the expected objectives;
- (iv) Ensure that, all Assets especially movable assets like Machines and Motor Vehicles are being registered with public registration numbers;
- (v) Ensure that, all assets including machines, motor vehicles and buildings are insured to avoid probable future loss; and
- (vi) Restate the shareholding ratio as per contribution of each shareholder and is advised to expedite the process of registration of the new shareholders.
- (vii) Ensure that payment vouchers are adequately supported.



CHAPTER ELEVEN

PHYSICAL PERFORMANCE ASSESSMENT ON SEVEN PROJECTS

11.1 Introduction

This Chapter provides details and analysis of physical performance of the seven audited projects covering issues occurred in the technical audit in respect of financial year 2019/20.

11.2 Annual Performance Assessment of Seven Projects Implemented by MDAs

This section provides details and analysis of findings on annual performance assessment in seven projects implemented by MDAs from three sectors: Transport (two projects), Energy (four projects), and Water (one project), as shown in Table 11-1.

The analysis of findings is presented in four key aspects, including planning, design and tender documentation; procurement processes; health, safety and environmental (HSE); and contract management, which includes human resources management, contract time management, financial management and quality management. The remaining six²⁵ audits are covered in subsequent chapters.

Table 11- 1: Projects Covered by the Technical Audit

S/N	Project Name	Project Implementer	Sector
1	Multinational: Rumonge -Gitaza (45km) and Kabingo-Kasulu-Manyovu (260.6 km) Road Upgrading Project	TANROADS	Transport
2	Transport Sector Support Program (TSSP) Upgrading of Tabora-Koga-Mpanda Road (347 km) and Mbinga-Mbamba Bay Road (67 km)	TANROADS	Transport
3	Kenya Tanzania Power Interconnection Project (KTPIP)	TANESCO	Energy
4	Kikonge Multipurpose Dam Hydropower and Irrigation Project	TANESCO	Energy
5	Regional Rusumo Falls Hydropower Project	TANESCO	Energy
6	Backbone Transmission Investment Project (BTIP)	TANESCO	Energy
7	Arusha Sustainable Water and Sanitation Delivery Project	AUWSA	Water

²⁵ (i) Dar es Salaam Bus Rapid Transport Infrastructure Project (ii) Standard Gauge Railway Project (SGR) (iii) Widening of Morogoro Road (Kimara-Kibaha) (iv) Mwalimu Nyerere Hydro Electrical Power Project (v) Same Mwangi and Korogwe Water Supply Project (vi) Mbigiri Sugar Production Project.

11.2.1 Inadequate Design Review - Mbinga-Mbamba Bay Section and Usesula - Komanga Section under Transport Sector Support Program (TSSP)

In order to ensure that documentation and data are correct, complete and conform to the international acceptable standards, para 5.1 of the contract No. TRD/HQ/1032/2016/17 between TANROADS and M/S LEA International Ltd (Mbinga-Mbamba Bay section 67 km) and contract no. TRD/HQ/1033/2016/17 between TANROADS and M/S SMEC International (Usesula - Komanga section 108 km), require the consultant to perform all the required updates from the finalised design including the cost (engineer's estimates). However, my audit on designing review noted the following deficiencies:

- Lack of justification for the increase in quantities in form of cross section by 69% due to improvement of layers (G3), from 870,000m³ to 1,400,000m³ from the original design done by M/S COWI (Usesula-Komanga section).
- Hydraulic and hydrology review conducted do not counter the deficiencies that were apparent during the project's construction phase (Usesula-Komanga section).
- A summary of M/S LEA International Ltd design review report identified additional requirements in terms of changes (including additional requirements) to the drawings specifications and BOQs. However, there was no plan and profile for the cross section drawings on the changes identified that were submitted to the employer as well as during the construction (Usesula-Komanga section).
- There was a Cut to spoil (common excavation) from 800,000m³ to 1,100,000m³ which is an increase of 38% of the original design by M/s UWP South Africa/Tanzania. However, justification for the increase in quantities in form of cross sections was neither supported nor documented (Usesula-Komanga section).
- At the time of audit, in October 2020, the total amount for cut to spoil (common excavation) was 2,517,278 m³, which is an increase of 129% to the revised quantity, and it is estimated that the final quantities may increase up to approximately 2,800,000m³, equivalent to 154.54%. This increase lacks justification (Mbinga-Mbamba Bay).

- I further noted that at the time of audit October 2020, the constructed two bridges (131km+540 and 127km+534) were not in the original scope/designing (Mbinga-Mbamba Bay).

I advise the TANROADS to institute:

- (a) Penalties and sanctions to respective contractors for the inadequate compliance with the terms of reference and the inconsistencies identified in the design review reports and;**
- (b) Mechanisms for monitoring of quality control and assurance of design review consultants so that similar flawed changes in scope of works are not encountered during contract implementation stage.**

11.2.2 Improper Planning of Procurement of Works and Services - Multinational: Rumonge - Gitaza (45km) and Kabingo - Kasulu - Manyovu (260.6km) Road Upgrading Project

I reviewed the annual procurement plan of TANROADS for the financial year 2018/19 which encompassed the multinational Rumonge - Gitaza (45km) and Kabingo - Kasulu - Manyovu (260.6 km) Road Upgrading Project.

I noted that the work for the Kabingo - Kasulu - Manyovu project (260.6km) under contract No. TRD/HQ/1035/2019/20 for Lot 1-4 was planned to be signed on 10th January 2019 and that consultants were to sign their contracts on 15th August 2019 for supervision of respective signed contractors' contracts. It means that contractors had to sign their contracts and wait for seven months for the consultants to sign their supervision contracts. This superseded contractors' mobilization period, which is three months after signing of contractors' contracts. According to the contracts, the contractors cannot commence their works before consultants' approval. The annual procurement plan is impractical as mobilization activities cannot be launched before consultants had signed their contracts.

This is not only contrary to Regulation 69 (3) of the Public Procurement Regulations 2013, but also increases the risk of delayed completion of the works.

I urge the project implementer to ensure there is proper planning of the procurement works and consultancy services.

11.2.3 Deficiencies in Extension of Tender Validity Period and Release of Advance Payments - Kabingo - Kasulu - Manyovu (260.6km)

In order to authenticate the adequacy of tendering process related to contract No. TRD/HQ/1035/2019/20 for road upgrading project (Kabingo - Kasulu - Manyovu), I reviewed the contract files and progress reports, and physically visited the project site where I noted the following anomalies:

a) Extension of Tender Validity Period beyond Required Timeframe

My assessment of the procurement process which includes analysis of tender validity period through tender documents, contract files, and project appraisal report for procurement of works on lot (1-4) related to contract No. TRD/HQ/1035/2019/20 for road upgrading project (Kabingo - Kasulu - Manyovu) noted a substantial extension of its tender validity period for procurement of works as it took 224 days instead of 40 days as stipulated in the annual procurement plan (APP) and the tender document. It was further noted that, TANROADS took 349 days on overall tender processing period from advertising to contract signing instead of 89 days as stipulated in the annual procurement plan.

b) Substantial Delays in Procurement of Supervising Consultants

Clause 8.1.1 of General Conditions of Contract (GCC) of contract No. TRD/HQ/1035/2019/20 for road upgrading project (Kabingo - Kasulu - Manyovu) requires the contractor to commence the works after receiving engineer's instructions and after the consultant has been handed over the project site.

Contrary to the GCC, my review of contract files and progress reports related to lot 3 (Mvuge-Nduta Junction) noted a delay of more than 200 days to award the contract to the consultant (M/s Conseil Ingenieure). The consultant was awarded on 15th September 2020 while the contractor (M/S STECOL Corporation) was awarded on 12th February 2020. The delay on procuring the consultant impaired contractor's schedules and work program, which consequently affected the project completion date and the intended benefits.

c) Delay in Release of Advance Payments of TZS 48.85 Billion

Clause 14.7.1 of GCC for contract No. TRD/HQ/1035/2019/20 for road upgrading project (Kabingo - Kasulu - Manyovu) requires an advance payment to be issued within 42 days after receiving the letter of acceptance or within 21 days after receiving documents related to advances paid.

Contrary to the clause, my review noted that at the time of audit, in October 2020, two advance payments amounting to TZS 24,140,302,482.31 had been delayed for a period of up to 80 days, and two other invoices for advance payments issued on 23rd June 2020 and 15th June 2020 amounting to TZS 24,705,597,156.16 were yet to be paid with a delay of more than 123 days. Untimely settlement of advance payments limits contractors' mobilization activities, which may as well affect the project completion period in payment of advances is shown in Table 11-2 below:

Table 11- 2: Details of the Delayed Advance Payments

Name of the contractor	Invoice amount (TZS)	Remarks
M/S Zhejiang Communications Construction	11,426,940,692.19	Delayed for 80 days, as was invoiced on 18 th May 2020 and paid on 19 th August 2020. The work belongs to lot 1.
M/S Sinohydro Corporation	12,561,125,156.99	Was invoiced on 23 rd June 2020 but it was yet to be paid at the time of the audit in October 2020, which had been outstanding for more than 123 days. The work belongs to lot 2.
M/S STECOL	12,713,361,790.12	Delayed for 53 days, as was invoiced in 3 rd June 2020 and paid on 19 th August 2020. The work belongs to lot 3.
M/S CHICO	12,144,471,999.17	Was invoiced on 15 th June 2020 but it was yet to be paid at the time of the audit in October 2020 that had been outstanding for more than 123 days. The works belongs to lot 4.
Total	48,845,899,638.47	

I urge the project implementers to ensure that advance payments are timely issued to contractors to facilitate contractors' mobilization activities, which in turn will hasten the completion time of the project. In addition, no any extension of time is granted beyond the required timeframe.

11.2.4 Missing Procurement Records - Backbone Transmission Investment Project (BTIP)

Regulation 10(1) and 88(4) of the Public Procurement Regulations, 2013 requires a procuring entity to maintain adequate written records of all procurement undertakings for transparency and easy retrieval of procurement information. Every event in the procurement process must be recorded and all records appropriately filed. This is important in order to maintain an audit trail of the requirement from the initial receipt of the procurement requisition to the closing out of the contract.

Through a review of tender documents and evaluation reports for contract number PA/001/2015/HQ/W/49 (lot 2-T6), and interview with TANESCO Procurement Management Unit (PMU), I found that there were missing documents related to tendering and evaluation as some necessary attachments such as copies of advertisements and appointment letters of the evaluation committee members were not available when requested during the audit.

I urge the management of TANESCO to strengthen documentation of the procurement processes to enhance accountability and transparent so that can be used for future reference.

11.2.5 Major Works yet to Commence due to Pending Conclusion on Financing Agreement between the Government of Tanzania and the European Investment Bank (EIB) - BTIP (Iringa and Shinyanga substations)

TANESCO entered into contract No. PA/001/2015/HQ/W/49 on 28th March 2018 (which is also a commencement date of the works) with M/S Sieyuan Electric Company for construction of 400/220kV substations in Iringa and Shinyanga (T6-lot 1) at a contract sum of USD 41,905,593 and TZS 348,800,000 under “Backbone Transmission Investment Project (BTIP)” with expected completion date of January 2020.

My review of contract files and progress reports, and my physical verification at the project sites in Iringa and Shinyanga in November 2020 noted that the contractor is yet to execute major construction works, with a delay of more than 10 months. I noted that the contract

for the works was signed before conclusion of the loan agreement contract (financing agreement amendment No. 4) between the Government of Tanzania and the EIB that had been limiting the contractor to commence the major works.

I urge the respective project implementer to make follow up with the Ministry of Finance and Planning in order to ensure that the Amendment No. 4 of the financing agreement is signed so as to enhance smooth project implementation.

11.2.6 Delayed Completion of Works and Anomalies in Implementation - BTIP (Dodoma and Singida substations)

In line with contract No. PA/001/2015/HQ/W/49 for construction of substations in Dodoma and Singida (T6-lot 2), my review of contract files, progress reports and physical verification noted inadequate physical progress of works approximated at 87.8% at the time of audit in October 2020. However, the works commenced on 28th March 2018 and were expected to be completed in January 2020, with an extension of time (EOT) up to 31st December 2020 for completion of the outstanding works.

My further review of physical progress noted snags related to quality control and workmanship for erected burs bar aluminium tubes and concrete works. The erected burs bars aluminium tubes bended after being erected, and the quality of concrete works was unsatisfactory compared to the quality assurance plan.

In addition, I noted four BOQ items (33kV line; two battery chargers; and 220kV transformers) amounting to USD 383,301.67 related to Dodoma and Singida kV lines which were not included in the original BOQ. The contractor submitted his estimates as alternative to the omitted BOQ items by introducing 440kV for Singida line diversion at a total cost of USD 975,396. The variations may bring additional contract costs. The consultant has to thoroughly review the submitted additional requirements for possibility of economising. For instance, in relation to contractor's additional requirements of 440kV line, TANESCO could have instructed the contractor to propose an alternative solution for the installation of the burs bars aluminium tubes for 220kV transformers instead of 440kV and follow the technical

specifications provided by the supplier in order to reduce cost and extent of sagging after being installed, based on technical specifications from the contract.

I advise the respective project implementer to instruct the contractor to prepare a new revised program of works outlining the efforts for completing the works within the approved extension of time (EOT) already awarded.

11.2.7 Slow Pace in the Implementation of Project Activities which Delays Project Completion - Regional Rusumo Falls Hydropower Project (Tanzania transmission line component)

TANESCO entered into contract No. PA/001/2017-18/HQ/W/22 with M/S Sterlin and Wilson at the contract price of USD 13,979,307.90 and TZS 2,681,953,030.79 for procurement of EPC contractor for designing, supplying, installing, testing, and commissioning of 220kV Rusumo - Nyakanazi line under Regional Rusumo Falls Hydropower Project (Tanzania transmission line component) for a period of 18 months. It was signed on 29th May 2019 (which is also commencement date) and the expected completion date was November 2020.

Contrary to the aforementioned expected completion date, my review of contract files, progress reports, and physical verification at the project sites in November 2020 noted significant delays on implementation of the project activities with estimated actual progress of 6.48%. The works were at early stages although the contractor had been paid a total of USD 1,397,930.79 and TZS 268,195,303, as detailed in **Appendix IV**.

It is my understanding that the slow pace was due to delays in obtaining tax exemptions and outbreak of the covid-19 pandemic. I urge management to fast-track the follow up on the pending tax exemptions and consider the advisories and precautions that at least some project activities would manage to continue even under covid-19 situation. It is my view that, such significant slow implementation pace increases the risk of delayed completion, with possibility of additional project costs in future due to price escalation on materials and other economic indexes.

I urge the respective project implementer to liaise with the contractor and consultant to ensure all annual works plan are implemented without further delay and Ministry of Finance and Planning ensure that payments of certificates raised are processed and paid in time and tax exemptions requested for project are granted promptly.

- 11.2.8 Delay in Installation of Two Electricity Towers in Rwanda due to Restrictions on Entry Permit in Rwanda - Regional Rusumo Falls Hydropower Project (Rwanda transmission line component)**
Contract No. PA/001/2017-18/HQ/W/22 for Rusumo-Nyakanazi Hydropower Project (Rwanda transmission line 220 kV) requires completion of installation of two electricity towers in the Rwanda side by August 2020.

At the time of audit in November 2020, I noted the presence of pending works for installation of the two towers in the Rwanda side due to entry permit restrictions emanated from the covid-19 pandemic. The pending works include, soil investigation and foundation excavations.

I urge TANESCO, through the Government of Tanzania, to liaise with the Government of Rwanda in order to resolve the entry permit issue so that installation works of the two towers resume without further delay.

- 11.2.9 Limitation on Consultant's Full Access to the Project Sites - Kenya Tanzania Power Interconnector Project (KTPIP)**
Clause 33.1 of General Conditions of Contract (GCC) of the contract No. KETRACO/PT/017/2014-PA/001/2015/HQ/W/49 Lot T1 (Singida-Babati); Lot T2 (Babati-Arusha); Lot T3 (Arusha-Namanga) between TANESCO and M/S Consortium Energoinvest (EMC) limited (the consultant) dated 6th April 2017 requires the employer to provide the consultant with full access to the project sites on performance of his services.

Contrary to the clause, my review noted that at the time of the audit in November 2020, the consultant was yet to obtain full access to five locations out of the identified 387 project sites under lot T1 due to right of way issues which had not yet been resolved. This resulted in a

delayed access of more than 44 months, against the contract effective date of 6th April 2017.

In addition, I noted delays on providing full access within 21 days from contract effective dates (handing over dates) on lot T2 and lot T3 whose full access was delayed for a period of 11 months and 14 months against their effective dates of 23rd June 2017 and 31st March 2017 respectively. It is my view that delayed access inhibits the consultant to adequately discharge its responsibilities, and it affects the completion of project activities.

I urge the management of TANESCO to expedite final compensation to Project Affected Persons in order to minimize further delays and additional claims resulting from idle time and underutilization of resources by the contractors; and in addition, ensure in all future assignments the contractors are timely provided with full access to sites.

11.2.10 Delays in Issuing Government Notice (GN) for Value Added Tax (VAT) Exemption - Kikonge Multipurpose Dam, Hydropower and Irrigation Project

TANESCO entered into contract with M/S Studio ING. G. Pietrangeli (SP) for feasibility study of Rusumo - Nyakanazi Hydropower Project. The Treasury circular number 6 of 2017 requires tax exemption to be granted on goods, equipment and instruments through issuing of Government Notice (GN).

I noted that TANESCO, through Ministry of Energy, lodged an application for tax exemption to the Ministry of Finance and Planning (MoFP) on 3rd July 2018. However, until the time of the audit in November 2020 neither exemption nor clarification thereto was provided by MoFP. It is my view that, more delay increases a risk of project cost overruns.

I urge TANESCO to fast-track the follow up on tax exemption with MoFP for adequate implementation of consultant's activities.

11.2.11 Consultant Continuing with Services through the Expired Contract - Kikonge Multipurpose Dam, Hydropower and Irrigation Project

On 11th December 2018, TANESCO entered into a five month contract No. PA/001/2016-17/HQ/C/019 with Multiconsult (the consultant) for provision of consultancy services for Strategic Environmental and Social Assessment Study (SESA) with expected completion date in February 2020.

My review noted that the contract expired in February 2020 but at the time of the audit in November 2020 the consultant was continuing with the services without renewal of the expired contract. Continuing working with expired (invalid) contract is void and increase a risk of losing legal identity in case of future disputes.

I urge the management to strengthen controls over contract management such that amendments to extend contract period should be completed on time.

11.2.12 Increased Rates of Overload Surcharges that Cost TANESCO Additional USD 4,412,556 - Kenya Tanzania Power Interconnector Project (KTPIP)

TANESCO entered into contract No. PA/001/2015/HQ/W/49 with M/S Consortium Energoinvest (EMC) Limited (the consultant) for installation of a new substation in Arusha, and extension of substation in Singida with estimated special load permit surcharge amounting to USD 5,883,408, being an estimated charge for overloaded vehicles to be charged by Ministry of Works, Transport and Communication as required by Section 4(2) of the East African Community Vehicle Load Control Act 2016 and Regulation 11(1) of the East African Community Vehicle Load Control (Enforcement Measures) Regulations 2017.

However, on 28th May 2019 the Ministry of Works, Transport and Communication increased the surcharge rates into USD 1,470,852 that caused additional expected overload cost by USD 4,412,556 that TANESCO will have to pay and increase project cost.

I urge TANESCO to quickly liaise with respective financiers for possibility of additional financing in order to avoid delayed implementation of project activities in future and ensure there is a financing plan to cover the surcharge costs when they fall due for payment.

11.2.13 Dispute Board yet to be Established - Regional Rusumo Falls Hydropower Project

TANESCO entered into contract No. PA/001/2017-18/HQ/W/22 with M/S Sterlin and Wilson for Regional Rusumo Falls Hydropower Project. Clause 8.2.1 of the GCC requires an establishment of “Dispute Board” within 28 days after contract effective date. The standing Board is responsible for mediating or resolving the disputes arising between parties during contract execution and is set up upon the signature or commencement of performance of a mid or long term contract.

Contrary to the requirement, at the time of the audit in November 2020, I noted that the Dispute Board was yet to be established. The absence of a Dispute Board increases the risk of prolonged and or unresolved disputes during contract execution.

I therefore urge the contractual parties to establish the Dispute Board without further delay to avoid risk of prolonged and or unresolved disputes during contract execution.

11.2.14 Additional Cost due to Delayed Payments of Contractors’ Claims of TZS 132,499,311.04

Appendix 1 of contract no. KETRACO/PT/017/2014-PA/001/2015/HQ/W/49 lot T1 (Singida-Babati); lot T2 (Babati-Arusha); and lot T3 (Arusha-Namanga) under Kenya Tanzania Power Interconnection Project requires the employer to authorize contractors’ payments within 90 days after receipt of invoice, and in case of delayed payment an interest rate of 0.5% will be charged per annum until the outstanding payment has been made in full.

Contrary to the contract management, my review noted that out of the 31 submitted contractor’s claims in lot T1, 29, equivalent to 97% were paid beyond the required 90 days; out of the 23 submitted contractor’s claims in lot T2, 22, equivalent to 96% were paid beyond 90 days; and out of the 11 submitted contractor’s claims in lot T3, 7, equivalent to 64% were paid beyond 90 days.

Delay in payment of contractors’ claims results into additional costs to the project from the interest charged. For instance, I noted

penalties from accrued interest charges amounting to USD 9,214.25 equivalent to TZS 21,054,561 and TZS 9,689,523.99 for Lot T1, T3 and T4 which may increase overall project costs. Therefore, I urge TANESCO to ensure that contractors' claims are paid within the agreed time frame to avoid penalties from interest charges that increases project costs.

I further reviewed contract files, payment vouchers and progress reports related to construction of water systems and AUWSA offices, and noted that at the time of the audit, on 15th October 2020, AUWSA was yet to pay contractors' claims related to three contracts that attracted interest charges amounting to TZS 101,755,225.80. Delay in making these payments is contrary to clause 4.6.1 of the contracts' GCC. Table 5-3 summarises these observations.

Table 11- 3: Interest Charges from Delayed Payments

Contract No.	Amount of interest charge (TZS)
Contract No. AUWSA/AfDB/W/002/2017 for Construction of Waste Stabilization Ponds	38,000,004.95
Contract No. AUWSA/AfDB/W/009/2017 for Construction of AUWSA Zonal Offices	4,497,156.34
Contract No. AUWSA/AfDB/W/010/2017 for Construction of New Water System	59,258,064.51
Total	101,755,225.80

Source: Payment vouchers and project files

Therefore, I urge TANESCO and AUWSA to ensure that contractors' claims are paid within the agreed time frame to avoid penalties from interest charges that increases project costs.

11.2.15 Failure to recover TZS 344.32 Million from Terminated Contractor's Contract - Arusha Urban Water Supply and Sanitation Authority (AUWSA)

Arusha Urban Water Supply and Sanitation Authority (AUWSA) terminated its contract No. AUWSA/AfDB/W/005/2017 with M/S Tanchi Brothers Construction Ltd for construction of AUWSA main office.

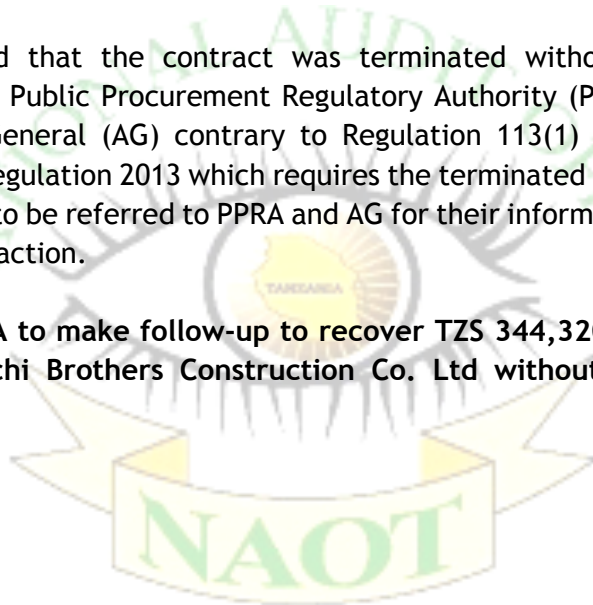
My review noted that the contract was terminated on 11th December 2019 due to contractor's unsatisfactory performance. In line with clause 7.7 of the GCC, AUWSA is required to recover a total of TZS

344,320,647.56 being the difference from the penalty due TZS 1,073,127,835.76, and value of the work executed and material on site TZS 728,807,188.20. At the time of the audit on 15th October, 2020 AUWSA was yet to recover the amount of TZS 344,320,647.56 from the contractor despite termination of the contract.

It came to my attention that delay to recover the amount is due to inadequate follow up by the AUWSA management. This delay increases the possibility of loss of public funds if the amount is not recovered.

I further noted that the contract was terminated without being referred to the Public Procurement Regulatory Authority (PPRA) and the Attorney General (AG) contrary to Regulation 113(1) of Public Procurement Regulation 2013 which requires the terminated contracts or agreements to be referred to PPRA and AG for their information and or appropriate action.

I advise AUWSA to make follow-up to recover TZS 344,320,647.06 from M/s Tanchi Brothers Construction Co. Ltd without further delay.



CHAPTER TWELVE

OTHER PERFORMANCE ISSUES NOTED DURING FINANCIAL AUDIT

12.1 Introduction

This Chapter presents findings related to physical performance obtained during conducting financial audit that covering financial year 2019/20. It covers other projects apart from audit results of thirteen technical audit presented in Chapter five up eleven.

12.2 Summary of Audit Findings

My analysis shows that the major challenges related to construction noted during conducting financial audit were delay commencement of construction works, abandoned construction projects, uncorrected snags as well unsatisfactory performance of STVET- Project. The analysis of these anomalies are analysed in the following paragraph.

12.2.1 Two Abandoned Water Projects worth TZS 2.71 Billion

My audit site visit made in November 2020 noted that two projects implemented under Water Sector Development Programme Phase II worth TZS 2,711,354,794 were abandoned despite the fact that there were outstanding activities as shown in the **Table 12-1**.

The abandoned aforementioned projects were attributed by delay of payments to the contractors and inaccessibility to site due to heavy rainfall. Existence of abandoned projects has led to delay in completion of projects and hence delay in delivery of expected benefits to the community.

Table 12- 1: Pending Works from the Abandoned Construction Projects

S/ N	Parties of contract	Contract No.	Purpose	Amount (TZS)	Remarks
1	Kashwasa and M/S Exact line Engineering (Group) Ltd	AE/063/2017-2018 /W/2	Construction Extension of Water Transmission Pipelines from Lake Victoria Water Supply Scheme to Izuga,	1,383,691,128	The completion date was revised to 23 rd June, 2020, however a site visit made on 14 th July, 2020 noted that the contractor abandoned the

S/N	Parties of contract	Contract No.	Purpose	Amount (TZS)	Remarks
			Mwakuzuka and Kabondo Villages		site since 23 rd December, 2019 while there are outstanding activities
2	Mwanza Urban Water Supply and Sanitation Authority (MWAUW ASA) and M/s Halem Construction CO. Limited	AE/042/2018-2019/W/43 LOT 2	Construction of Water Supply Systems at Nyampande	1,327,663,666	The contract commenced on 9 th June, 2019 and scheduled to be completed on 9 th June, 2020, however a site visit made noted that, the project was yet to be completed and contractor abandoned the site for the two months since June 2020 while there are outstanding activities

Source: Physical visit, progress reports and contract files

I advise management of Ministry of Water to ensure that Contractors' claims are paid timely so that they resume the work and complete the pending activities. In addition supervision to contractor to be enhanced to ensure the quality of work done and value for money.

12.2.2 Delayed Commencement of Construction Works TZS 1.47 Billion

I noted that three planned construction works worth TZS 1,470,370,951 implemented under EPforR project by MoEST were yet to be commenced despite the availability of funds and finalization of procurement proceedings. These works included construction of Chemistry laboratory and vertical extension of existing biology laboratory at MUCE, rehabilitation of houses at Hall 2 and Hall 5 at UDSM and construction of two classrooms at Madudu Primary School in Kilosa District Council at contract prices TZS 912,816,346, TZS 508,754,605 and TZS 48,800,000, respectively.

This was contributed by inadequate management commitment toward implementation of planned construction despite existence of budgeted fund. At MUCE there were disagreements on the material test results as per procedure conducted by consultant regarding concrete structure integrity and environmental degradation caused by human activities affected the implementation of construction activities at Madudu Primary School.

It is my opinion that delay in commencement of construction works may lead to cost overrun due to time value for money as a result of escalation of prices for goods and services in the market.

I advise management of MoEST to ensure that, the pending issues are resolved and rehabilitation and construction activities starts without further delay. In addition management of MoEST fast track the projects implementation such that the projects are completed timely.

12.2.3 Unsatisfactory Performance of STVET-TE Project

My review noted that the Ministry of Education, Science and Technology was responsible for implementing the Strengthen Vocational Education and Vocational Training and Teacher Training (STVET-TE) project for the period of five years (3rd July, 2014 to 31st December, 2019). However, the project status on closure was unsatisfactory because of excessive delays in release counterpart funds by Treasury for payment of local taxes and project management. In addition, there were failures in securing of VAT exemptions for goods and services procured under the project, delayed in granting approval in procurement procedures at different levels and delay in granting no objection approval by AfDB. For instance, TZS 12,937,752,197.13, equivalent to approximately 10% of the agreed loan amount of TZS 128,641,649,100 was disbursed to MoEST.

I further noted that during the five year's project lifetime, there were a total of six contractors with contracts amounting to TZS 41,292,740,527.90 engaged for construction of three²⁶ Regional Vocational Training Centres, expansion and upgrading of three²⁷

²⁶ Geita, Njombe and Rukwa.

²⁷ Mpwapwa and Kleruu under MoEST and Morogoro Vocational under VETA

Teacher's Colleges, and construction of laboratory and workshop at Arusha Technical College. The contractors were paid cumulative of TZS 7,012,709,183.99 as of 31st December, 2019.

Furthermore, I noted that out of six contractors who were engaged for construction works, two were terminated due to fraudulent malpractices. Letter of intent to terminate the other two contracts were issued by VETA HQ. Extension were not granted to one contract and the remaining one contract; the construction is still ongoing. However, for terminated or requested for termination contracts, the works have stopped since closure of the project and MoEST plans to complete construction activities through other projects like Education and Skills for Productive Jobs (ESPJ).

This was mainly caused by delay of obtaining the 'No objection' approval from AfDB, delayed approvals of procurement procedures at different levels and failure to secure VAT exemption for goods and services procured under the project as earlier conceived.

I am of the view that the intended objectives of the STEVET-TE were not achieved thus the Government may pay back loan plus interest to the Development Partner without delivering benefit to the beneficiaries. On the other hand, the Government may incur expenditure for commitment charge which is unfruitful as required by Para 3.03 of the financing agreement which states that, "The borrower shall pay commitment charge of 0.5% per annum of undisbursed portion of the loan".

I advise management of MoEST to ensure that, in future all requirements for successful implementation of the project are timely resolved which include timely approvals of procurement procedures at different levels and secure VAT exemption for goods and services procured under the project.

12.2.4 Uncorrected Snags Identified During Project Handing Over

My review noted that the Ministry of Minerals through SMMRP handed over the projects sites for Centres of Excellences for Bariadi, Musoma

The construction contracts were entered between VETA HQ and the contractors except contract at Arusha Technical College which was between MoEST and the Contractor.

and Bukoba by SKY Architects as a result of partial completion of construction works under contract No. ME/008/SMMRP/W/12 with SUMA JKT.

My further review of handing over minutes for the respective sites (dated 16th June, 2019 for Bariadi and Musoma and 17th September, 2019 for Bukoba) noted that the handing over for each site was a “partial handing over” pending for snags to be attended by the contractor such as anomalies on the constructed fence, improper finishing of crushing shades, general cleanliness and providing AC and repainting of walls in some offices. It was agreed in the meetings that all snags should be attended by 15th October, 2019. However none of the snags were attended by the contractor for Bariadi and Musoma buildings while some were attended for Bukoba building.

This was attributed by inadequate follow up efforts by the Ministry of Minerals upon correction of snags as agreed in the meetings. This may lead to severe deterioration of the buildings which may have cost implications in the near future.

I advise the management Ministry of Minerals to ensure the contractor attends on the snags before the lapse of the liability period including charging the liquidated damages for the delay in completion.

12.2.5 Uncertainty Completion of Three Abandoned Construction for Centres of Excellence

My review noted that following closure of the project’s financing by the World Bank, SMMRP transferred USD 1,250,809.32, equivalent to TZS 2,839,151,286.14 to the Ministry of Minerals’ deposit account to meet obligations, resulting from contract No. ME/008/SMMRP/W/13 and No. ME/008/SMMRP/C/61 with SUMA JKT for construction of centre of excellences in Mpanda, Chunya and Songea, which were still in progress on 30th June 2019.

I further noted that the transferred funds were utilized for other SMMRP activities and USD 54,376.84 equivalent to TZS 125,119,477.54 were refunded to the World Bank despite the fact that there was existence of these abandoned works. We also noted that the Ministry had already settled obligations amounting to TZS 1,661,012,747.06

leaving pending obligations amounting to TZS 1,991,516,949.94 which will be paid by the Ministry upon raising of completion certificates.

I further conducted physical verification between 12th August 2020 and 14th August 2020 at Mpanda, Chunya and Songea and observed that the projects were abandoned since 2019 and there was no evidence of resuming construction works in the near future.

This was caused by delays in granting contracts extension due to the fact that the expiry of these contracts occurred when the Ministry of Minerals was uncertain on the availability of funds. I am of the opinion that abandoned construction entails that value for money for the project could not be effectively achieved and the expected benefits of the Centres of Excellence will be delayed or not achieved at all.

I advise the management of Ministry of Minerals to provide the details with evidence on how the obligations will be paid to contractors and consultants when they are due and which source of financing will be used. Further, in future management of Ministry of Minerals is urged to make sure proper decision on committed projects are properly made and ensure sufficient funding is in place before refunding funds to the Development Partner.

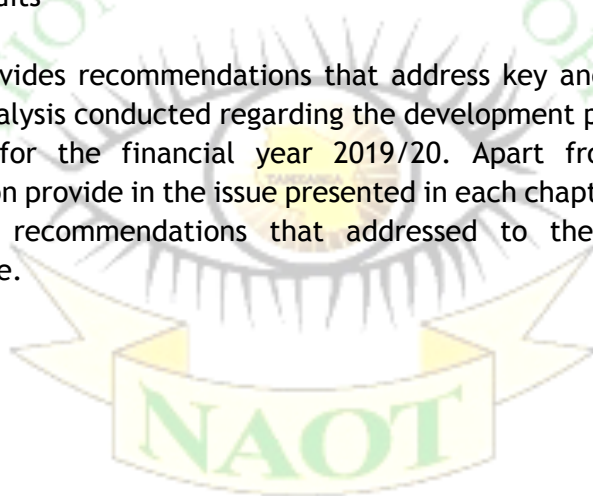
PART FOUR

CONCLUSION AND RECOMMENDATIONS

Part four covers two chapters namely chapter 13 and 14 which covers conclusion and recommendations respectively.

Chapter 13 provides conclusion of findings presented in the preceding chapters categorized in four areas namely; General Conclusion and Specific Conclusion on Financial Performance, Procurement and Physical Performance and Implementation results of technical audits

Chapter 14 provides recommendations that address key anomalies noted in the analysis conducted regarding the development projects audit reports for the financial year 2019/20. Apart from the recommendation provide in the issue presented in each chapter, this chapter cover recommendations that addressed to the Prime Minister's Office.



CHAPTER THIRTEEN

CONCLUSION

13.1 Introduction

Despite the detailed findings and recommendations already addressed in this report, it is important to once again remind the Government and Project Implementers on key issues and suggest overall actions to be taken and the way forward.

13.2 General Conclusion

My general conclusion shows that the Government has made substantial efforts in ensuring the development projects undertaken by MDAs in collaboration with Development Partners (DPs) achieve the budget of 2019/20 and overall Five Year Development Plan Phase II (FYDP II) - 2016/17-2020/21 whose implementation is ending in the financial year 2020/21. In view of that, I noted that the Government has taken serious initiatives in developing various sectors especially those sectors which are in line with providing supporting infrastructures that are geared towards transforming Tanzania into a middle-income country through industrialization and human development. For instance, in the financial year 2019/20, Government continue to implement flagship projects in energy, water and transportation sectors apart from other projects that covers education, agriculture, social and multi sectors.

I acknowledge Government initiatives in addressing challenges encountered in development projects particularly in water sector by establishing Rural Water Supply and Sanitation Agency (RUWASA) under the Ministry of Water inaugurated on July, 2019. It is my expectation that, this Agency will address the challenges facing LGAs in addressing water projects in their jurisdiction as it has a role to ensure development and sustainable management of rural water supply and sanitation projects. Further, I noted the efforts made by the government in implementation of Treasury Circular No. 2 (Direct to Project Funds) issued on 4th September 2019 aiming at improving the accountability and transparency especially on addressing off

budget challenge for the funds received by Project Implementers from directed from Development partners through loans and grants.

In addition, I recognize the continued efforts made by Project Implementers in preparations of financial statements that confirm with standards and shows true and fair view on the affairs and financial performance of development projects being audited. This achievement brings trust among stakeholders particularly the development partners and citizens as whole.

Apart from the efforts taken by the Government, my general analysis shows recurrence of deficiencies noted in my previous reports with regard to the management of Development Projects in the country. The main challenges noted, emanate from internal controls on financial management, procurement and physical performance. There are various deficiencies noted through technical reports related to the implementation of construction of development projects in transport, water, energy and agriculture sectors. The major challenges occurred in contract management. It is my hope that, this report will be used as input in developing and implementation of the coming Five Years Development Plan III (FYDP III) - 2021/22-2025/26.

13.3 Specific Conclusion

13.3.1 Financial Performance

My conclusion in the financial management covers the status of the opinions issued, implementation of prior years' matters as well as issues relating to financial management.

My analysis shows that, more than 90% of Projects obtained unqualified opinions for five consecutive years from 2015/16 to 2019/20. It is my view that, this favourable trend will improve the decision making process among the users of financial statements and elevate the credibility of Project Implementers in the eyes of Stakeholders, that funds entrusted to the Projects are being used for the intended purposes.

I am concerned with the implementation of the prior years' recommendations as the rate of implementation is still below 50% for

four consecutive financial years i.e. 2016/17 to 2019/20. It is my view that, Accounting Officers need to have strategies in place that will mitigate the risks of occurrence of repetitive outstanding issues especially those related to expenditure management and non-compliance with Projects' agreement.

In view of that, expenditure management area should be given closer attention by the Accounting Officers as it is critical to the sustainability of Development Projects in the Country. For instance, I have observed that there is risk of the Government to pay interest charges amounting to TZS 8,178,283,863.58 to contractors due to late payment of contractors' claims contrary to the contract agreements thus endangered the completion of planned activities of these projects. Further, I noted borrowed funds totalling to TZS 1,360,377,044 by the Ministry of Education, Science and Technology through ESPJ project accounts were not refunded back to the projects thus affecting implementation of planned activities of the ESPJ project.

13.3.2 Procurement Management

In my opinion, based on the criteria established under the Procurement Act, 2011 and its regulations of 2013 (as Amended in 2016), there was reasonable assurance that the Project Implementers generally complied with the requirement of Procurement Act and its Regulations in implementing the project activities in the financial year 2019/20 except for the specific anomalies noted in my audits.

Common issues observed in my audits related to procurement cycle include procurement of goods and services without competitive bidding; procurement of goods and services without Tender Board approval; planned procurement not executed, procurement made from unapproved suppliers and procurement made outside the Annual Procurement Plan. For instance, I noted procurement activities for DMDP worth TZS 16,088,893,656.40 were not included in the Annual Procurement Plan.

My analysis conclude that the anomalies related to the non-compliance with Procurement Act and Regulations among project implements were mainly attributed by inadequate mechanism used by

Tender Boards of respective entities in monitoring the activities of Procurement Management Unit. This Unit is very crucial in ensuring the procurement operations related to the development projects complied with requirements by advising properly the Tender Board and Accounting Officers as well as guiding appropriately the user departments in the process of establishing and initiating their needs.

I am of the view that, non-compliance to the Procurement Act and Regulations especially on the principles of public procurement hinders transparency and accountability; not only pose the risk of not obtaining value for money but it ruins the trust, credibility and ability of Government in securing its supplies from suppliers and other stakeholders fairly.

13.3.3 Contract Management and Physical Performance of Projects

I have linked physical implementation of projects with contract management as it forms vital role in project management especially those related to constructions. I noted anomalies in managing contracts in both contractors and project implementers of construction projects related to energy, water, transport and agriculture sectors. I also noted some anomalies related to contract management of goods and services.

My analysis regarding the procurement of construction, and goods and services in financial year 2019/20, noted the common issues in this area being goods received not verified by the Goods Inspection and Acceptance Committee as required by law and procured goods and services yet to be delivered despite the payment being made to the respective suppliers in advance.

On the other hand, common deficiencies in managing the construction in contracts include the controls related to validation of contract documents such as valid performance securities, advance payment guarantee and absence of approval for extension of contract completion time. These issues were mainly attributed by inefficient mechanism for monitoring of contract documents among the responsible parties. I noted that most of the Project Implementers manage construction project manually which brings challenges in monitoring construction projects especially administrative issues such

as expiry dates of vital documents, changes made in contract regarding cost, extension of time, payment of contractors and the like. Based on initiative taken by Government in automating various systems, I see there is a potential of be automating this area by developing a generic tailor made electronic systems which will be used project implementers in managing construction projects.

Apart from the common issues, there were also specific issues that occurred in administering implementation of development projects which can be linked with inadequate mechanism for administering contracts. For instance, there was double payment to the contractor amounting to TZS 704,155,443.20 paid under Sustainable Management of Mineral Resources Project (SMMRP) to SUMA JKT. Likewise, there were overpayment of advance amount by TZS 492,135,303.14 and advance payment paid without submission of advance payment guarantee TZS 2,566,436,434.80 made by different project implementers.

With regard to physical implementation, I am concerned with unsatisfactory performance of STVET-TE project implemented by the Ministry of Education, Science and Technology which had five years implementing period ended 31st December, 2019 but only 10% of agreed loan amount with AfDB was disbursed for entire project life time. With this regard, the intended project objectives were not achieved as expected while the Government has to pay back the portion of loan received plus commitment charges to AfDB.

Further, I noted two abandoned water projects amounting to TZS 2,711,354,794 which were mainly caused by delay in payments to the contractors and inaccessibility to site due to heavy rainfall.

Moreover, following closure of the project's financing by the World Bank to SMMRP, I noted uncertainty completion of three abandoned construction for centre of excellence at Mpanda, Chunya and Songea under SMMRP project implemented by the Ministry of Minerals. With this regard, existence of abandoned projects has led to delay in attaining of planned objectives and hence delay in delivery of expected benefits to the community.

13.3.4 Specific Conclusion on the Results of Technical Audits

The specific conclusion for six technical audits is presented as follows:

- **Conclusion on Standard Gauge Railway (SGR)**

TRC has shown efforts in implementation of Standard Gauge Railway both Lot 1 and 2. In general, construction works which include construction of box culverts, underpasses, overpasses, bridges, viaducts, earth works for embankment, pavement layers, offloaded ballast, track laying and station buildings adhered to the required specifications.

However, the progress of work is not promising to achieve the intended objectives because construction of lot 1 (Dar ss Salaam to Morogoro) has been extended four times and the possibility that Lot 1 will be completed by April, 2021 as per deadline of final extension is questionable since the progress as of December, 2020 stood at 88.39% against 95.96 planned.

Likewise, the situation is worse for Lot 2 (Morogoro to Makutopora) because as of December, 2020 the progress was 52.2% against 98.7% planned since the project is expected to complete by February, 2021. This was caused by the delays in mobilization of equipment; delays in construction of major activities; lack of contractor's recovery measure to overcome delay; delay in land acquisitions; and delayed commencement of design and construction of about 3 Km Port Link.

- **Julius Nyerere Hydro-Power Project**

I conclude that as far as the progress of the project is concerned, TANESCO is making a good progress in managing the construction of Julius Nyerere Hydro-Power Project with due regards to time, cost and quality in order to ensure attainment of the project objectives. However, TANESCO need to put more efforts to ensure that the Contractor completes the project on time as originally planned, to avoid risk of cost overrun due to extension of time. Similarly, TANESCO needs to enhance its supervision to ensure that there would be improvements on the compliance to contract terms related to engagement of staff to the project, quality control and environmental,

social, occupational safety and health matters during the implementation of project.

- **Bus Rapid Transport (BRT) Project**

The report concludes that, the project is not in the direction to attain the value for money. This is because, implementation of both lots (Lot 1- on road works and Lot 2 on building works) was not adequate to achieve the expected completion time, cost, and quality as per terms and conditions of the contract. There are noted variations and time overrun. The main cause of all these is rooted in the inadequate supervision by the employer and delay to take prompt actions.

- **Widening of Morogoro Road Project**

The project is likely to realize value for money because it is expected to be completed within acceptable time, and cost, and in compliance with specifications and employer's requirements. However, significant improvements are needed on timeliness of payments to the contractor, compliance with requirements on Health, Safety and Environmental mitigation measures, and proper approval of test results.

In addition, the government may not be able to solve the problem of traffic jam and excessive delays along Morogoro Road, if lack of combined efforts and lack integration and inter-institutional master planning within the government continues. This is because Introduction of a modern Bus Terminal at Mbezi-Mwisho by Municipal authorities in Dar es Salaam, which is estimated to serve about 700 buses, is expected to cause more traffic congestion and create more conflicts at the junction entering Morogoro Road.

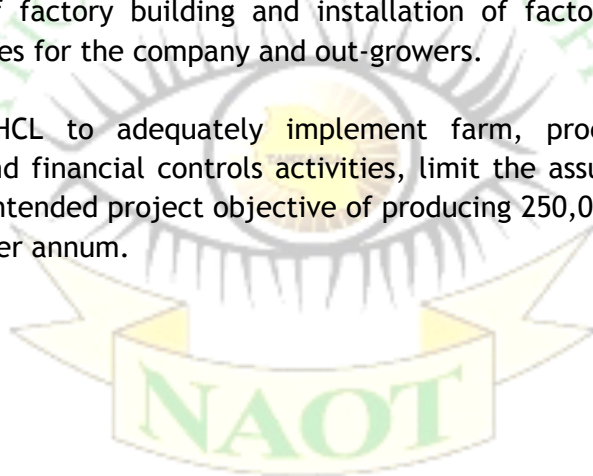
- **Overall Audit Conclusion on Implementation of Mbigiri Sugar Production Project**

I conclude that MHCL has shown efforts during the implementation of Mbigiri Sugar Production Project. However, improvement is needed to ensure the implementation of the project achieve the intended objective. This is because MHCL did not adequately comply with relevant standards which affect implementation of the Mbigiri Sugar Production Project. Also due to delay of installation of factory plants, MHCL and out-growers suffered losses.

In that regard, MHCL did not properly manage farm activities as there was weak controls over fuel, fertilizers and herbicides utilization, which trigger misuse of the said items were noted; and ineffective cost control mechanism for farm activities was also noted as a result the company failed to establish actual sugarcane production costs.

Tendering and procurements process were not well managed by MHCL, implying that there are procurements made above budgets and MHCL suffered losses due to poor decisions made on some procurements. Also, there are delays in tendering and procurements which led to MHCL not to achieve its objectives accordingly. Further, untimely construction of factory building and installation of factory plants resulted to losses for the company and out-growers.

Failure for MHCL to adequately implement farm, procurement construction and financial controls activities, limit the assurance of achieving the intended project objective of producing 250,000 Metric Tons of sugar per annum.



CHAPTER FOURTEEN

RECOMMENDATIONS

14.1 Introduction

The recommendations in this chapter are based on the conclusion drawn from Chapter 13 of conclusion. It provides recommendations to the Prime Minister's Office based on the conclusions made in respect of what should be done in order to address the identified weaknesses and improvement of the performance of development projects in the country.

In view of that, my recommendations have been designed to address anomalies that are generally affecting the development projects across sectors.

14.2 General Recommendations

The Prime Minister's Office is advised to:

1. Establish the Government Project Coordination office to support and monitor the implementation of all development projects in the country.
2. Design key indicators that will be used to monitor performance of projects in key areas including financial management, implementation of prior year recommendations and others and take action on Project Implementers who perform below the minimum performance requirements.
3. Develop an electronic system which will assist project implementers in managing and administering construction projects efficiently.
4. Develop and monitor the implementation of specific action plan that will address all anomalies noted in implementation six audited flagship projects namely Standard Gauge Railway (SGR), Julius Nyerere Hydro-Electrical Power, Bus Rapid Transport, Widening of Mororogoro Road, Same-Mwanga and Korogwe Water Supply Project and Mbigiri Sugar Production Project.

14.3 Specific Recommendations

The Prime Minister's Office in collaboration with the management of MDAs and LGAs responsible for implementing the development projects to ensure that:

1. The Ministry of Finance and Planning improve the approach of release funds by review the implementation of Direct to Projects Funds arrangement provided in Treasury Circular No. 2 issued 2nd September, 2019 and take appropriate action to facilitate the release of funds in timely manner and as per approved budget.
2. The identified Accounting Officers to strengthen internal controls over payments, safe keeping of accountable documents, retirement of imprest issued and deductions of withholding taxes.
3. The Ministry of Minerals to find a means to secure adequate sources of financing from either World Bank or Government in order pay the outstanding commitments claimed by contractors in implementation of SMMRP II to avoid future disputes.
4. Management of Ministry of Education, Science and Technology take initiative to assess the factor contributed to under performance of STEVET project and take appropriate actions.



APPENDICES

Appendix 3- 1: Project Implemented Issued with Qualified Opinion - HBF

SN	Council	Basis of Qualification
1	Monduli DC	<p>Expenditure not justified for HBF activities of TZS 5,531,070 The Council failed to avail payment particulars along with their supporting documents for expenditure of TZS 5,531,070 incurred for HBF activities at Monduli District Council contrary to Order 104 (1) and (2) of the Local Government Financial Memorandum of 2009 thereby limiting my audit scope in respect rollover fund carried forward from financial year 2018/19 of which were transferred to Council Development account at the end of the year.</p>
2	Mafinga TC	<p>Inadequate documentation over payments amounting TZS26,190,600 Review of transactions of the Council revealed that payments amounting to TZS 26,190,600 related to HBF were not supported with appropriate documents, this implies that there is inadequate internal control system over keeping of accountable documents within the Council, contrary to Para 6.7.2 of LAAM 2019.</p>
3	Missenyi DC	<p>I noted that the Council paid an amount of TZS 13,645,441 in respect of last year's creditors which were not booked in 2018/19 financial statements. In this regard, the expenses for the current year are overstated by TZS 13,645,441 and prior year payables understated by the same amount.</p>
4	Karagwe DC	<p>I noted that the Council management submitted HBF Financial statements without including reconciliation of surplus/deficit from ordinary activities with the net cash flow from operating activities amounting to TZS 9,504,000 as part of the cash flow statement or in the notes to the financial statements as per requirement of Para 29 of IPSAS 2 and Para 3.6 of Circular No.6 of May, 2020 issued by Accountant General.</p>
5	Itigi DC	<p>Overstatement of accumulated surplus TZS 53,362,000 During the year 2019/20 the Council has adjusted the opening balance of recurrent grants for the year 2018/19 to correct the prior period error. However, the corresponding entry to adjust the accumulated surplus was wrongly recorded. The Council adjusted by reducing the balance of accumulated surplus instead of increasing the balance for accumulated surplus. In this case, the balance of accumulated surplus reported in the statement of financial position and the statement of changes in net assets is understated by TZS 53,362,000.</p>
6	Urambo DC	<p>(i) Inadequately supported payments TZS 17,204,504 I noted that, the Council made various payments amounting to TZS 17,204,504 without relevant supporting documents, consequently, I could not obtain sufficient and appropriate evidence that the expenditure to the tune of TZS 17,204,504 was wholly and exclusively incurred for the interest of the Council. Contrary to Order 10 (2) (d) of the LGFM 2009, requires the authorizing officer to ensure that all expenditures are properly supported by relevant documents.</p> <p>(ii) Missing payment vouchers TZS 6,530,996 I noted that payment vouchers and their supporting documents for payments amounting TZS 6,530,996 were missing contrary to Order 104(2) of LGFM, 2009. In the absence of the payment vouchers and supporting documents, I could not confirm the authenticity of expenditure incurred.</p>
7	Nzega DC	<p>Inadequately supported payments TZS 35,994,000</p>

SN	Council	Basis of Qualification
		I noted that the Council made various payments amounting to TZS 35,994,000 without being supported by relevant documents contrary to Order 10 (2) (d) of the Local Government Financial Memorandum, 2009, requires the authorizing officer to ensure that all expenditures are properly supported by relevant documents.
8	Bunda DC	Missing Payment Vouchers for the amount of TZS 30,884,701 During examination of payment vouchers and their supporting documents for the year under review, we noted that HBF payment vouchers for the amount of TZS 30,884,701 were missing contrary to the requirements of Orders 8 (2)(c) and 10 (2) (d) of LGFM, 2009. We were concerned that the missing payment vouchers constituted a limitation of audit scope.
9	Butiama DC	Expenditure not adequately supported TZS 46,224,985.50 I noted that payments amounting to TZS 46,224,985.50 were not adequately supported by relevant supporting documents such as signed pay lists for paid allowances, acknowledgement receipts and activity reports. In the absence of supporting documents, I could ascertain the authenticity and accuracy of the payments made.
10	Ushetu DC	(i) Missing payment vouchers TZS 14,320,000 Examination of the statement of cash flow for the year ended 2019/20 and project cashbook noted that, the Council made a total payment of TZS 744,145,417 under health department; however TZS 14,320,000 out of the total amount made could not be justified as the related payment vouchers were not produced for audit. (ii) Expenditure not adequately supported TZS 69,519,329 Examination of various payments made through payment vouchers and related documents revealed that, payments for TZS 69,519,329 were authorized and paid from HBF account for implementation of various activities. However, the payment vouchers were not supported by relevant documentations such as signed paylists, TEMESA inspection reports, stores ledgers, extra time approvals, receipt vouchers, issue vouchers and fuel consumption sheets. In the absence of these supporting documents, I could not ascertain the authenticity of payments made.
11	Magu DC	(i) Understatement of Recurrent Grants TZS 98,638,312 (ii) Understatements of supplies and consumable figure TZS 68,661,974
12	Shinyanga DC	(i) Payments not adequately supported; TZS 9,230,000 Examination of payment vouchers for payments made by the Council to various suppliers and staff for execution of various activities under basket fund revealed payments of TZS 9,230,000 were not supported by relevant supporting documents such as signed pay list, meeting attendance registers, and minutes of the meetings, LPO, invoices and delivery notes. This has limited my audit scope in establishing the legality of the payments made. (ii) Unconfirmed utilization of fuel, TZS 5,784,741 Inspection of fuel ledger books, receipt vouchers, issue vouchers and other related documents revealed that, during the year under review the health department procured 2,817 litres of fuel of TZS 5,784,741 which were issued to motor vehicles but I could not confirm its utilization because the Council did not maintain motor vehicles' log books.
13	Kakonko DC	Deferred recurrent grants understated by TZS 5,876,000

SN	Council	Basis of Qualification
		Contrary to Para 44 & 45 of IPSAS 23, the Council deferred recurrent grants of TZS 2,019,000 (reported under Note 1) instead of TZS 7,895,000 (reported under Note 6), which was not utilised during the year. The Council ought to defer the amount not used during the year because the condition for spending was not yet met. Therefore, a deferred recurrent grant was understated by TZS 5,876,900.
14	Longido DC	<p>(i) Payments made without adequate supporting documents TZS 47,317,535 During the year under review, I noted expenditure of TZS 47,317,534.90 which was incurred without adequate supporting documents contrary to Order 8(2)(c) of LGFM, 2009. Authenticity of such payments could not be established.</p> <p>Overpayment of Allowances TZS 1,195,000 My review on payment vouchers together with their supporting documents noted that allowances amounting to TZS 1,195,000 were over paid contrary to Government Establishments on allowances caused by inadequate control over cash management. This implies that public fund was misappropriated.</p>
15	Musoma DC	<p>Overstatement of amortization of recurrent grants TZS 900,000 Review of statement of financial performance and Note 11 noted of recurrent grants overstated by TZS 900,000 due to report TZS 297,445,200 in the statement of financial performance instead of TZS 296,545,200 which is correct figure resulted to statement cash flow not balance by the same amount.</p> <p>Buildings not de-recognized in the financial statement TZS 6,738,097 Review of Note 29 (PPE) noted that there is buildings that have net book values TZS 6,738,097 still exist in the statement of financial position instead of de-recognized from Note 29 (PPE). The building was supposed to be included in the council's main Financial Statements and not HBF Financial statements.</p>

Source: Individual Audit Reports for 2019/20

Appendix 9- 1: List of BoQs Items with High Rates Compared to the Prevailing Market Prices

Description	Unit	Qty	Quoted Price		Market Price		Total difference
			Rate (USD)	Amount (USD) 'A'	Rate (USD)	Amount (USD) 'B'	A-B (USD)
95- Mwangi Workshop Division 8: Doors & Windows Section 081400: Wood Door with Wood Frame: The type wood door with wood frame shall be as detailed and spec. including, finishing, fittings hardware, accessories, fixing in position, complete structural opening size given. Item No.5: Single leaf door type (4) size 800 x 2200 mm, HW set (10).	No	3	230,000	690,000	260	780	689,220
External Works Rehabilitation of four (4) small tanks three (3) of 225m ³ and one (1) of 75m ³ including access roads	Sum	1	580,000	580,000	25,000	25,000	555,000
Engineer's and Employer Vehicles: Brand new 4 x 4 cars.	Nos	3	160,000	480,000	79,393	238,179	241,821
Total Loss							1,486,041

Source: Tender Documents (mainly BoQs) and Progress Reports

Appendix 10- 1: Items Paid to Contractor Without Substantiated

Item	Descriptions	Unit	Qty	Rate - TZS	Amount paid - TZS	Remarks
B.13	Allow for the cost of for quality check of materials and carrying out field tests of works as per specifications	LS	1	34,000,000	45,220,000	Payments should be substantiated by Employer's request for testing and invoices from laboratories. Such documents were not availed.
B.21	Engineer's Offices	LS	1	28,000,000	36,400,000	No supporting documents for such payments like contract, invoices
B.22	Engineer's Residence	LS	1	9,000,000	12,000,000	No supporting documents for such payments like contract, invoices
B.31	1 Nos. four-wheel drive station wagon	Veh - Month	3	4,500,000	18,000,000	No supporting documents for such payments like contract, invoices
B.32	1 No. space cab pick - up	Veh - Month	3	3,600,000	14,400,000	No supporting documents for such payments like contract, invoices
B.41	Allow for provision of specified Survey equipment for the Engineer	Months	3	16,000,000	64,000,000	No equipment was purchased.
B.61	Hold site health and safety program	LS	1	12,000,000	12,000,000	Such payments should be supported by expenditure evidences like invoices for purchase of condoms, attendance. MHCL had nothing to show but effected payments to the contractor
Total					202,020,000	

Source: IPC No. 4

Appendix 11- 1: Status of Progress of Works Performed by November 2020

S/N	Activity/ work	Percentage contribution of activity to be accomplished on contract	Percentage of total progress of work performed
1	Mobilization	1.75	0.68
2	Towers design and engineering	0.9	0.41
3	Foundation design and engineering	0.4	0.34
4	Insulator strings, earth-wire and OPGW attachments design and engineering	0.1	0.1
5	Detailed survey	0.45	0.32
6	Soil investigation	0.85	0.43
7	Bush clearing and access roads	1.35	1.15
8	Pegging	0.05	0.00
9	Towers type test	1.65	0.41
10	Procurement	68.4	0.53
11	Foundations installations	14.5	1.86
12	Towers erection	4.5	0.00
13	Stringing single circuit, twin bundle conductor, one earth wire, one OPGW	3.75	0.00
14	Training	0.5	0.25
15	Final works	0.55	0.00
16	Commissioning and handling over	0.15	0.00
17	Demobilization	0.15	0.00
Total		100	6.48