



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



PERFORMANCE AUDIT REPORT ON IMPLEMENTATION
OF MBIGIRI SUGAR PRODUCTION PROJECT



REPORT OF THE CONTROLLER
AND AUDITOR GENERAL
MARCH, 2021



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



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PREFACE



The Public Audit Act No. 11 of 2008, Section 28, authorizes the Controller and Auditor General to carry out Performance Audit (Value for-Money Audit) for the purpose of establishing economy, efficiency and effectiveness of any expenditure or use of resources in the Ministries, Departments and Agencies (MDAs), Local Government

Authorities (LGAs) and Public Authorities and other Bodies. The Performance Audit involves enquiring, examining, investigating and reporting on the use of public resources, as deemed necessary under the prevailing circumstances.

I have the honor to submit to Her Excellency, the President of the United Republic of Tanzania, Hon. Samia Suluhu Hassan and through her to Parliament of the United Republic of Tanzania the Performance Audit Report on Implementation of Mbigiri Sugar Production Project conducted at Mkulazi Holding Company Limited (MHCL) in Morogoro Region.

Among other sections the report contains conclusions and recommendations that have focused mainly on farming, procurement, financial management and construction. MHCL officials were given an opportunity to scrutinize the factual contents and comment on the draft report.

My office intends to carry out a follow-up audit at an appropriate time regarding to actions taken by MHCL in relation to the recommendations issued on this report.

Upon completion of the assignment, the office subjected the report to the critical reviews of Eng. Dr. Festo Richard Silungwe and Dr. Cosmas Renatus Masanja who came up with useful inputs for improving this report.

This report has been prepared by Mr. Bhourat Kombo-Team Leader, Ms. Ndimwaga Shitindi-Team Member, and Mr. Ally Kimbwe - Team Member under the supervision and guidance of Ms. Mariam Chikwindo- Ag. Chief External Auditor, Eng. James G. Pilly- Assistant Auditor General and Mr. Jasper N.S. Mero - Deputy Auditor General.

I would like to acknowledge the commitment of my staff and cooperation accorded to my audit team by the Accounting Officer and his supporting staff: which has facilitated timely completion of this audit report.



Charles E. Kichere
Controller and Auditor General
Dodoma, United Republic of Tanzania
March, 2021.

TABLE OF CONTENTS

PREFACE	II
LIST OF TABLES AND FIGURES	VI
LIST OF ABBREVIATIONS AND ACRONYMS	VII
EXECUTIVE SUMMARY	VIII
CHAPTER ONE	1
INTRODUCTION	1
1.1 BACKGROUND OF THE PROJECT	1
1.2 JUSTIFICATION FOR CONDUCTING THE AUDIT	1
1.3 AUDIT DESIGN AND METHODS	2
1.4 METHODS OF DATA COLLECTION AND ANALYSIS	3
1.5 AUDIT CRITERIA.....	5
1.6 DATA VALIDATION PROCESS.....	5
CHAPTER TWO.....	7
SYSTEM FOR SUGAR PRODUCTION AT MHCL	7
2.1 INTRODUCTION	7
2.2 POLICY, LAWS AND REGULATIONS GOVERNING SUGAR PRODUCTION	7
2.3 ROLES AND RESPONSIBILITY OF KEY STAKEHOLDERS.....	8
2.4 MHCL SUGARCANE OPERATING PROCEDURES	12
2.5 PROJECT INVESTMENT COSTS.....	17
CHAPTER THREE	19
FINDINGS.....	19
3.1 INTRODUCTION	19
3.2 FARM ACTIVITIES WERE INADEQUATELY MANAGED.....	19
3.4 DELAY OF INSTALLATION OF FACTORY PLANTS	44
3.5 WEAKNESSES WERE NOTED IN MANAGING PROJECT FINANCES	44
CHAPTER FOUR.....	52
IMPLEMENTATION OF RECOMMENDATIONS ISSUED ON PREVIOUS REAL TIME AUDIT	52
4.1 INTRODUCTION	52
4.2 MAIN AUDIT FINDINGS.....	52
4.3 OVERALL AUDIT CONCLUSION	55
4.4 MAIN RESULTS OF THE FOLLOW UP ON THE IMPLEMENTATION OF RECOMMENDATIONS.	55
4.5 OVERALL FINDINGS OF THE FOLLOW UP ON IMPLEMENTATION OF REAL TIME AUDIT RECOMMENDATIONS	55

CHAPTER FIVE	68
AUDIT CONCLUSION AND RECOMMENDATIONS	68
5.1 INTRODUCTION	68
5.2 GENERAL CONCLUSION.....	68
5.3 SPECIFIC CONCLUSIONS	69
5.4 AUDIT RECOMMENDATIONS	70
REFERENCES	73
APPENDICIES	74
APPENDIX 1: DOCUMENTS REVIEWED	75
APPENDIX 2: AMIDAS ISSUED FROM STORE AND USED WITHOUT ANY EVIDENCE	76
APPENDIX 3 A: AMIDAS ISSUED FROM STORE AND NO EVIDENCE FOR ITS USAGE ...	78
APPENDIX 3 B: DAP ISSUED FROM STORE AND NO EVIDENCE FOR ITS USAGE.....	79
APPENDIX 4: FUEL UTILIZATION BY CASE 400HP OF REGISTRATION NO. T 505 DTA80	
APPENDIX 5: OVERGROWN SUGARCANE AND ESTIMATED PRODUCTION COSTS	82
APPENDIX 6: COST ITEMS FOR SUGAR CANE PRODUCTION	84
APPENDIX 7: DELAY IN PROCUREMENT PROCESS FOR FY 2018/19 AND 2019/20 ...	85
APPENDIX 8 (A): AMOUNT PAID BY MHCL DIRECT TO CASUAL LABOURS.....	87
APPENDIX 8 (B): AMOUNT PAID BY MHCL DIRECT TO CASUAL LABOURS.....	88
APPENDIX 10: ASSETS CONTRIBUTED BY PCS TO MHCL	101

LIST OF TABLES AND FIGURES

Table 1.1: List of Interviewees and Reasons for the Interviews	4
Table 2.1: Expected Shareholdings Structure	9
Table 2.2: Allocated Funds to Facilitate Implementation of Mkulazi Project	17
Table 2.3: Required Resources for Plan Implementation 2020/21 - 2022/23	18
Table 3.1: Fertilizers and Herbicides Used without Sufficient Evidence during 2018/19	22
Table 3.2: Destroyed over grown sugarcane.....	24
Table 3.3: Status of Implementation of Farm Activities	26
Table 3.4: MHCL Production of Sugarcane per Hectare of 2020/21	28
Table 3.5: AMCOs Records on the Status of Sugarcane Plantation	32
Table 3.6: List of Procured Items Exceeding Estimated Amount in APP for FY 2018/2019	34
Table 3.7: List of Procured Items Exceeding Estimated Amount in APP for FY 2019/2020	35
Table 3.8: Mismatch between Tender Names and Number in APP and Actual Procurement Files	38
Table 3.9: Items Procured out of Annual Procurement Plan for FY 2018/19 & 2019/20	39
Table 3.10: Read out price for Tender No. PA/150/2019-2020/G/02 LOT 2	40
Table 3.11: Lack of Price Negotiation	42
Table 3.12: Inclusion of Value Added Tax (VAT) for Exempted Supplies	43
Table 3.13: Total Amount paid by MHCL direct to Casual Labours	45
Table 3.15: Items Paid to contractor without substantiated	50
Table 4.1: Implementation of Recommendations by MHCL	56

LIST OF ABBREVIATIONS AND ACRONYMS

AMCOS	: Agricultural Marketing Cooperative Society
APP	: Annual Procurement Plan
EFD	: Electronic Fiscal Device
EGA	: Electronic Government Authority
ERP	: Enterprise Resources Planning
FY	: Financial Year
Ha	: Hectare
IPC	: Interim Payment certificate
JVC	: Joint Venture Company
Ltd	: Limited
MHCL	: Mkulazi Holding Company Limited
MoU	: Memorandum of Understanding
NSSF	: National Social Security Fund
PCS	: Prisons Corporation Sole
PEs	: Procuring Entities
PMU	: Procurement Management Unit
PPA	: Public Procurement Act
PPF	: Parastatals Pensions Fund
TIC	: Tanzania Investment Centre
TSSU	: Technical Support Services Unit
VAT	: Value Added Tax

EXECUTIVE SUMMARY

Mkulazi Holding Company Limited (MHCL) is a joint venture company established by the then 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. Currently the MHCL is under ownership of NSSF and Prisons Corporation Sole (PCS). The company's shareholding structure is 96% by NSSF and 4% by PCS

Main activity of the company is to produce quality sugar and related downstream products. To achieve this, the Company plans to implement two sugar projects which target to produce 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.

The main audited entity was Mkulazi Holding Company Limited (MHCL) 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 which enabled auditors to assess the extent of project implementation which started in 2016/17 and expected to be finalized in 2022/23.

Major findings

i. Unused boreholes worth TZS 81,500,000

Mkulazi Holding Company Ltd (MHCL) entered into contract with Drilling and Dam Construction Agency (DDCA) (Contract No. MKL/W/03/2017) on 7th November, 2017, worth TZS 815,000,000 for survey, drilling of eight boreholes and installation of submersible water pumps for irrigation activities at Mkulazi and Mbigiri farms in Morogoro Region. Four boreholes were supposed to be drilled at each respective farm. The duration of contract was six months from November 2017 to May 2018.

However, based on physical verification conducted on 20th November, 2020 it was observed that four boreholes at Mbigiri farm located at Block E3, D2, E4 and F4 were drilled but had not become operational. According to management, boreholes were not in use because they did not yield enough water for irrigation as expected.

It was further noted that, the contractor abandoned the site despite the fact that 10% of the contract price (TZS 81,500,000) had been paid to the contractor.

According to MHCL management the unsuccessful water supply was attributed to failure of the contractor to mobilize on time the required equipment and materials to site; hence it took long time to complete the first borehole. Another cause was inadequate knowledge of geological formation which led to frequent changing of drilling methodology.

ii. 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.

A review of a Paper presented to the Board of Directors shows that, a total of 740.43Ha have over - grown sugarcane. However, based on physical verification conducted on 20th November, 2020 and 24th November, 2020 it was observed that over - grown sugarcane at various blocks had been destroyed as they no longer has economic value. Therefore, it was estimated that production costs of TZS 379,338,245 had been incurred for production of sugarcane that ended up being destroyed. Hence, actual costs of production of sugarcane at these blocks were considered as total loss to the company.

According to Management, decision to destroy the sugarcane was based on the fact that MHCL was yet to install plants for sugar production (was supposed to be installed and operational by December 2020).

iii. Potential Loss of TZS 499,934,750 on Overgrown Sugarcane

MHCL planned to harvest 740.43 Ha of overgrown sugarcane during the said harvesting season (September, 2020 to February 2021). 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 as at 31st December, 2020 MHCL 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 the specified period. These planted blocks had overgrown sugarcane aged up to 30 months, if not harvested beyond February, 2021, they may lose their economic value 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 the overgrown sugarcane on time will likely result into estimated loss of TZS 499,934,750.

iv. Delay in Installation of Factory Plants

The Audit Team noted during the site visit conducted in December 2020 that neither factory buildings were built nor plants were acquired and installed.

Delay of installation of factory plants was caused by delayed procurement process carried out by the government. According to MHCL management, there were no correspondences between MHCL and government regarding this procurement, thus MHCL was not in a position to tell the exact date when construction of factory building and installation of factory plants will take place.

As a result delayed construction of factory building and installation of factory plant caused losses and will continue to cause losses to the company and out-growers.

v. Procurement made out of the Approved Amount in APP

Review of Procurement plan of 2018/19 and 2019/20 awarded contract for Procurement of goods, works and consultancy services executed noted great variance of estimated amount for the procured items in all of two financial years. The noted variation between estimate amount and actual cost of procurement ranged from 16% to 117%, amounting to 1.6 billion for financial year 2019/20, and 1.7 billion for financial years 2018/2019.

This was further evidenced through the review of the company internal audit reports (2019) which indicated that procurements were made above approved budget whereas the company started implementation of contracts worth TZS 1,652,502,000 with a total budget allocation of only TZS 637,500,000.

Interviews with procurement officers revealed that, the noted variance was caused by failure to undertake market survey prior to planning and preparation of budget.

vi. Procurements were not Timely Implemented

Review of MHCL procurement files and the company annual procurement plan for financial year 2018/19 and 2019/20, the audit noted delays of procurement from the date of procurement advertisement to the estimated dates of contract award as indicated in the company Annual Procurement Plans (APPs) to the actual award for various work, goods and consultancy services. Noted delays of executing procurement ranged between two (2) to five (5) months. Interview with procurement officers revealed that reason for indicated delay was delayed initiation of the procurement by the user department.

vii. Inclusion of Value Added Tax (VAT) for Exempted Supplies for TZS 1,797,043,446

According to section 6(1) and First and Second schedule of Value added Tax Act Cap 148 R.E 2019 agricultural implements inclusive of irrigation equipment and parts; and agricultural inputs are among the supplies exempted from VAT.

Audit examined if the procurement awards excluded VAT for supplies which are VAT exempted for agricultural related business. Review of procurement

awards 2018/19 to 2020/21 noted that, MHCL included VAT amounting to TZS 1,797,043,446 when awarding for Supplies which were VAT exempted. In addition, it was noted that, MHCL did not raise VAT refund claims. In Interview MHCL Officials shared that they did not claim on VAT return because the company was not VAT registered.

viii. MHCL not Registered for VAT

MHCL as a Government entity carrying out or intending to carry out economic activities are required by the VAT Act to be registered for VAT. However, since its establishment MHCL was not registered for VAT.

It was noted that, at the time of audit the company was in discussion with the TRA regarding the registration for VAT. MHCL, for not being VAT registered, was losing money as VAT paid without claiming it back during acquisition of goods and services. It was noted that, MHCL entered 52 contracts with contract prices amounting to TZS. 50,279,515,851.70 which included a VAT amounting to TZS.7,669,756,655.34 which was equivalent to 18% of the contract price.

This amount being paid as VAT on acquisition of goods and services amounting could have been saved and used for other important activities.

ix. Improper Recognition and Disclosure of Assets Contributed by PCS as Share Capital and Account Payable which Make Up Share Holding Ratio between NSSF and PCS

It was noted that, 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 17th October, 2020 between the Board of Trustees of NSSF and PCS revealed that, the two agreed on the asset contributed by PCS which is amounted to TZS 19,380,164,500.

The agreed assets contributed by PCS were more than 4% of the total authorized share capital of TZS 250 billion. The contributed capital is 7.6% of the authorized share capital; hence PCS deserve more shareholding ratio as per asset contributed.

Main Conclusion

Generally, based on the findings presented in chapter three of this report, it is concluded that MHCL has shown efforts during implementation of Mbigiri Sugar Production Project. However, improvement was needed to ensure the implementation of the project achieve the intended objective. This was because MHCL did not adequately comply with relevant standards which affect implementation of Mbigiri Sugar Production Project. Furthermore, due to delay of installation of factory plants, MHCL and out-growers suffered losses.

In that regard, MHCL did not adequately manage farm activities as there was weak controls over fuel, fertilizers and herbicides utilization which trigger to 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 adequately managed by MHCL. Implying that, there were procurements made above budgets and MHCL suffered losses due to poor decisions made on some procurements. Moreover, there were delays in tendering and procurements which led to MHCL not achieving 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.

Audit Recommendations

List of recommendations are as shown hereunder:

- 1) MHCL should fast-track procurement and installation of sugar production plants at Mbigiri estate;
- 2) MHCL Management should expedite the process of VAT registration so as to prevent the Company from incurring more cost during acquisition of services and or goods;

- 3) MHCL should restate the shareholding ratio as per contribution of each shareholder and is advised to expedite the process of registration of the new shareholders;
- 4) MHCL Management should 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 the years
- 5) MHCL management should be complied with terms and condition of the contract, otherwise should seek for contract amendments;

CHAPTER ONE

INTRODUCTION

1.1 Background of the Project

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. Currently, the MHCL is under ownership of NSSF and Prison Corporation Sole (PCS) with shareholding structure of 96% by NSSF and 4% by PCS.

Main activity of the company is to produce quality sugar and related downstream products. To achieve that, the Company plans to implement two sugar projects which target to produce 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.

Furthermore, based on the feasibility study of October, 2017, Mbigiri Estate Project will have an average return on investment of 34.7 per cent, internal rate of return of 30.5 per cent; net present value of USD 76.29 million; and payback period of 4.92 years. Moreover, total sales projection will be USD 22.9 million in year 1 (2018/2019) increasing to USD 36.3 million by year 5 and remain stable up to year 15. The project is expected to generate profit throughout the projection period, where by profit of USD 8.5 million is anticipated in year 1 of operation (2018/19) increasing to USD 13.4 million in year 5.

1.2 Justification for Conducting the Audit

The proposal to start conducting Real Time Audit was first presented to the Controller and Auditor General (CAG) on 12th July, 2018. The proposal was influenced by agreement between the CAG and the Prime Minister in the

meeting held on 29th April, 2018. The agreement was to start conducting Real Time Audit in Public Sector, focusing on big projects implemented by the Government.

Based on this, CAG conducted a Real Time Audit on Mkulazi Sugar Factory, a subsidiary of Mkulazi Holding Company Limited (MHCL) in 2018. Phase one (1) of the Audit was executed from 19th November, 2018 to 21st March, 2019 under the coordination of Technical Support Service Unit (TSSU).

While planning for second Phase of the RTA, on 10th July, 2020, the CAG directed Performance Audit Division to carry out this type of audit with a view to identify the Economy, Efficiency and Effectiveness in carrying out operations of MHCL.

1.3 Audit Design and Methods

1.3.1 Objective of the Audit

The overall objective of the Audit was to assess whether the management of farm and sugar factory production by MHCL ensured compliance with relevant standards and that value for money has been attained.

Specifically, the audit assessed whether MHCL ensured that:

- a) Farming activities were implemented in accordance with sugarcane farming guidelines;
- b) Procurement and contracting process of contractors, consultant, goods and services for the project were done in accordance with relevant procurement laws and regulations;
- c) Administration of Project Finances were done in accordance with the financial guideline;
- d) Corrective measures have been taken on the recommendations issued by CAG regarding to real time audit conducted in financial year 2019/20.

1.3.2 Scope of the Audit

The main audited entity was Mkulazi Holding Company Limited (MHCL) 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 was no significant development which has been achieved so far.

The Audit Team visited Kilosa District in Morogoro Region where the Mbigiri project is located.

The audit covered the financial years 2016/17 to January, 2020/21. The chosen period enabled auditors to assess the extent of project implementation which started in 2016/17 and expected to be finalized in 2022/23.

1.4 Methods of data collection and analysis

Three methods were used to collect data, which were interviews, documents review and physical observation. Detailed information for each method to be used is presented below:

1.4.1 Document Review

Various documents from MHCL regarding establishment and implementation of Mbigiri Project were reviewed in order to clarify and triangulate the information collected from the interviews and observations to assist the audit team to get comprehensive and reliable information on how the Mbigiri project was managed. Relevant documents from key stakeholders were also reviewed in order to have sufficient evidence which addressed the audit objective. **Appendix 1** shows various documents that were reviewed during the audit.

1.4.2 Interviews

Interviews were conducted for the purposes of obtaining supplementary information regarding implementation of Mbigiri project. Moreover, interviews were conducted to clarify specific issues which require deep understanding of the project execution. Therefore, officials from MHCL and key stakeholders such as PCS were interviewed. **Table 1.1** below presents a list of officials to be interviewed:

Table 1.1: List of Interviewees and Reasons for the Interviews

Institution	Official to be Interviewed	Reason(s) for Interview
MHCL	Board Chairperson	To assess the overall progress of factory installation and reasons for delay
	Chief Executive officer	To assess the overall project administration and contract management as well as the extent of implementation of the project.
	Project Manager	To assess project administration and contracts management; To assess overall implementation of the project and identify setbacks and measures taken to address them.
	Consultant	To assess the extent of implementing roles in managing the project.
	Finance Manager	To assess financial management of project funds
	Internal Auditor	To assess Company performance and associated challenges
	Agricultural Engineer	To assess management of sugarcane farm including installation of irrigation and drainage systems
	Procurement Manager	To assess management of procurement activities as per relevant regulations and laws.
	Chief Processor	To assess the progress in implementation of factory construction
	Finance Manager	To assess financial management of project funds
	Company Secretary	To assess implementation of legal issues associated with the project.
	Project Accountant	To assess financial management of project funds
	Internal Auditor	To assess Company performance and associated challenges.
	Out-growers supervisor	To assess the extent of technical support offered to the out-growers
	Field workers	To assess day to day activities of the project
	Project Accountant	To assess financial management of project funds
	Company Secretary	To assess implementation of legal issues associated with the project.
	Agronomist	To assess extent of implementation of agricultural activities with its associated challenges
Magole joint cooperative Enterprise	MJCE Chairman	To assess extent of implementation of out-growers Farms with their associated setback

Source: Auditor's analysis, 2020

1.4.3 Physical Observation

The Audit Team visited Mbigiri site at Kilosa District in Morogoro region to verify implemented activities. At Mbigiri, the team assessed sugarcane planted areas, seed cane nurseries, irrigation systems, drainage systems as well as out-growers' farms. Also, the team assessed other implemented activities such as construction of drainage systems and drilled boreholes. While observing, the team took notes and pictures for the purpose of evidence.

1.4.4 Data Analysis

The Audit Team analyzed data gathered through documents' review, interview and physical observation and compiled them in order to support the audit findings. The data were analyzed by using both qualitative and quantitative techniques for data analysis depending on the nature of the data gathered.

Quantitative data were analysed by organising, summarizing and compiling using various software for data analysis such as spread sheets as well as different statistical methods of data computation. Qualitative data were described and compared so that they can be explained. The presented data were then explained to answer the 'what' 'how' and why questions.

1.5 Audit Criteria

The audit criteria were derived from different sources including the following:

- a) Project Appraisal Document;
- b) Project Manual and Plans;
- c) Guiding Procurement Laws and Regulations;
- d) Contract documents;
- e) Financial guidelines; and
- f) Good practices.

1.6 Data Validation Process

The process of validating the authenticity of audit findings was conducted. MHCL was given the opportunity to go through the draft report and comment on the information and figures presented. Thereafter, the factual clearance

meeting followed by the exit meeting involved MHCL were arranged and held to conclude the audit assignment. Through these meeting MHCL confirmed the accuracy of the information presented in this report.

CHAPTER TWO

SYSTEM FOR SUGAR PRODUCTION AT MHCL

2.1 Introduction

This chapter provides an overview of the subject under audit by describing governing policies and relevant regulations for sugar production; roles and responsibility of key stakeholders; sugarcane operating procedures for MHCL as well as paradigm of management of sugar production at MHCL.

2.2 Policy, laws and Regulations Governing Sugar Production

National Agriculture Policy of 2013

The National Agriculture Policy of 2013 revolves around the goals of developing an efficient, competitive and profitable agricultural industry that contributes to the improvement of the livelihoods of Tanzanians and attainment of broad based economic growth and poverty alleviation. The policy aimed at creating conducive environment for farmers to transform the sector from subsistence to modern commercial agriculture while maintaining their ability to ensure that they are not only food secured but also make a surplus for their development.

Therefore, the National Agriculture Policy of 2013 aims at addressing challenges that impede the development of the agricultural sector which include low productivity; over dependence on rain-fed agriculture; inadequate agriculture support services; poor infrastructure; weak agro-industries; low quality of agricultural produce; inadequate participation of the country's private sector in agriculture; environmental degradation and crop pests and diseases.

Out-grower Development Policy of 2019

The Out-grower Development Policy has been established based on available opportunities for the benefits of MHCL and communities around the project. Through this policy MHCL is assured on supply of sugarcane for sugar production at its factory since it is responsible for ensuring market is available for sugarcane produced by the out-growers.

The policy provide standards which need to be used to identify and manage out-growers; to manage relationship between MHCL and out-growers; to increase supply of sugarcane to company factories in order to increase sugar production and other by products; and to increase out-grower's income through sale of sugarcane.

Therefore, effective implementation of the Policy is expected to increase job opportunities especially at nearby villages. Moreover, it is expected to provide market for sugarcane produced by farmers around the project which in turn will increase their income.

Sugar Industry Act of 2001

This Act gives out provisions for the establishment of Sugar Board of Tanzania and the National Sugar Institute, to provide for the improvement, development, regulation of the Sugar Industry and matters related thereto. Specifically, this Act provides guidelines on cultivation of sugarcane, registration licensing and inspection of sugar manufacturers as well as administration and financial arrangement of key stakeholders.

Therefore, this Act aimed at regulating sugar industry in the country to ensure adequate supply of sugar and promote the development and expansion of sugarcane cultivation, production and marketing of sugar and the use of by-products.

2.3 Roles and responsibility of key stakeholders

A. Mkulazi Holding Company Limited

MHCL has been established to perform the following functions:

- a) Production of domestic and industrial sugar and portable alcohol/ethanol
- b) Sale of quality sugar and its related downstream by-products
- c) Commercial cultivation of different sugarcane varieties, and
- d) Power generation

Capital and ownership structure

The share capital of the company at the date of establishment of the company was Tanzania Shillings Thirty Billion (TZS 30,000,000,000) divided into three million (3,000,000) shares of Tanzania Shillings ten thousand (TZS 10,000) each. Where, PPF and NSSF have equal shares holdings.

However, based on Subscription and Shareholders Agreement of 17th October, 2020, the authority share capital of the Company is established at TZS 250,000,000,000 divided into 25,000,000 shares, the nominal value of each share shall be TZS 10,000. Where, NSSF and PCS will be owner of the company upon the amendment of the Memorandum and Article of Association to incorporate PCS as a shareholder.

Shareholding Structure of the Company

Pursuant to the terms of Subscription and Shareholders Agreement of 17th October, 2020, the shareholding of the company is as described hereunder;

Table 2.1: Expected Shareholdings Structure

Name of shareholder	Shareholding %	Shares
MHCL	96	24,000,000
PCS	4	1,000,000
Total	100	25,000,000

Source: Subscription and Shareholders Agreement of 17th October, 2020

Shareholder own the subscription amount in respect of the shares subscribed, whereas MHCL undertake to periodically pay for its 96% of the equity shares as and when required to finance company project related activities until the same becomes fully paid up. And PCS has fully paid up its 4% shares which have taken into account the value for land and equipment surrendered to the Company.

B. National Social Security Fund(NSSF) and Prison Cooperate Sole (PCS)

National Social Security Fund (NSSF) and Prison Cooperate Sole (PCS) are owners of Mkulazi Holding Company Limited.

During its inception in 2006 MHCL was owned by PPF and NSSF. However, in year 2019 NSSF acquired all share from PPF. Similarly, PCS has acquired 4%

of the company. Based on the Shareholders Agreement of October, 2020, owner of the company has the following responsibility;

- a) To undertake the project in compliance with law of Tanzania;
- b) Ensure the JV Company conducts its business and deal with its assets in all material respect in accordance with all applicable legal and administrative requirements; and
- c) To do all acts and things pertaining to the business of the JV company upon obtaining requisite approvals from their respective boards.

C. The Sugar Board of Tanzania

The functions of the Board include:

- a) to promote the development and expansion of sugarcane cultivation, production and marketing of sugar and the use of by-products;
- b) to advise the government on the policies and strategies for promotion and development of the sugar industry;
- c) to promote the development of small-holder sugarcane growers;
- d) to create and promote a competitive environment conducive to fair play among stakeholders in the sugar industry;
- e) to regulate and recommend measures for prescription and enforcement for the control of sugarcane pests and diseases;
- f) to recommend and regulate measures and procedures for the importation of sugarcane planting materials;
- g) to promote and assist in the research or investigation into any matter relating to the sugar industry;
- h) to prescribe and or enforce the quality standards for sugarcane, sugar, sugar by-products and any materials from which sugarcane be manufactured;
- i) to advise and oversee the execution of sugar trade agreements or contracts between the government and other parties;
- j) to promote the training and improvement of skills in technological advancement in the sugar industry;
- k) to promote, develop and facilitate the formation of associations or other bodies of stakeholders within the sugar sector (which shall form a consultative forum with the Board) and monitor their activities provided that the objectives of such associations shall not

involve arrangement for price fixing or doing anything that is contrary to the Fair Competition Act, 1994;

- l) to provide a forum for discussions and negotiations among various categories of stakeholders in the sugar sector;
- m) to monitor the execution of contracts and marketing arrangements between sugarcane out growers and sugar manufacturers or other bodies related to the sugar sector and reconcile the parties, when disputes arise;
- n) to collect, refine, maintain and disseminate data and information relating to the sugar industry;
- o) to collect any, levy on behalf of any fund established under this Act;
- p) to promote and co-ordinate the development of large, medium and small scale sugar plants;
- q) to monitor the implementation of the provisions of the Agreements governing sale of privatized sugar factories and submit the report to the Minister;
- r) to represent the government in international for a relating to or dealing with the sugar industry;
- s) to monitor trends for local sugar production, Sugar export and import requirements.

D. Magole Cooperative Joint Enterprise Limited

This Cooperative Society is a group of sugarcane out-grower composed of at least 20 members. The establishment of this cooperative society followed the underlined procedures and regulations by involving respective District Cooperative Officer.

Magole Cooperative Joint Enterprise Limited is a cooperative established under the Cooperative Societies Act of 2013. According to Out-grower Development Policy of 2019, Magole Cooperative Joint Enterprise Limited is responsible for the following:

- a) To discuss with MHCL regarding Cane Supply Agreement;
- b) To agree with MHCL on supply of quality seed cane;
- c) To discuss with MHCL regarding harvesting schedule and Daily Rateable Delivery (DRD);
- d) To discuss and enter into agreement with harvesting contractors and transportation of sugarcane;

- e) To comply with regulations, terms and procedures of harvesting and rectifying emerged challenges according to Cane Supply Agreement;
- f) To manage and rehabilitate infrastructure including farm access roads and irrigation streams; and
- g) To discuss on sugar cane price at every cultivation season.

2.4 MHCL Sugarcane Operating Procedures

Cultivation of sugarcane is one of the core activities of the Company. Sugarcane is a perennial crop and requires heavy investment in its cultivation and maintenance, therefore exercising of professionalism by Management while undertaking the following activities relating to sugarcane cultivation is very key;

1) Land preparation

Agriculture Department should prepare land well before planting sugarcane. Sequence of operations for land preparation include clearance if the field is new, followed by two passes of heavy disk plough and one pass of harrow at an intervals of maximum seven days to allow drying of soil and vegetation followed by ridging at the recommended row spacing. Based on the nature of specific fields, land leveling is done followed by ripping at the minimum depth of 450 mm before earlier mentioned procedures. Productivity rates of each operation depend on the equipment used.

2) Seedcane preparation, supply and Planting

Planting comprised of the series of activities from preparation of seed cane, distribution of the seed cane inside the field, application of pre-planting fertilizer, placing of the seed cane in the furrow, and chopping of seed cane into 3 eye sets to allow distribution of auxin hormones for uniform buds development during germination.

Agriculture Department prepares seed cane in a nursery before it is taken to the commercial field for planting. In sugarcane production nursery has two levels namely level A and level B. level A nursery aimed at producing free diseased seed cane through hot water treatment while level B nursery aimed to multiply the treated seed cane for planting in commercial fields. Only good quality and healthy seed cane of preferably 7 to 9 months (not exceeding 10 months) is to be used.

Then, seed cane quality for planting should be maintained by observing the time between cutting and planting which must not exceed 72 hours. Planted fields must be irrigated within 2 days for proper germination. Planted setts should be inspected for germination for a period of four weeks after planting. To ensure a reasonably even stand of cane gapping must be done within 5 to 6 weeks after planting. Planting operation must follow planting program and in line with guidelines provided in Sugar Board of Tanzania Manual. Sugarcane is ready for sugar production at least 12 months.

3) Fertilization

Supply of nutrients to the crop is one of the most important operations for production of sugarcane. Poor fertilizer application and hence nutrient supply to the crop, may lead to massive reductions in cane yield, as well as cane sucrose content. Agronomist should therefore aim to apply the correct fertilizer, at the correct rate and time, and uniform distribution as per recommendation.

The MHCL fertilizer policy is prepared each year based on soil and leaf test results from the recognized laboratory. Agronomist should do soil analysis to establish fertilizer threshold values and leaf analysis to indicate how a particular crop is faring nutrients from the soil. Senior Agronomist from MHCL is responsible to organize Soil and Leaf analysis to establish field specific fertilizer recommendations on annual basis before preparation of each financial year budget. All the recommendations are directed and monitored by Agronomy section at the beginning of each cropping season. MHCL Farm Managers/supervisors are responsible to ensure compliance of the recommendations.

4) Weed, Pest and diseases control

Weed control is one of the most important husbandry operations. Poor weed control reduces sucrose production through competition with the crop for moisture, nutrients and light. The objective of weed control is to ensure the yield of present and future crops are in no way reduced by the effects of weeds. Agronomist should aim for fields that are 100% weed free.

Proper control is done before weeds mature and produce seeds. Integrated program i.e. hand, mechanical and chemical weed control are used to eliminate weeds timely to avoid light, water and nutrients competition to the crop plant.

Whereas, the control of pests and diseases is one of the most important factors Poor pest and disease control may lead to massive reductions in cane yield and cane sucrose content.

Several methods can be used to control insect pests in sugarcane fields. These are; Use of insecticides, conservation of natural habitats, cultural practices, resistant varieties, and quarantine.

5) Irrigation

Irrigation is the application of water in order to eliminate stress caused by a deficit between crop water requirement and natural precipitation. In order to achieve the objectives of irrigation it is imperative to apply water correctly that is applying good quality water and at appropriate rates.

Water is applied in the field through irrigation such that the cane row receives adequate water and soil profile reaches field capacity, in a manner that avoids ponding and poor drainage but enhance quick germination of seed cane and re - establishment of ratoon cane. The acceptable depletion level is up to 50% of Total Available Moisture (TAM).

Irrigation water quality from river pump station and underground should be analysed on monthly bases to determine pH, soluble salts and season variations.

6) Cane ripening

Chemical ripening of sugarcane is a normal practice to enhance sucrose accumulation in sugarcane. Chemical ripeners such as Ethephon, Glyphosate analogues, Fusilade Super, Gallant Super are being used in large scale sugarcane plantations.

The annual average flowering and sucrose percentage are used to judge which field to be chemically ripened. Fields to be ripened should never be allowed to be stressed and therefore irrigation scheduling should be ensured

at all times, Total Available Moisture (TAM) of the soil is not depleted to below 50%. Time interval between conduct of last irrigation and harvest is therefore 6 to 8 weeks.

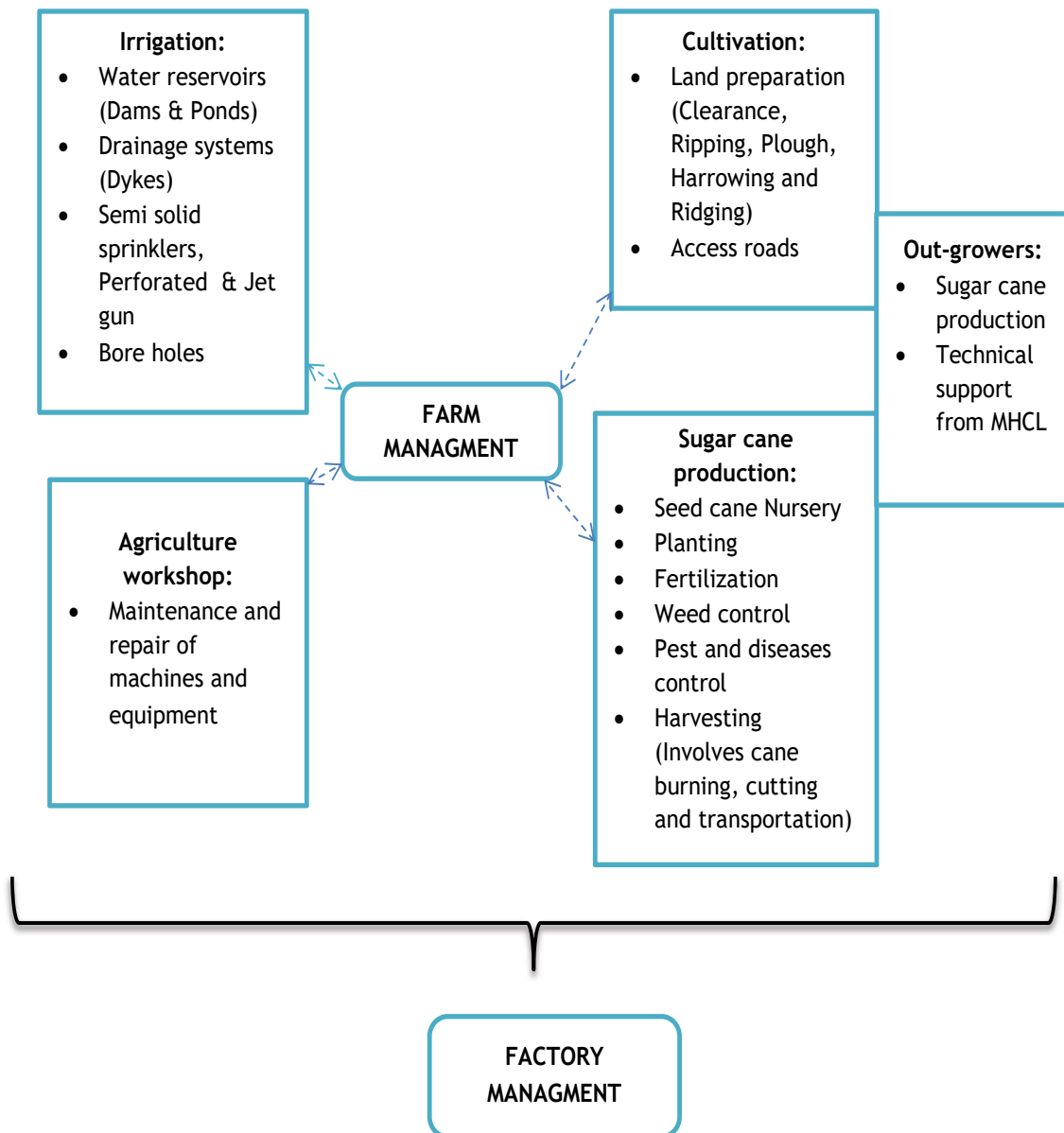
Chemically ripened fields should be dried off only to ensure that in-field traffic during harvesting does not cause damage. Depending on soil type this period ranges between 2 weeks and 4 weeks for free and poor draining soils respectively. Efforts should be made to reduce Ratoon Stunting Disease (RSD) infection in order to increase response to ripening. Management should adopt guidelines provided under MHCL/WI/AGRO/015 for detailed operation of cane ripening.

7) Harvesting and transportation of cane to the factory.

Harvesting is the final operation leading to extraction of sucrose for sugar processing. Since most fields are ratooned it is equally important that the harvesting operation is carried out correctly to ensure the success of future ratoons.

The harvest program should be made two months before harvesting season commence. Cutting age at MHCL are 13 to 14 months and ratoons at 11 to 12 months. Selected fields for uprooting are harvested earlier to allow land preparations before rains commence.

Fig 2.1: System Description of Sugar Production



2.5 Project Investment Costs

The project is financed through 30% equity and 70% debt. According to the original plan of Mkulazi Project as shown in the Feasibility Study Report of 2017, implementation of Mkulazi Sugar Production Project required TZS 113,041,238,994. The capital injection was planned to be done in four phases. The first phase (2017/18) required a total of TZS 69,542,791,490, second phase (2018/19) TZS 34,477,444,981, third phase (2019/20) TZS 6,215,003,167 and fourth phase (2020/21) TZS 2,806,000,000. **Table 2.1** below gives the breakdown details of the required capital.

Table 2.2: Allocated Funds to Facilitate Implementation of Mkulazi Project

Investment Costs (USD)	Amount Required (million TZS)				
	Year 0	Year 1	Year 2	Year 3	Total
Administration Section	230	1,041	-	-	1,271
Factory Section(TCD 2500)	51,279	334	-	-	51,612
Farm Section	8,055	2,338	-	-	8,863
Irrigation Section	2,978	15,677	40	-	18,695
Estate Section	1,946	3,045	3,312	2,807	11,109
Road Construction	1,200	-	-	-	1,200
Initial Working	5,085	12,343	2,863		20,291
Grand Total	70,070	35,275	6,215	2,806	113,041

Source: Feasibility Study of 2017

However, in February, 2019 management of the Company changed. Therefore, new management decided to review Strategic Corporate Plan to reflect real situation of the project implementation. According to the revised Corporate Strategic Plan, the project was supposed to be financed through Equity Capital which was expected to be injected by Shareholders. Later on, the Company was expected to be financed through cash generated by its own projects (sugar and other downstream products).

The authorized capital of the company is TZS 250,000,000,000. Based on the financial projections shown in **Table 2.2** below, in the year ending 30th June, 2023, the company is required to initiate amendment of the Memorandum and Article of Association to attain the authorized capital of at least TZS 1,290 billion.

The financial resources required to implement the plan are expected to be provided by shareholders of the company as follows: -

Table 2.3: Required Resources for Plan Implementation 2020/21 - 2022/23

Item	Required Resources (billion TZS)		
	30-Jun-21	30-Jun-22	30-Jun-23
Recurrent	11.9	19.8	22.9
CAPEX	82.1	239.3	341.4
Cash Required	93.9	259.1	364.4
Available Cash	5.7	-	-
Cash Required	88.2	259.1	364.4
Cumulative Cash Requirement	88.2	347.3	711.7
Work in Progress (Various)	50	45	43
Capital Adjustment	138.2	530.5	1,285.1

Source: Strategic Corporate Plan (2020/21 - 2022/23)

Shareholders are expected to inject a total of TZS 138,182,358,728 in the financial year 2020/21. In the financial year 2021/22 and 2022/23, amount to be injected will be TZS 530,483,142,818.95 and TZS 1,285,140,750,626.24 respectively.

CHAPTER THREE

FINDINGS

3.1 Introduction

This chapter presents findings regarding four audited areas which are farm management, construction of projects, procurement and contract management as well as financial management.

3.2 Farm activities were inadequately managed

Farm management activities assessed include: utilization of fuel, fertilizer and herbicides; internal controls; management of sugar cane blocks; and management of sugarcane out-growers.

3.2.1 Weaknesses on Management of Boreholes

A. Unused Boreholes Worth TZS 81,500,000

Mkulazi Holding Company Ltd (MHCL) entered into contract 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 for survey, drilling eight boreholes and installation of submersible water pumps for irrigation activities at Mkulazi and Mbigiri farms in Morogoro region. Four boreholes were supposed to be drilled at each respective farms. The duration of contract was six months from November 2017 to May 2018.

However, based on physical verification conducted on 20th November, 2020 it was observed that four boreholes at Mbigiri farm located at block E3, D2, E4 and F4 were drilled but are not in operational as shown on **Photo 3.1**. According to management, boreholes were not in use because they did not provide enough water for irrigation as it was intended.

It was further noted that, the contractor 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 MHCL management unsuccessful water supply was attributed to failure of the contractor to mobilize on time the required equipment and materials to site; hence it took long time to complete the first borehole. Another cause was inadequate knowledge of geological formation which led to frequent changing of drilling methodology.



Photo 3.1: Non-functional boreholes at Mbigiri estate on block E3, D2, E4 and F4
(Photos was taken on 20th November, 2020)

B. Under-statement of Assets by not Recognize Boreholes in Financial Statements worth TZS 234,899,700

During physical verification conducted on 20th November, 2020 it was observed that one borehole located at Mbigiri Campus which was not related to the Contract No. MKL/W/03/2017 was in operational, however was not recognized as an asset of MHCL in the Financial Statements of 2019/20.

Moreover, review of Financial Statements of 2017/18 and 2018/19 revealed that boreholes were valued to TZS 55,366,000 and TZS 179,533,700 as work

in progress respectively. However, during financial year 2018/19 these reported boreholes were impaired to zero despite of one borehole being in operational. Management did not provide to audit team evidence to justify impairment of the boreholes.

According to the MHCL management, the reason for this situation was due to improper handover of the Company documentation from previous management to the current management.

Due to inadequate management of boreholes as explained in this section and section (a), MHCL incurred fruitless expenditure of more than TZS 81,500,000.

3.2.2 Usage of fertilizers and herbicides without Justifications

In the financial year 2019/20 MHCL set controls on the usage of fertilizer and herbicides whereby Daily Fertilizer and Daily Herbicide Issue Books were introduced to Agriculture Department for the purpose of recording daily utilization of fertilizer and herbicides. The Issue Books, among other things, were supposed to record quantity of fertilizers and herbicides used, block applied, date applied and operator. Month of August, 2020 the said controls were effectively applied.

However, before introduction of said controls the review of Cash Book of 2018/19 and Store Ledger of 2019/20 revealed that fertilizers and herbicides sum of TZS 155,290,000 were issued from store but there is no justification of its usage. **Table 3.1** shows fertilizers and herbicides paid to suppliers, however there were no justification as to whether have been used accordingly. Moreover, **Appendix 2** shows AMIDAS issued from store however there was no justification of its usage. According to management all purchased fertilizers and herbicides were used but 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 has been noted. Thus 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 amounted to TZS 86,599,000 were issued from store but there were no justifications as to whether have been used at farm. **Appendix 3 (A**

& B) show AMIDAS and DAP which were issued from store but there was no justification as whether have been used at farm.

This condition was caused by the fact that the control set on utilization of herbicides and fertilizer were noted to have some weaknesses because the books are recorded by field workers and signed by Agronomist who was not field worker. While 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.

Table 3.1: Fertilizers and Herbicides Used without Sufficient Evidence during 2018/19

Date	GRN	Name of Supplier	Receipt	Amount
18/5/2019	Nil	M/S Agrinature Company Limited	Nil	4,756,000
26/6/2019	Nil	M/S Agrinature Company Limited	Nil	45,472,000
26/6/2019	Nil	M/S Meru Agro -tour Consultants	Nil	4,900,000
18/4/2019	Nil	Neema Mrema	Nil	25,578,000
13/6/2019	Nil	M/S Agrinature Company Limited	Nil	46,400,000
13/ 6/2019	Nil	M/S Meru Agro -tour Consultants	Nil	5,000,000
Total				132,106,000

Source: Cash book for the period of 2018/19

3.2.3 Weaknesses on Cost Control over Fuel Utilization

The MHCL procures fuel from Government Procurement Agency (GPSA) for various activities including farm and administration activities. In financial year 2019/20 MHCL started bulk purchase of fuel from GPSA by depositing TZS 30,000,000 and fuel drawn from GPSA in small installments until money deposited was depleted. Section 6.7.1 of the Mkulazi Holding Company Limited Financial Regulations of 2019, elaborate that, it shall be compulsory to maintain a logbook for each vehicle owned by the Company for the purpose of controlling movement, monitor fuel consumption and other maintenance costs.

According to a Letter with reference No. MHCL/MBGR/S48/2020/13A dated 13th May 2020 tractor CASE HP 400 was expected that, for heavy disking and leveling uses maximum of 42ltrs per hour.

Interview with management revealed that MHCL maintain logbooks for machines, equipment and vehicles. However, the review of logbooks of farm equipment revealed that operators misused fuel drawn from company store. This was because the recorded fuel of respective equipment was more than the actual capacity of equipment or even actual work performed as shown in **Appendix 4**.

Furthermore, review of log sheets (SN.701-750, SN 201-250 and SN 51-100) that were used to keep records for a tractor CASE HP 400 with registration number T505 revealed that the machine consumed negative diesel per hour (-4.55ltrs/hr & -1.90ltrs/hr) which was not realistic. According to management these negative consumptions were caused by wrong recordings whereby operator skipped some pages of the log sheet and continued to record until it was full recorded. Then operator returned to the skipped pages and continue recording. It was noted that, it was contrary to good practices on management of accountable documents as it require one to cancel recording if you make mistake and retain it. Similarly, it was noted that there were eight cases from the log sheets reviewed where the machine consumed fuel above standard up to maximum of 71.61ltrs/hr. detailed analysis is presented in **Appendix 4**.

The analysis above indicates potential misuse of the fuel which could be caused by fraudulent behaviour of the operators. Similarly, it was caused by inadequate monitoring over fuel utilization. In addition to that, due to lack of fuel utilization policy as explained in section 3.5.4 of this report within the company, operators of equipment found loopholes that trigger to engage into misconducts.

3.2.4 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 overgrown sugarcane as indicated in **Appendix 5**.

However, based on physical verification conducted on 20th November, 2020 and 24th November, 2020 it was observed that over grown sugarcane at various blocks had been destroyed as they no longer has economic value as indicated in **Table 3.2** and **Photo 3.2**. Therefore, it was estimated that production costs of TZS 379,338,245 had been incurred for production of sugarcane that ended up being destroyed. Hence, actual costs of production of sugarcane at these blocks were considered as a total loss to the company.

Table 3.2: Destroyed over grown sugarcane

Block	Filed Area(ha)	Unit Production Cost ¹ (TZS)	Amount (TZS)
F8	25.00	2,040,550	51,013,750.00
F10	6.80	2,040,550	13,875,740.00
G7	25.70	2,040,550	52,442,135.00
G8	25.90	2,040,550	52,850,245.00
G9	25.70	2,040,550	52,442,135.00
I8a	12.80	2,040,550	26,119,040.00
H7B	12.9	2,040,550	26,323,095.00
H8	25.9	2,040,550	52,850,245.00
H9	25.2	2,040,550	51,421,860.00
Total			379,338,245

Source: Field activities and Report as at 30th September and 31st December, 2020 and Auditor analysis, 2021

According to Management, the decision to destroy the sugarcane was based on the fact that MHCL was yet to install plants for sugar production as explained in section 3.4.1 of this report. 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.

¹ Average production cost per hectare: Plant cane = TZS 436,150; Consumable (Fertilizers) = 850,000; and Consumable (Herbicides) = TZS 754,400. **Total Average Cost= 2,040,550.** (Source: MHCL estimated production cost)



Photo 3.2: Destroyed Overgrown Sugarcane at Mbigiri Estate (Photo was taken on 24th November, 2020)

3.2.5 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 as at 31st December, 2020 MHCL 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 as indicated in Appendix 5.

3.2.6 Inadequate Implementation of Agricultural Activities

MHCL is supposed to perform its operation based on performance indicators specified in Corporate Strategic Plan and Annual Action Plans. Review of Annual Action Plan of 2020/21 showed that MHCL set out targets on various company strategic areas such as farm, factory, procurement and administration activities.

However, the review of report on implementation of farm activities during financial year 2020/21 audit noted that six activities were not adequately implemented. Table 3.3 presents agricultural activities which were not implemented as per plan.

Table 3.3: Status of Implementation of Farm Activities

S/N	Activities	Planned	Achievement as of December, 2020	Planned Time frame
1	Construction of six 50,000M ³ Charcoal dams	6 dams	3	Complete by end of February 2021
2	Installation of semi-solid sprinkler irrigation system to 2000ha	2000ha	150ha completed and running; 400ha completed but not running; and 756ha WIP	Completed by end of December 2020
3	Land cultivation and planting	1,110 ha	992ha cultivated	To be completed by end of February 2021
4	Out-growers Technical visits	1 visit/month	Nil	To be completed by end of June 2023
5	Aged cane ready harvesting	770ha	318.1ha	To be completed by end of June 2021

6	Irrigation system installation for seedcane nursery	200ha	Nil	Completed by end of October 2020
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Source: Action Plan 2020/21 and Auditor analysis

Table 3.3 revealed that MHCL lagged behind to complete farm activities as scheduled. Review of Field Activities Progress Report as at 31st December, 2020 revealed that installation of semi-solid sprinkler irrigation system was done to only 650ha out of planned 2000ha which is 33% of planned coverage, 2020. On the other hand, installation of semi-solid sprinkler irrigation system of about 750ha is still work in progress as shown on **Photo 3.3**.



Photo 3.3: Installation of semi-solid sprinkler irrigation system for 750ha (Photo was taken on 24th November, 2020)

Table 3.3 further shows that, only three charcoal dams have been constructed so far which is half of the planned number of dams; 318.1Ha of aged sugarcane out of 770Ha were harvested representing 41% of the planned scope. On the other hand, MHCL did not facilitate monthly technical visits for out-growers; and install irrigation system for 200Ha of seed cane nursery as planned. Delay on implementation of the above mentioned activities are caused by unrealistic plans developed by MHCL.

Inadequate implementation of farm activities such as construction of six 50,000M³ charcoal dams, installation of irrigation systems may result into production of sugarcane below the set standards/target. For example, according to Revised Feasibility Study of 2019, standard production of

sugarcane per hectare is 90tons and when best management practices are adhered, the attainable yields may raise to +110 tons per hectare, however, the actual average sugarcane production (per ha) in this project was 85.79 tons as indicated in **Table 3.4**.

Table 3.4: MHCL Production of Sugarcane per Hectare of 2020/21

Filed	Area Under Cane	Actual Harvested Tons	Actual Harvested Ton/Ha
F3a	13.82	1651.5	119.50
F3b	12.5	789.22	63.14
F4a	12.56	882.66	70.28
F5b	12.73	1215.38	95.47
F5a	12.72	1315.32	103.41
F4b	12.87	1335.58	103.77
E3b	12.852	1322.84	102.93
E3a	12.652	681.6	53.87
E2	13.94	1104.64	79.24
E5a	13.03	1329.46	102.03
E5b	12.378	1143.74	92.40
E6a	7.5	605.56	80.74
E6b	7.5	546.04	72.81
E4a	12.5	943.22	75.46
E4b	12.5	1055.44	84.44
D3A	12.7	1,314.36	103.49
D3B	12.8	1127.54	88.09
D2	14.6	1543.92	105.75
C2	13.4	1029.97	76.86
C3	24.3	1507.42	62.03
G4	12	892.62	74.39
E7	8.5	800	94.12
B4	8	750	93.75
B5	10	850	85.00
G5A	2	112.45	56.23
G4	10.1	750	74.26
H4	7.2	650	90.28
Total	317.652	27250.48	85.79

Source: MHCL harvesting Results for 2020/21

Based on **Table 3.4** it can be seen that the average production of sugarcane was below the expected yield.

3.2.7 Ineffective Mechanism of Farm Cost Control and Planning

Mkulazi Holding Company has spent TZS 4,281,674,043 over three years (2017/18 to 2019/20) being cost for farming activities to develop cane root which is being categorized as asset in the Statement of Financial Position as at 30th June, 2020. This cost included cost for fertilizer, seed, herbicides, labourers and other farm equipment.

Despite of all cost spent for farming activities, MHCL management was not in position to establish or ascertain actual cost per cultivated Ha of the growing sugarcane. During the interview, the officials at MHCL stated that, it was difficult for the company to establish actual cost per Ha. This was because farming activities involved some direct costs which were easy to trace, and some indirect costs like electricity used in irrigation infrastructures, and other administrative costs which were not easily traceable.

In addition, the review of estimated production costs of sugarcane for period of 2020/21 indicated that, electricity, and other overheads were not apportioned into sugarcane production costs. **Appendix 6** shows cost items included in production costs of sugarcane for the period of 2020/21.

These limitations were caused by the absence of effective farm cost management system which could help to trace all cost involved in the production.

Consequently, absence of cost control mechanism limited the MHCL in establishing actual costs per cultivated Ha which would help the Company to measure the efficiency of farming activities over years. Furthermore, it was likely to impede strategic decision making such as sugar pricing and budgeting.

3.2.8 Improper Management of Accountable Documents

According to section 214 (1) of the Public Finance Regulations, 2001, when an officer requests for supplies from a store or when a store requests for supplies from another store they must be applied for on a stores requisition, which must be signed by an authorised officer.

MHCL and M/S Joza Investment signed Service Level Agreement No.

PA/150/2018/2019/NC/03, whereas MHCL notified Joza Investment through letter dated 9th April, 2020 to print for the first time a total of 70 Daily Herbicide and Fertilizer Issue books and all were received on 9th October, 2020 through Good Received Note No. 2143.

However, it was found that various accountable documents such as Daily Fertilizer and Herbicide Issue books; requisite and issue notes, farm equipment and vehicles logbooks were not properly managed. According to Management, MHCL used to print these documents and keep them in store, when they are needed for use were issued without management approval and without keeping proper records.

As a result, improper management of these accountable documents was likely to trigger misuse of company resources as for the case explained in section 3.2.3 of this report.

Furthermore, it was noted that there was a contradiction on the date when Daily Fertilizer Issue (SN. 50-100) was received and date when started to be used. It was revealed that this book had been used since 6th August, 2020 which contradicts with the date MCHL received those books which was 9th October, 2020.

3.2.9 Inadequate management of out-growers

Agricultural policy (2013) requires all bids for agricultural investments to ensure that they benefit the surrounding community. The policy aims at creating conducive environment for all farmers to transform the sector from subsistence to modern commercial agriculture while maintaining their ability to ensure that they are not only food secured but also make surplus for their development. It also aimed at empowering farmers to articulate their needs.

Interviews with sugarcane out-grower's representative and review of contract for procuring sugarcane between the MHCL and sugarcane out-grower (2018) revealed that out-growers were entered into contract with MHCL with the intention of producing sugarcane as the raw materials for the expected sugarcane milling plant. However, the audit noted the following shortfalls in management of out-growers:

a) 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 in 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 correspondences² 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.

Due to the above challenge, MHCL and Magole Cooperative Joint Enterprises Ltd amended the contract for procuring sugarcane between the company and sugarcane out-grower in March 2020. Review of Section 7.4 of the amended contract indicated that, at the time when the sugar processing mill is not yet installed, farmers/out-growers will be 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 sugarcane³. Hence in future it will affect MHCL from getting enough raw materials for sugar milling.

b) Inadequate Monitoring of out - growers performance

Feasibility Study Report (2016) on development of sugar factory and farm at Mbigiri showed that in financial year 2018/2019 the company was expecting

² Letter No. ABL/CR-HQ/MJCE/VOL 0232/2020 of 16th June, 2020

³ Letter with Ref No:ABL/HQ/CR/09-09/VOL.01/VC from Azania Bank Limited to MHCL dated 9/10/2019

to produce 30,140 tons of sugar. MHCL was expecting to get raw materials from its farm located at Mbigiri and 40,000 tons of canes from out-growers. To achieve this, the company was supposed to support out-growers to plant and maintain sugarcane farms covering areas of at least 4200 ha (800ha in 2017/18, 1000ha in 2018/19, 1200 ha in 2019/20 and 1200 ha in 2020/21).

Furthermore, 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.

Interview with MHCL official responsible for supervising out-grower revealed that the company was supposed to conduct routine supervision of at least once per month to out-growers to monitor their progress. However, 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 with sugar cane, and for 2019/20 the target was to plant 2500 but only 1035 acres were planted with sugarcane as indicated in the **Table 3.5** below.

Table 3.5: AMCOS Records on the Status of Sugarcane Plantation

Financial Year	2017/18			
Name Of AMCOS	Total Acre	Acres Cultivated	Planted Acres	Unplanted Acres
Mbigiri	1200	981	811	170
Msowero	1200	745	225	520
Makiwami	800	8	8	0
Malangali	0	0	0	0
Total Acres	3200	1734	1044	690
Financial Year	2019/20			
Mbigiri	1140	1140	513	627
Msowero	850	750	450	300
Makiwami	250	77	72	5
Malangali	260	260	0	260
Total Acres	2500	2227	1035	1192

Source: Out-growers correspondences (2020)

Failure to effectively monitor of out-growers performance might affect the objectives of the company due to limited supply of sugarcane from out-growers for the factory operations

c) Lack of accessible roads to allow easy transportation of harvested sugarcane

Review of Chief Executive Report (2019) and interview with representatives of Magole Joint Cooperative Enterprise, showed that, despite of the amendment done to the Sugarcane Supply Agreement in 2020 which allow out - growers to sell their sugarcane to Mtibwa Company Limited, there were lack of accessible roads to allow easy access and transportation of harvested sugarcane to the Mtibwa factory. This was a contributing ng factor for sugarcane to overgrow. Interviewed officials from Msowero AMCOS showed that poor state of road infrastructure was contributed by failure to timely rehabilitation of farm access roads.

Moreover, site visit made by audit team at Mbigiri and Msowero out-growers farms revealed that, about 202 acres from Msowero AMCOS have overgrown sugarcane as indicated in **Photo 3.5** below. If these sugarcanes continue to stay for six 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.



Photo 3.5: 202 acre of overgrown sugar cane owned by out-growers from Msowero AMCOS, Photos taken on 27th November, 2020 at Msowero village.

3.3 Inadequate Management of Procurement and contract

3.3.1 Procurement made out of Approved Estimated Amount in APP

Section 49(1) (d) of PPA Act (2011) requires PE to prepare its annual procurement plan in a rational manner and integrate its procurement budget with its expenditure programme. Moreover, regulation 69(7) of PPR 2013, require PE to prepare procurement plan for those requirement for which sufficient funds have been included in the approved budget. Furthermore, regulation 70 of Public Procurement Regulation GN (2013), require PE to prepare its annual procurement as part of budget process.

However, review of Procurement plan of 2018/19 and 2019/20 awarded contract for Procurement of goods, works and consultancy services executed noted great variance of estimated amount for the procured items in all of the two financial years refer to **Table 3.6** and **3.7**

Table 3.6: List of Procured Items Exceeding Estimated Amount in APP for FY 2018/2019

SN	File Name	File No.	Estimated Budget in TZS "000"	Awarded Amount in TZS "000"	Variance in TZS "000"	% Increases
1	Consultancy services for Design supervision	PA/150/2018-2019/C/01	2,000,000	3,558,500	1,558,500	78%
2	Supply and installation of hot water treatment plant	PA/150/2018-2019/G/07	75,000	108,000	33,000	44%
3	Supply of Laptops and multifunctional printers	PA/150/2018-2019/HQ/G/8	5,000	7,929.6	2,929.6	59%
4	Supply of farm implements) Lot 4 supply of	PA/150/2018-2019/G/06 lot 1,2,4,5 &7	41,140	89,211	48,071	117%

SN	File Name	File No.	Estimated Budget in TZS "000"	Awarded Amount in TZS "000"	Variance in TZS "000"	% Increases
	heavy Ripper					
5	Supply of farm implements) Lot 7 supply 1000ltrs boom sprayer of	PA/150/2018-2019/G/06 lot 1,2,4,5 & 7	23,500	46,032	22,532	96%
	Total		2,144,640	3,809,672.6	1,665,032.6	978%

Source: Procurement files and Contracts 2018/2019

Table 3.7: List of Procured Items Exceeding Estimated Amount in APP for FY 2019/2020

SN	File Name	File No.	Estimated Budget in TZS "000"	Awarded Amount in TZS "000"	Variance in TZS "000"	% Increases
21	Construction of workers camp at Mkulazi II	PA/150/2019-2020/W/11 lot 1	250,000	296,408.848	46,408.848	19%
32	Supply of Fork lift	PA/150/2019-2020/02 lot 11	60,000	69,852.238	9,852.238	16%
43	Construction of Irrigation water storage ponds for	PA/150/2019-2020/W/04	3,000,000	4,488,502.287	1,488,502.287	50%

SN	File Name	File No.	Estimated Budget in TZS “000”	Awarded Amount in TZS “000”	Variance in TZS “000”	% Increases
	Mbigiri estate					
4	Rescue Sprinkler Irrigation	PA/150/2019-2020/G/11 (lot 1)	153,797.802	198,994.999	45,197.197	29%
65	Work shop building materials and hardware	PA/150/2019-2020/G/10 (lot 4)	227,000	286,054.598	59,054.598	26%
Total			3,690,797.8	5,339,812.97	1,649,015.17	45%

Source: Procurement files and contracts 2019/2020

Tables 3.6 and 3.7 indicate that, the variation between estimate amount and actual cost of procurement ranged from 16% to 117%, amounting to 1.6 billion for financial year 2019/20, and 1.7 billion for financial year 2018/2019 respectively.

Interviews with procurement officers revealed that, failure to undertake market survey prior to planning and preparation of budget was the main factor. During the preparation of budget each user department was allocated with certain amount of fund whereby user apportioned the given budget to various activities under their departments.

This was evidenced through the review of the company internal audit reports (2019) which indicated that procurements were made above approved budget whereas the company started implementation of contracts worth TZS 1,652,502,000 with a total budget allocation of only TZS 637,500,000. This was attributed by undertaking planning without consideration of prevailing market prices together with unrealistic planning.

Having procurement plan with unrealistic fund estimated may limit effective procurement especially during tender award and negotiation where decision makers may stack at the middle for failure to know whether the price

offered is fair and reasonable. Tender Board, Negotiation Committee, Evaluation Committee and Accounting Officer depend more on estimated budget as benchmark.

3.3.2 Procurements were not Timely Implemented

Regulation 68 (1 & 3) of Public Procurement Regulation GN 446 of 2013 requires Procuring Entities (PEs) to Plan for implementation of procurement. The Planning is supposed to involve preparation of a project work plan and identification of resources necessary to carry out the various project activities and the commencing dates and critical points in the procurement process shall be set out in the procurement plans.

Review of MHCL procurement files and the company annual procurement plan for financial year 2018/19 and 2019/20, the audit noted delays of procurement from the date of procurement advertisement to the estimated dates of contract award as indicated in the company Annual Procurement Plans (APPs) to the actual award for various work, goods and consultancy services.

Noted delays of executing procurement ranged between two (2) to five (5) months as indicated in **Appendix 7**. Interview with procurement officers revealed that reason for indicated delay was delayed initiation of the procurement by user department.

3.3.3 Improper Filling of Procurement Files

Section 88 (4) of public Procurement Regulation (2013) requires the procuring entity to keep procurement records in a proper manner for ease retrieval of procurement as prescribed in the Procurement Records Guideline prepared by the Public Procurement Regulatory Authority (PPRA).

The audit noted non-alignment of filing system as required by annual procurement plan. Review of company annual procurement plan (2018/19 to 2019/20.) indicated there was mismatch of file names and file reference numbers from procurement plan and files. For example, audit found a reference number which was used to one file was allocated to more than one files in the same financial year which created difficulties in retrieving procurement information as indicated in **Table 3.8** below.

Improper filing system may limit effective handling of procurement records for other procurement practices.

Table 3.8: Mismatch between Tender Names and Number in APP and Actual Procurement Files

SN	Tender Name as per APP	Tender No. as per APP	File name as indicated in files	File No.
1.	Supply of Agronomy Facilities (Hot Water Treatment Plant)	PA/150/2018-2019/G/07	Supply of electrical lines and installation	PA/150/2018-2019/HQ/G/07
2.	Supply of Pipes Plasco	PA/150/2018-2019/G/08	Supply of Pipe Trailer	PA/150/2018-2019/G/08
3.	Construction of Administration Block	PA/150/2018-2019/W/02	Construction of farm boundaries	PA/150/2018-2019/HQ/W/02
4	Rehabilitation of Mwalimu Nyerere Multipurpose Hall	PA/150/2019-2020/W/10	Construction of Dam	PA/150/2019-2020/W/10
5	Supply of Rescue Plan Irrigation Equipment and Accessories for 850ha	PA/150/2019-2020/G/11	Rescue Sprinkler Irrigation	PA/150/2019-2020/G/11 (lot 1)

Source: Annual procurement plan and procurement files for FY 2018/19-2019/20

Interviewed procurement officers from MHCL they did not come out with any reason. However, audit noted that, MHCL did not consider Annual Procurement Plan and file number during implementation of APP. This may limit easy identification of procurement records.

3.3.4 Procurement made out of approved Annual Procurement Plan (APP)

Section 49 (3) of the Public Procurement Act No.7 of 2011 requires PE to observe the approved APP and any unplanned procurement is supposed to get written approval of the accounting officer. Similarly, regulation 69(3) of Public Procurement Regulation GN 446 of 2013 requires PE to forecast its requirements for goods, services and works as accurately as is practicable with particular reference to services or activities already programmed in the annual work plan and included in the annual estimates.

The review of procurement files 2018/19 to 2019/20 shows that Accounting Officer granted approval of procurement for the items which were planned in APP, but also, granted approval of procurement which were not in APP. It was noted that, for the FY 2018/19 and 2019/20 total cost of procured items which were not in APP was TZS 15,069,475,195.75 as indicated in Table 3.9.

Table 3.9: Items Procured out of Annual Procurement Plan for FY 2018/19 & 2019/20

SN	File Name	File Number	Contract Amount
1.	Provision of consultancy services for design and supervision of establishment, development of a new sugar cane estate and sugar factory at Ngerengere (Mkulazi estate) in Morogoro region	PA/150/2018-2019/C/06	3,412,945,000
2.	Supply of electrical line installation	PA/150/2018-2019/W/16 lot 1	419,555,562.75
3.	For irrigation Design at Mbigiri	PA/150/2018-2019/C/06	757,670,000
4.	Ms. Inyoni Afrika Rescue sprinkler and Irrigation	PA/150/2018-2019/G/08 Lot 2-5	1,544,502,000
6.	Supply of Laptops and multifunctional printers	PA/150/2018-2019/HQ/G/8	7,929,600
7.	Supply of generator diesel for Mbigiri	PA/150/2018/2019/H Q/G/01	36,500,448
8.	Supply, connection, fitting and Fixing of mobile Jet guns	PA/150/2019-2020/G/11 lot 1	306,025,000.00
9.	Supply and installation of AC	PA/150/2019-2020/G/20 lot 1	44,828,200
10.	Construction and Installation of semi-solid sprinkler irrigation system for 756 ha	PA/150/2029-2020/W/04	8,347,114,531
11.	Provision of consultancy services for conducting hydrogeological and geophysical Mbigiri Estate	PA/150/2018-2019/C/07	40,000,000
112.	Supply of Surveying Equipment and GNISS guidance Kit	PA/150/2019-2020/G/03	152,404,854.00

SN	File Name	File Number	Contract Amount
Total			15,069,475,195.75

Table 3.9 indicating that, procurement worth of TZS 15,173,749,522.98 was made without being incorporated in APP.

Interview with procurement officials revealed that, contributing reasons for initiating procurement out of approved Annual Procurement Plan were inadequate planning by user department associated with inadequate need analysis conducted on the procured goods, works and consultancy services. However, PMU who was the implementer of APP was required to seek an approval from the Accounting Officer for procurement of items mentioned in **Table 3.9** as they were not in APP.

Procurement of items that was not in APP may limit timely procurement because procurement process was time consuming which needed proper planning in regards to procurement method adopted.

3.3.5 Loss of TZS 101,535,460 for Improper Procurement Decision during Procurement of Motor Grader

Section 75 (b) of Public Procurement Act No.7 2011 as amended 2016 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 3.10**.

Table 3.10: Read out price for Tender No. PA/150/2019-2020/G/02 LOT 2

S/N	Bidder	Amount in 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
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 to 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 6.5-8Litres 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 Scarified 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.

By 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.

Audit noted that, MHCL did not waive specification of Rear Ripper width of cut during re-evaluation but waived it during re-tendering which resulted to: few bidders participated in re-tendering; delayed the procurement of

items to be used for intended purpose; increased procurement activities; and finally awarded awarding 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.

3.3.6 Lack of Price Negotiation in Procurement

Section 76 (2) of Public Procurement Act No.7 of 2011 as amended in 2016 has empowered PE to conduct negotiation with bidders in various aspects including price negotiation. Furthermore, Section 76 (3) of Public Procurement Act No.7 of 2011 indicated that negotiation on price must be done when single source procurement approach was used. Likewise, regulation 5(1) of Public Procurement Regulation GN 446 of 2013 requires public officers and members of tender boards when undertaking or approving procurement to choose appropriate procedures and cause of procurement diligently and efficiently for price paid to represent the best value.

Review of procurement files 2019/20 and 2020/21 noted that, in some of procurement undertaking amounting to TZS 1,818,106,477 price negotiation was not conducted as shown in **Table 3.11**.

Table 3.11: Lack of Price Negotiation

S/N	Detail of Procurement	Procurement Method	Amount
1	Tender for Supply of Pipes and Fittings for 400HA (Tender No. PA/150/2019-20/G/11 LOT 2)	Single Source	1,196,460,173
2	Supply of Farm Implements (PA/150/2019-20/G/02 LOT 7,8&9)	National Restrictive Tendering	453,101,304
3	Supply of KCL Fertilizer (PA/150/20-21/G/03 LOT 1)	Competitive Quotation	168,545,000
	Total		1,818,106,477

Source: Review of Tender files at Mkulazi Holding Company, 2020

Table 3.11 Indicated that, MHCL did not conduct price negotiation even for procurement of TZS 1,196,460,173 where single source procurement approach was adopted. This limited, the possibility of attaining economy in

such kind of procurement especially where competitive procurement is not used. MCHL responded that, the mentioned procurement was awarded for price below than the budgeted amount.

Audit noted that, variance between planned budgets and awarded amount ranged from 16% to 117% for 10 contracts within period of 2018/19 and 2019/20 refer section 3.3.1. This indicated that, MHCL budget in APP was not realistic and cannot be used as benchmark for price comparison.

3.3.7 Inclusion of Value Added Tax (VAT) for Exempted Supplies for TZS 1,797,043,446

According to section 6(1) and First and Second schedule of Value added Tax Act Cap 148 R.E 2019 agricultural implements inclusive of irrigation equipment and parts; and agricultural inputs are among the supplies exempted from VAT.

Audit examined if the procurement awards excluded VAT for supplies which are VAT exempted for agricultural related business. Review of procurement awards 2018/19 to 2020/21 noted that, MHCL included VAT amounting to TZS 1,797,043,446 when awarding for Supplies which were VAT exempted as presented in Table 3.12. In addition, it was noted that, MHCL did not raise VAT refund claims. In Interview MHCL Officials shared that they did not claim on VAT return because the company was not VAT registered.

Table 3.12: Inclusion of Value Added Tax (VAT) for Exempted Supplies

S/N	Detail of Procurement	Amount	VAT 18 Percent
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

3.4 Delay of Installation of Factory Plants

The Corporate strategic plan (2019/20-2013/2024) required production of sugar to start in December, 2020 and attain production of 23,100 metric tons by June 2021 at Mbigiri estate and attain optimum production of 51,900mt by June 2024.

Audit noted that during site visit conducted in December, 2020 neither factory building nor plants were constructed and installed respectively in the site.

Delay of installation of factory plants was caused by delayed procurement process carried out by the government. According to MHCL management there are no correspondences between MC\HCL and government regarding this procurement, thus MHCL was not in position to tell exact date when construction of factory building and installation of factory plants would take place.

As a result, the delay of construction of factory building and installation of factory plant caused losses and would continue to cause losses to the company and out-growers as indicated in section 3.2.4, 3.2.5, and 3.2.9 of this report.

3.5 Weaknesses were Noted in Managing Project Finances

3.5.1 Non-Compliance with the Payment Mode

Clause 26.3 of the Service Level Agreement for Provision of Farm Management Services between MHCL and Prison Corporation Sole (PCS), the contract for provisional of casual labour services for farm activities and other non - farm activities, requires 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 that payments.

However, it was noted that, MHCL did not comply with the payment mode as stated in the Agreement. Review of payment vouchers and its supporting documents (pay list), 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 years consecutive (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 from 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 3.13 below. Appendices 8 (A and B) provide further details for the payment made.

Table 3.13: 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
2019/20	395,694,339.05	19,784,717
Total	688,203,339.05	34,410,167

Source: Cashbooks 2018/19 - 2019/20

Based on Table 3.13 a total of TZS 292,509,000 and 395,694,339.05 in 2018/19 and 2019/20 respectively were paid direct to casual labours. In addition, MHCL did not deduct withholding tax amounting to TZS 34,410,167 according to the requirement of the terms and condition of the contract.

3.5.2 MHCL not registered for VAT

Section 29(2) of the Value Added Tax Act of 2015 revised 2019, requires that, a Government entity or institution which carries out economic activity to be registered for Value Added Tax. Furthermore, Section 3 of the same act, stipulate 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 are required by the VAT Act to be registered for VAT. However, since its establishment MHCL was not registered for VAT.

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 delay was that, MHCL Management was reluctant on the follow up on the registration process.

MHCL for not being VAT registered was losing a lot of money as VAT paid without claiming it back during acquisition of goods and services since VAT increase 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 amounting to TZS.50, 279,515,851.70 had included a VAT amounting to TZS.7, 669,756,655.34 which was equivalent to 18% of the contract price. Details are as shown in **Appendix 9**.

The amount being paid as VAT on acquisition of goods and services amounting to TZS. 7,669,756,655.34 might have been saved and used for the benefit of the Company.

3.5.3 Absence of Policy Regarding Fuel Standard Usage Rate for Motor Vehicles, Equipment and Machines

Para 4.3 (vii) of the MHCL Motor Vehicle and Transport Policy, 2020 requires that, operating cost of each vehicle to be monitored by management. The Cost includes cost for fuel and oil, maintenance and servicing and tyre replacement.

MHCL spent a substantial amount each year and will continue spending that amount for procurement of fuel to facilitate company's operations.

It was noted that, MHCL maintained logbooks for each motor vehicle and machines. However, the company did not establish standard rates for fuel usage for motor vehicles and machines. Interview with MHCL officials showed that, the company management had discussed on the process of establishing the usage rate for motor vehicles and machines. Through letter No. MHCL/MBGR/S.48/2020/013A dated 13th May 2020 showed that fuel consumption rates for some machines and vehicles were proposed to management and approved. However, during the time audit MHCL did not established policy regarding fuel usage of all vehicles, machines and equipment used by the company. Moreover, it was not clear whether that

decision was reached and documented anywhere for dissemination to all staff in the Company for awareness.

Absence of fuel usage rates for motor vehicles and machines might limit performance monitoring of fuel consumption and cost controls to avoid high fuel cost to the company.

3.5.4 Partial Functioning of Enterprise Resource Management System (ERMS)

MHCL had established the need to automate its business processes and it has engaged e - Government Agency (eGA) to supply, implement and commission of an Enterprise Resources Planning (ERP) System.

As per Functional and Technical Requirements Document, upon successful implementation of the ERP project, MHCL envisaged that, it would be able to:

- Conduct its operation efficiently through improved workflows through the system
- Improve its decision making process, arising from centrally available information as a result of integrated and on-line business systems
- Have strong commercial performance resulting from adequacy of operational procedures and strong information on customers' commercial situations
- Improve its customer services, through improved resolutions. This will be achieved through the minimization of manual records and manual procedures

MHCL was aiming to implement a fully integrated Enterprise Resource Planning System (ERP), so as to address the current and future demand of the Organisation. So, the ERP intended to include seven modules which are: Finance and Accounting Management, Procurement Management, Stores Management, Human Resources Management, Agriculture, Factory and Sales and Marketing Management.

However, review of User Acceptance Test Report to assess the achievement of the intended objective for the implementation of the ERP project, noted that, six modules out of seven were not initialized at all. One module for

Finance and Accounting Management was partially functioning for payments processing but it was not fully functioning up to the preparation of the financial statements.

Interviews with the MHCL officials indicated that, the ERP deployed by eGA known as ERMS was not compatible with the MHCL business process and eGA did not consider their specific requirement as per Functional and Technical Requirements Document. According to officials the ERP System which was not compatible to MHCL business process as ERMS was designed purposely for Government entities which did not relate with the business processes of MHCL.

Unsuccessful implementation of the ERP System takes back MHCL to the manual processing system which hinders the company from achieving intended efficiency level. Interviews with MHCL officials showed that, the ERP project was not successful and it had not achieved the intended objective. Further, interviews shows that, MHCL was frequently communicating all snags to eGA though nothing was done by eGA to rescue the situation.

Unsuccessful implementation of ERP Project took back MHCL to the manual processing which rendered the company operations, resources management and services delivery inefficient.

3.5.5 Improper Recognition and Disclosure of Assets Contributed by PCS as Share Capital and Account Payable which Make Up Share Holding Ratio between NSSF and PCS

According to Memorandum and Article of Association, Article 6 states that the nominal share capital of the Company was 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.

It was noted that, 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 was amounting to TZS 19,380,164,500. The contributed assets by PCS are presented in **Appendix 10**.

The agreed assets contributed by PCS were more than 4% of the total authorized share capital of TZS.250billion. The contributed capital is 7.6% of the authorized share capital; hence PCS deserve more shareholding ratio as per asset contributed.

Further, 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 no clear disclosure on terms and conditions for the recognized liability and there was no agreement on how the liability will be settled. Improper recognition and disclosure of the assets contributed by PCS may lead to conflict among shareholders.

3.5.6 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. 397,020,000 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 3.15** details of the items paid for but whose validity could not be substantiated.

Table 3.15: Items Paid to contractor without substantiated

Item	Description s	Unit	Qty	Rate - TZS	Amount paid - TZS	Reason for not Paying
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 1	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

Item	Description s	Unit	Qty	Rate - TZS	Amount paid - TZS	Reason for not Paying
						but effected payments to the contractor
	Total - TZS.				202,020,000	

Source: IPC No. 4

CHAPTER FOUR

IMPLEMENTATION OF RECOMMENDATIONS ISSUED ON PREVIOUS REAL TIME AUDIT

4.1 Introduction

This chapter presents Implementation status of CAG recommendations issued in Real Time Audit Report of March 2020. The audit was carried out for the period from 19th November, 2018 to 21st March, 2019.

The purpose of the Audit was to determine whether the Mkulazi II Sugar Factory Project was implemented as per the approved initial project proposals and that the project stage during the audit period was as per the plan.

4.2 Main Audit Findings

1) Delays in the Installation of Sugar Production Plant

The project Feasibility Study Report of October 2017 shows that installation of sugar factory plant was expected to commence in January 2018 and to be completed by June, 2018, whereas production of sugar and by products was to commence by September 2018 along with the readiness of plant sugar cane from the estate farm. However, our review of implementation report and site visit conducted on 21st December 2018 observed that the milling plant was not yet installed as planned, as a result the sugarcane harvested in September 2018 were to be sold to other factory to mitigate loss.

2) Fruitless Expenditures on Travelling Costs and Rental Charges TZS 945,185,897

Mkulazi Holding Company Ltd reported TZS 398,808,057 and TZS 429,113,500 in the financial statements for the years 2016/17 and 2017/18 respectively as travelling on duty allowances. It has also incurred TZS 117,264,340 in respect of rental costs of the office building in Dar es Salaam for a period of 19 months; from September 2017 to March 2019.

Records such as payment vouchers and cash book indicate payments were in respect of fuel and night out allowances made to MHCL employees who were frequently travelling from Dar es Salaam to Morogoro to supervise initiation of sugar plant operations. The project also incurred the total amount of TZS

117,264,340 in respect of rental charges for the office space at PPF Tower building in Dar es salaam. These costs could have been avoided had the management properly planned these activities at initial stages of the project through prioritizing construction of residential houses for key personnel and office premises.

3) Inadequate Control over Payments to Farm Casual Labourers

Section 4:1:1 of the Financial Regulations (2019) of MHCL requires management to ensure that transactions are executed in accordance with the provisions laid down in these financial regulations. For clarity, no payment should be made without proper authorization as specified in these regulations. Furthermore, all payments must be supported by sufficient evidence in respect of authority and documentary proof for work or service rendered and materials or supplies delivered.

The Mkulazi project payment records indicated a total of TZS 868,500,000 was paid as allowance to casual labourers who worked on the farming activities from July 2017 to June 2018. This accounted for 62 per cent of the total actual commercial farming expenses of TZS 1,389,700,000 for the year 2017/2018.

4) Delays in the Execution of Irrigation Project

Irrigation infrastructures and water exploration at Mbigiri farm has been lagging behind since June 2017. The reason being existing bureaucratic procurement procedures for purchasing of the irrigation accessories like sprinklers, water pumps, pipes and centre pivot. It was noted that on 7th November, 2017 MHCL entered into a contract No. MKL/W/03/2017 - 2018 of TZS 815,000,000 with DDCA for survey, drilling of boreholes, and installation of submersible water pumps for irrigation at Mkulazi farm and Mbigiri farm, Morogoro. The contract was for the duration of six months from November 2017 to May 2018. However, as at the time of our audit in December 2018, only three boreholes out of the eight agreed (37 per cent) were drilled and none of them were operational. As of that time, the contractor had been paid an amount of TZS 81,500,000 out of TZS 815,000,000 and had abandoned the site.

5) Resource Allocation to non-related Out-grower Scheme Activities TZS 74,331,440

Feasibility study report on development of sugar factory and farm at Mbigiri (Mkulazi II) indicates that for the year 2018/2019, the company is expecting to produce 30,140 tons of sugar and as part of raw materials/input; the company will need 40,000 tons of canes from out-growers. To achieve this, the company was supposed to support out-growers to plant and maintain sugarcane farms covering areas of at least 4200 ha (800ha in 2017/18, 1000ha in 2018/19, 1200 ha in 2019/20 and 1200 ha in 2020/21). From our review of the payment vouchers and books of account for the year 2016/17 and 2017/2018, It was found that management incorrectly spent a total amount of TZS 74,331,440 from out-growers scheme funds to cater for non out-grower management activities i.e. meeting, sensitization and other dispute arrangement.

6) Improper Procurement of Agricultural Inputs TZS 999,465,000

On 27th February, 2018 the Board of Trustee of NSSF on behalf of Mkulazi Holding Company Limited (MHCL) entered into a procurement contract with Tumaini Rabi Cosmas Temu T/A TVC Agrochemical and Inputs Investment vide contract No. PA/150/2017-2018/HQ/G/13, with a contract sum of TZS 1,323,950,000 to supply field chemical, tools and protective gears for Mbigiri Farm - Morogoro. The contract sum was then revised to TZS 999,465,000 as per addendum signed on 27th March, 2018. However, from our review of the contractual arrangements, the following deficiencies were noted:

- (i) The original contract was not sent to the Attorney General for vetting prior to signing of the contract Regulation 59 of the Public Procurement Regulations, 2013 which requires contracts above TZS 50 million to be sent to the Attorney General for vetting. Such contracts in accordance with provision of Regulation 59 (2) are regarded as void; The prices of each item to be supplied were not quoted in the contract as a result the supplier was free to charge the prevailing market price at the time of delivery and the payments to supplier were made to a personal bank account rather than the bank account of Tumaini Rabi Cosmas Temu T/A TVC Agrochemical and Inputs Investment who is the recognised supplier as per the contract agreement.

4.3 Overall Audit Conclusion

Despite some progress made in the project implementation, it was found that crucial project activities are still lagging behind the established timelines which means that the commissioning of the factory will not be as per original project plan. We also noted huge expenditures in form of allowances and travelling costs to and from Mbigiri where the project site was located; and expenditures in the maintenance of Kigongoni seed cane nursery which was finally abandoned without realizing the objective of its establishment.

4.4 Main Results of the Follow up on the Implementation of Recommendations

The Audit Office carried out a follow up on the implementation of the issued recommendations to MHCL. The follow up aimed at examining if there were improvements and see if there was a need to issue new recommendations on the Construction of Mkulazi II Sugar Factory.

Therefore, this section presents implementation status of the issued recommendations. Implementation status has been categorized into three categories namely, recommendations that were fully implemented, partially implemented and those that were not implemented at all by the MHCL.

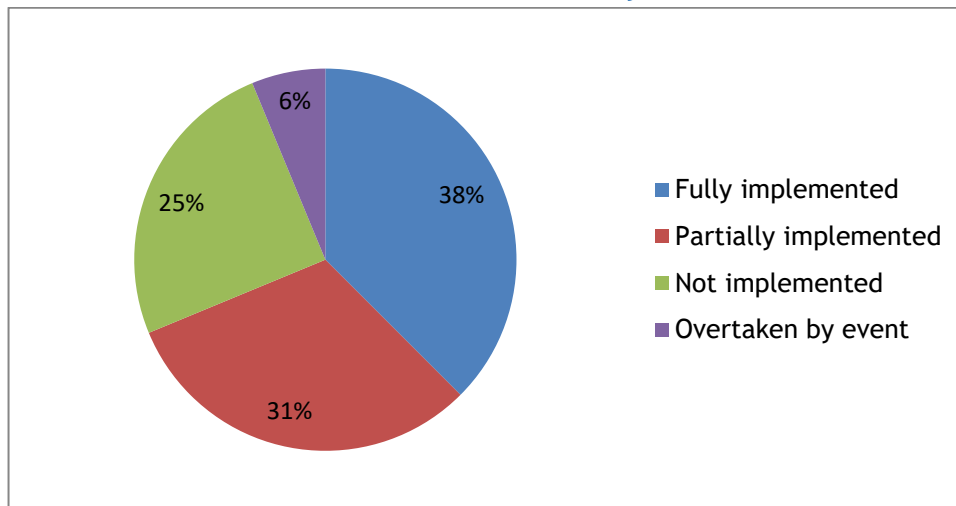
Full implementation was rated when an audited entity has implemented a recommendation to the fullest as required by the audit report, whereas partial implementation was rated when an audited entity has to some extent implemented a recommendation as required by the audit report. When an audited entity did not implement a recommendation as required, it was rated as not implemented.

4.5 Overall Findings of the Follow up on Implementation of Real Time Audit Recommendations

In general, there were 16 recommendations that were issued to the MHCL.

Based on the evidence submitted and Interviews conducted with the officials from MHCL, the audit noted that six recommendations issued to the MHCL were fully implemented, another six recommendations were partially implemented and four recommendations were not implemented at all as shown in **Figure 4.1**.

Figure 4.1: Shows the description of the level of implementation of Issued Recommendations by MHCL



Source: Auditors analysis of given responses (2020)

Figure 4.1: above shows that 38 percent comprise recommendation which were fully implemented, partially implemented and not implemented recommendations. The recommendations which were overtaken by event were only 6 percent.

Further analysis shows a description of number of issued recommendations to MHCL with specific levels of implementation as shown in **Table 4.1**.

Table 4.1: Implementation of Recommendations by MHCL

Audited Entity	No. of issued recommendations	Fully implemented	Partially implemented	Not implemented	Overtaken by event
MHCL	16	6	5	4	1

Source: Auditors analysis of issued recommendations by MHCL (2020)

(i) Recommendations which were partially implemented by MHCL

There were five (5) recommendations which were partially implemented by the MHCL which include:

Recommendation 1: *Management of Mkulazi Holding Company (MHC) should (a) avail utilization account of TZS.119, 470,000 for audit trail and (b) enhance internal controls by recruiting responsible personnel with*

relevant qualification /disciplines so as to initiate books of records and maintain proper record of utilization of procured inputs.

Review of MHCL response indicated that, Management had recruited competent Supplies officer who was responsible for dealing with all issues of stores. Management was by then in a process of rehabilitation of the stores and implementing on-line inventory system. Such measures will enhance adequate management of store's function. Moreover, review of MHCL staffing level (2020) indicates that the company has recruited one store officer to improve efficiency in store management. However, the company had failed to avail utilization of TZS 119,470,000 of the procured fertilizers. Despite the fact that the company had employed supplies officer but implementation of online inventory system is not yet finalized. This recommendation was considered to be partially implemented.

Recommendation 2: *MHCL Management was advised to enhance internal controls to ensure proper accounting records are maintained and MHCL Management should produce proper evidence to support those payments as well as evidence to support utilization of the delivered agricultural inputs. MHCL was required to justify questionable procurement of agricultural inputs amounting to TZS.309,188,000 and to strengthen internal controls in management of accounts.*

Review of submitted response indicates that, Management carried internal investigations and found that the only payment made so far was TZS 119,470,000 through PV No 392045 of 04/04/2018. The balance of TZS 189,718,000 was not recognized in the books of accounts due to failure to qualify as liabilities to MHCL. However, the Special Task Force Report on Investigation of the debt was yet to be availed to auditors as evidence. Therefore, this recommendation was considered partially implemented.

Recommendation 3: *Management was recommended to maintain proper documentation of contract execution phase and exercise proper supervision to all contractors to ensure execution of contracts was in line with the agreed terms and conditions and that all deliverables were met in agreed standards.*

MHCL was required to effectively supervise all projects and maintain proper documentation of the contracts.

Review of submitted response from MHCL indicates that, Proper documentation was being observed on implementation and supervision of irrigation contracts. Technical site visits and supervisory meeting between MHCL, Contractors and consultants were being held during project implementation.

However, the provided responses show that proper documentation and effective supervision was emphasized in irrigation projects alone neglecting other project regardless of the fact that effective supervision was paramount to all executed projects. Furthermore, section 3.3.3 of this report revealed improper filling of procurement files because of the noted mismatch of file names and file reference numbers from procurement plan and files. Therefore, this recommendation was considered to be partially implemented.

Recommendation 4: *The new MHCL board should ensure full and timely implementation of the project budget.*

MHCL should ensure timely implementation of budget to enable planned activities to be implemented in a defined period as well as providing direction of future activities and at the same times be used as a benchmark for performance evaluation.

Review of MHCL submitted response revealed that, the full Management of MHCL were in place now which make fully supervision of the MHCL operation hence implementation of the budget performance would be maintained. Auditors have been given budgetary reports for 2019/2020 and 2020/2021 for noting budgetary performance.

However, it was noted that there were no corrective actions taken in ensuring fully and timely implementation of project budget, review of Chief Executive Report (2020) shows inadequate utilization of project budget. It was noted that during the year ended 30th June 2020, the approved budget for operating expenses was TZS 15,822,515,049.70 while actual expenses was TZS 5,309,821,431, this was a utilization of 34% of the approved budget. The underutilization of operating expenses was mainly caused by low level of operating activities than was projected in annual budget.

Such operating activities include, none utilization of the amount set aside for procurement of factory, delay in implementation of switch yard, delay in irrigation projects including Dam construction, low payment of account software (EGA system) than budgeted, non-procurement of factory and farm software and delay in commencement of Ngerengere project. Therefore, this recommendation was considered to be partially implemented.

Recommendation 5: *Management should timely implement irrigation infrastructures as laid down in the feasibility study*

Review of submitted response indicates that, appropriate and recommended irrigation systems by the consultants and Special Technical Team are being installed at Mbigiri Estate farm. Budgetary allocations have been approved the installation of irrigation systems. Implementation of the systems will enable proper irrigation scheduling and optimal water usage.

Moreover, review of MHCL action plan (2020) shows that, MHCL planned to construct two 1,600,000M³ water reservoirs, six 50,000M³ Charcoal dams by 2021 and Installation of semi-solid sprinkler irrigation system to 2000ha by 2020.

However, it was noted that MHCL had failed to install irrigation system as planned. This was evidenced through the review of CEO report of (2020) which shows that only 700 ha of semisolid sprinkler irrigation system has been installed at Mbigiri out of 2000ha planned 1.6 M cubic water reservoir was at negotiation stage after award tender process. The process was expected to be finalized in August 2020 for construction to start. While only three water ponds have been constructed out of six planned.

(ii) Recommendations which were not implemented by MHCL

There were four (4) recommendations which were not implemented by the MHCL. These are:

Recommendation 1: *Despite of project delays, Management of MHCL was advised to complete the project, put the factory into use and commission production so as to avoid further losses from selling of sugar cane to other estates or consider scaling down the plantation of the sugarcane until the installation of the factory was in place.*

Interview with MHCL officials and review of submitted response shows that, The Procurement of factory machineries was by then handled by the government, efforts were being made by the Government to complete the process in time.

Management invited the Government valuer to fair value the matured cane in 2020/2021 financial year and the results showed that Sugarcane price currently in the locality, ranges from TZS 63,000 to TZS 81,000 per tone's, that makes an average of TZS 71,50

However, this recommendation was considered as not implemented. Since no written evidences were provided to justify the progress made concerning status of factory installation and as to when the factory will be in place. Furthermore, site visit made by the auditor at MHCL premises revealed no construction activities were undertaken for the milling plant.

Recommendation 2: *The management should submit the EFD receipt of transaction and in the future ensure that purchases are supported by EFD receipt.*

MHCL were required to justify the Purchased 1175.26 tons of seed canes for TZS.208, 021,020 including VAT of TZS.31, 732,020 which were not supported by EFD receipt.

Review of submitted evidence indicated that, Management reviewed its records but the EFD receipt was not found. Going forward the new management will institute a strong system of internal control to ensure all supplies to MHCL are supported by EFD receipts together with all necessary supporting documents.

This recommendation was considered not implemented Since MHCL management has failed to avail TZS 208,021,020 EFD receipt to justify the purchase of 1175.26n tons of seed cane.

Recommendation 3: *We recommend management of MHCL expedite the construction of the factory as well as procurement and installation of sugar factory plant so as to start the crashing of sugarcane as per the initial plan.*

Review of MHCL submitted response and interview with MHCL officials shows that, the procurement of the Factory machineries were on the final stage and process is handled by the government.

However, review of company strategic plan 2018-2023 indicates that the factory plant will be installed in December 2020. Up to the time of conducting this audit there was no evidence availed concerning the progress made. Therefore, this recommendation was considered to be not implemented.

Recommendation 4: *Management was recommended to ensure that contractual, appropriate measures against the contractor are instituted and pending project activities were completed without further delay by taking necessary action either engaging another contractor or making follow up to existing contractor.*

MHCL was required to ensure contractual and appropriate measures are taken to the contractor assigned with the task of drilling 8 boreholes for irrigation system at Mbigiri. This is due to the fact that, three boreholes were drilled out of eight planned and none of them was functioning while the contractor was already paid an amount of TZS 177,986,000 out of TZS 815,000,000 and that the contractor had abandoned the site.

Review of the submitted response shows that MHCL plan to develop more reliable irrigation system by either using internal or external irrigation experts. Budget for the same was available. This includes set-up of irrigation system and construction of water reservoirs.

Moreover, Board decided to review the contract sum from TZS 815,000,000 to TZS 250,000,000 or TZS 50,000,000 per each Borehole. The only amount paid to the contractor was TZS 81,500,000.00 and not TZS 177,986,000. Up to the time of conducting this audit, it was noted that plans were underway to develop a much more reliable irrigation system by either using internal or external irrigation experts.

Furthermore, MHCL management had been using both internal Technical Team and Consultants (M/S Edge Engineering and Consulting Ltd in Joint Venture with BACAS (SUA)) who have accomplished design of irrigation and drainage systems for 3,600 ha at Mbigiri Estate. Using the detailed designs,

Management has accomplished installation of overhead irrigation system for 700 ha. Further, installation of irrigation systems covering 1,856 ha is underway. With respect to drilling of Boreholes, Geophysical and Hydrological Study was undertaken and potential points for drilling of boreholes were recommended. Tender process for Drilling of four (4) bore holes is underway.

Furthermore, the Irrigation Consultant had technically reviewed the actual situation and had advised a shift of strategy from dependence on underground water to construction of water storage ponds for irrigation and drainage purposes. Constructions of three (3) water storage ponds have been completed and one (1) Water storage reservoir would be completed in January 2021.

During site visit conducted on 20th November, 2020, it was observed there were four boreholes which were not functioning; these boreholes were located at Mbigiri farm block E3, D2, E4 and F4. It was further noted that, the contractor abandoned the site despite the fact that a sum of TZS 234,899,700 had been paid to the contractor.

Based on the above scenario MHCL failed to take necessary actions to contractor regarding the abandoned boreholes regardless of the cost that has been paid to the contractor. Therefore, this recommendation is considered to be not implemented.

(iii) Recommendations which were fully implemented by MHCL

There were six (6) recommendations which were fully implemented by the MHCL. These were

Recommendation 1: *We recommend that MHCL assign resources for office and accommodation buildings finalization in Morogoro/Mkulazi and all key personnel to the project that are supposed to supervise were relocated immediately and rank this as the first priority in implementing the project with a view to minimize costs of project implementation in the long run.*

Review of submitted responses indicated that, Management of MHCL implemented auditor's recommendations during 2018/2019 financial year. Effective from February 2019 new management was established and MHCL

offices were shifted from DAR to Mbigiri. The new administrative block was by then completed at Mbigiri Estate effective from October 2020.

This recommendation was considered to be fully implemented because MHCL management fully operate its operations at Mbigiri and administration building has been constructed .This was evidenced through site visit made by audit team in October 2020 where by all MHCL administration activities are conducted at Mbigiri and Staffs are residing in Morogoro. Construction of staffs houses at Mbigiri estate are on progress.

Recommendation 2: *Management re-organizes itself and resumes the abandoned project activities to ensure dams are constructed without further delays. In doing so management should consider also other irrigation initiatives so as to avoid duplication of efforts and resources.*

Review of the submitted response pinpoint that, management engaged Consultants (M/S Edge Engineering and Consulting Ltd in Joint Venture with BACAS (SUA)) for comprehensive design of irrigation and drainage systems. Moreover, Irrigation Consultant had technically reviewed the actual situation and has advised a shift of strategy from dependence on underground water to construction of water storage ponds for irrigation and drainage purposes. Management had therefore made financial commitments for construction of six (6) water storage dams and two (2) water reservoirs from FY 2019/20. Already, Construction of three (3) water storage ponds had been completed and one (1) Water storage reservoir will be completed in January 2021.

This recommendation is considered to be fully implemented since efforts of construction of sustainable irrigation system had been made. During site visits made by the Audit Team in November 2020, it was observed water storage ponds and dams that had been constructed and the contractor was on site to accomplish the project.

Recommendation 3: *We recommend management to ensure it conducts detailed study before it embarks to an alternative course of action so as to establish rationale for the adoption taking into consideration costs and benefits associated with it.*

MHCL were required to invoke Kigongoni seed nursery project as it was too early at this stage of the implementation of the entire project. Given the delays in the implementation of the project that was obvious to management of Mkulazi, this nursery project could have been posed and focus on factory establishment while sourcing seeds from other estates including out-growers around Mbigiri farm so as to rescue MHCL from incurring further losses.

Review of submitted response shows that, the company postponed development of Kigongoni Seed Nursery pending completion of the ongoing shareholding discussion with Tanzania Prisons which will determine if Kigongoni Nursery was also part of the capital contribution by TPS to MHCL.

Furthermore, following completion of shareholding negotiation with Tanzania Prisons Service in Financial year 2019/20; Kigongoni Nursery is no longer belonging to the Company. In effort to suit the intended purpose, the Company has established and was by then managing A and B Nurseries at Mbigiri Estate.

Review of MHCL financial statement indicated that Kigongoni seed nursery was not recognized in financial statement. Also, interview made with MHCL agronomist and site visit made by the Audit Team in December 2020 indicates that, MHCL has established nursery A and B as the source of seed cane. Therefore, this recommendation was considered to be fully implemented.

Recommendation 4: *We recommend the management to ensure that registration was done earlier before the procurement of the factory equipment in order to explore the fiscal and non-fiscal advantages available.*

MHCL was required to be registered by Tanzania investment center so as to avoid Exposure to missing fiscal and non- fiscal benefits as a result of no-n / delay in registration with Tanzania Investment Centre (TIC). The Tanzania Investment Centre grants certificates of incentives under authority conferred upon it by part III, section 17 (1-8) of Tanzania investment act, 1997.

Review of submitted responses revealed that, the Certificate of Incentive have been secured from Tanzania Investment Centre (TIC). Physical observation made by audit team revealed that MHCL has been registered by TIC in 2019/20 financial year, therefore, this recommendation was considered to be fully implemented.

Recommendation 5: *Mkulazi Holding Company advised to review this procured contract so as to see whether there was a loophole to terminate this contract without financial implications and go for direct procurement from the source.*

Mkulazi Holding Company was advised to review the contract for procuring of agricultural inputs amounting to TZS.999, 465,000 from vendor which would rescue the company from incurring huge loss and to see whether there is a loophole to terminate this contract without financial implications and go for direct procurement from the source. This is due to the fact that, if the MHCL would have selected another economical procurement alternative such as procuring direct from source (factory) which could have facilitated saving instead of procuring from a Vendor.

Review of the submitted response indicated that, MHCL has employed a number of key staff sufficient to form its own Tender Board and therefore no external entity will be used as a procuring agent. Also direct procurement method will be used for procuring such materials.

Review of procurement correspondences indicated that, the Company had formed its own Tender Board and Management believes that this will enhance efficiency and effectiveness of its operations. Furthermore, the said contract is frustrated due to time bound and the only amount paid to the supplier was TZS 119,470,000. Nothing else has been paid so far.

Going forward Management would take up Auditor's recommendation particularly on the suggestion to buy from the source. Therefore this recommendation was considered to be fully implemented.

Recommendation 6: *MHCL should amend Memorandum and articles of association to reflect the authorized share capital.*

Authorized share capital is the maximum amount of capital that a company is allowed raise from its shareholders (members) and the maximum liability on the part of the members to contribute to the assets of the company in the event of its being wound up.

On 9th extraordinary board meeting held of 29th June, 2017 the board of directors approved the shareholders disbursement (subscription) schedule with amount of sh.123Billion payable in three installment, but due to operational problems only capital TZS.30.6 billion was paid in three installments (calls) This has resulted to TZS.600Million excess of the authorized ordinary share capital as per paragraph 8 of MHCL articles of association.

Review of submitted evidence from MHCL (2020) shows that Memorandum and article of association has been revised from 30 Billion to 250 Billion.

(iv) Recommendations which were overtaken by event

One (1) recommendation was considered to be overtaken by event as follows:

Recommendation 1: *We recommend that management of MHCL to refund the resources incorrectly spent for non-related out-growers activities with a view to facilitate the earmarked core scheme activities so as to enable timely implementation of the Organizational objectives.*

MHCL was supposed to refund TZS 52,803,800 and TZS 25,293,500 deducted from out-grower scheme fund which were spent incorrectly to ensure they are used for intended use.

Review of management response showed that the reallocated expenditure facilitated awareness program on the need to form Sugarcane out-growers' scheme. Further, the Board of Mkulazi Holding Company Limited approved re-allocation of fund from out-grower's vote to the tune of 61.0 million to Publicity vote to finance the official visit of Prime Minister to MHCL in September 2017.

Therefore, this recommendation is considered to be overtaken by event since the reallocated fund if refunded cannot be used to facilitate

implementation of budgeted out-grower activities in financial year 2016/17 and 2017/18. Therefore, the refunded budget for publicity for publicity cannot be used retrospectively.

CHAPTER FIVE

AUDIT CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides conclusions based on the findings presented in chapter three of this report which covers four audited area of farm management, procurement, construction and financial management. Further this chapter presents audit recommendations based on the causes of the observations noted during the audit.

5.2 General Conclusion

Generally, based on the findings presented in chapter three of this report, it is concluded that MHCL has shown efforts during 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 Mbigiri Sugar Production Project. Furthermore, due to delay of installation of factory plants, MHCL and out-growers suffered losses.

In that regard, MHCL did not adequately manage farm activities as there was weak controls over fuel, fertilizers and herbicides utilization which trigger to 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 adequately managed by MHCL. Implying that, there are procurements made above budgets and MHCL suffered losses due to poor decisions made on some procurements. Furthermore, there were delays in tendering and procurements which led to MHCL not achieving its objectives accordingly. Further, untimely construction of factory building and installation of factory plants resulted to losses for the company and out-growers.

Moreover, financial issues were not adequately managed for example MHCL is not VAT registered and some of its assets are not covered with insurance and some of them are privately registered.

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.

5.3 Specific Conclusions

5.3.1 MHCL Inadequately Managed Farm Activities

It was concluded that, MHCL has ineffective mechanism for cost controls and planning. As a result, MHCL management is not able to establish actual sugarcane production costs.

Likewise, it was found that MHCL suffered loss due to destroying of overgrown sugarcane which lost its economic value worth TZS 379,338,245. This was caused by the fact that MHCL delayed to install factory plants. Similarly, if MHCL failed to harvest overgrown sugarcane on time will likely suffer loss of TZS 499,934,750.

Further, MHCL under-state assets by not recognise boreholes in financial statements worth TZS 234,899,700.

Moreover, 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.

5.3.2 Administration of Procurement and Contract was not adequately done by MHCL

It was concluded that, procurement and contracts were not adequately administered by MHCL as there were none adherence to approved budgets; none adherence to established procurement timelines; none adherence to approved Annual Procurement Plans to some of procured items; and failure to conduct price negotiation for procurement undertaking amounted to TZS 1,818,106,477.

Likewise, it was found that MHCL included VAT amounting to TZS 1,830,073,482 when awarding for Supplies which were VAT exempted.

5.3.3 Inadequate Management of Project Finances

MHCL inadequately implement the financial control measure during disbursement and utilization of project funds which resulted to none compliance with payment mode as there were payments made direct to the individual casual labours with who MHCL did not have agreement.

It was concluded that, MHCL failed to adequately control over fuel utilization and costs control caused by failure to establish fuel standard usage rate for motor vehicles and machines.

Furthermore, MHCL did not register for VAT. Therefore for not being VAT registered MHCL lost a lot of money as VAT paid without claiming it back during acquisition of goods and services. MHCL had entered various contracts, 52 contracts among of them with contract price amounting to TZS.50, 279,515,851.70 had included a VAT amounting to TZS 7, 669,756,655.34 which is equivalent to 18% of the contract price.

5.3.4 MHCL did not Adequately Implement Previous Real Time Audit Recommendations

It was concluded that, MHCL implemented the issued recommendations at unsatisfactory level this is because 31 percent of all issued recommendations were partially implemented, while recommendations which were fully implemented were 38 percent and 25 percent were not implemented at all. On the other hand, 6 percent of all audit recommendations were overtaken by events.

5.4 Audit Recommendations

This section provides recommendations to the management of MHCL for improving implementation of the project. The National Audit Office believes that, these recommendations if fully implemented, will improve performance of MHCL in implementing the project hence the intended project objective will be attained.

List of recommendations are as shown hereunder:

- 1) MHCL should fast-track procurement and installation of sugar production plants at Mbigiri estate;
- 2) MHCL should develop a policy to strengthen management of all accountable project documents;
- 3) MHCL Management should establish a fuel usage standard rate for each motor vehicle and machines so as to have a control mechanism for fuel usage and fuel cost control;
- 4) MHCL should strengthen internal controls to ensure usage of fertilizers, herbicides, and fuel adheres to the intended purposes and established standards;
- 5) MHCL should form a joint technical team between the Contractor, Consultant and Mkulazi Holding Company Limited to evaluate the actual costs incurred preliminaries, and recover the money paid for preliminary bill items that have not been implemented in the subsequent payment certificates;
- 6) In future projects, MHCL should ensure that the preliminaries are paid based on actual activities executed by the contractor;
- 7) MHCL Management should 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 the years;
- 8) MHCL Management should expedite the process of VAT registration so as to prevent the Company from incurring more cost during acquisition of services and or goods;
- 9) MHCL Management should re - think about the Company's automation of business processes and to come up with robust systems so as to achieve the expected objectives;

- 10) MHCL management should be complied with terms and condition of the contract, otherwise should seek for contract amendments;
- 11) MHCL should restate the shareholding ratio as per contribution of each shareholder and is advised to expedite the process of registration of the new shareholders; and
- 12) Enforce fully implementation of all recommendations which are partially or not implemented.

REFERENCES

1. Mkulazi Holding Company Limited: Financial Regulations of 2019.
2. Mkulazi Holding Company Limited: Feasibility Study Report of 2017.
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6. Mkulazi Holding Company Limited: Financial Statement of 2017/18 to 2019/20
7. United Republic of Tanzania: 2013, Public Procurement Regulation 2013.
8. United Republic of Tanzania: 2013, National Agriculture Policy of 2013.
9. United Republic of Tanzania: 2011, Public Procurement Act 2011.
10. United Republic of Tanzania: 2001, Sugar Industry Act 2001.
11. United Republic of Tanzania: 2013, the Cooperative Societies Act of 2013.
12. United Republic of Tanzania: 2019, Value Added Tax Act 2019.

APPENDICIES

Appendix 1: Documents reviewed

Organisation	Name of Document	Reason
Mkulazi Holding Company Limited	Feasibility study of Mbigiri Project	To assess commercial viability of the proposed project.
	Tender Documents for all tenders (Designs Calculations, Specifications, Drawings, etc.)	To assess appropriateness of the specification and drawing of all structures associated with the project.
	Approvals on procurement methods, tender adverts and bidding documents of all tenders	To assess whether procurement processes were done according to applied laws and regulations
	Progress reports	To assess the implementation status of the project
	All invoices and Payment vouchers	To verify whether payments were properly supported by relevant documents
	Contracts	To assess whether terms and condition of the contracts are followed during implementation of the project
	All records related tax and duties exemption (where applicable)	To examine whether relevant taxes were paid accordingly
	Monitoring and evaluation reports	To examine implementation status of the project from Prisons Corporation Sole perspective
	Invoices	To determine whether payments were made properly
Prisons Corporation Sole	Memorandum of Understanding	The examine whether Prisons Corporation Sole effectively implement its role to ensure the intended objective is achieved
	Monitoring and evaluation reports	To examine implementation status of the project from Prisons Corporation Sole perspective
	Invoices	To determine whether payments were made properly

Appendix 2: AMIDAS Issued From Store and Used Without Any Evidence

Date	Receipt or Issue Note	Received from or Issue to	Receipt (BAG of 50kg)	Issue	Daily fertilizer issue	Daily fertilizer used (Bags of 50kg)	Rate (TZS 56,000)	Amount (TZS)
3 rd Feb. 2020	GRN 01019	Petrobena E. Africa	900					
10 th Feb. 2020	RIN 01074	Agriculture Dept		38	Nil	Nil	56,000	2,128,000.00
12 th Feb.2020	RIN 01079	Agriculture Dept		15	Nil	Nil	56,000	840,000.00
14 th Feb.2020	RIN 01085	Agriculture Dept		35	Nil	Nil	56,000	1,960,000.00
17 th Feb. 2020	RIN 01091	Agriculture Dept		2	Nil	Nil	56,000	112,000.00
17 th Feb.2020	RIN 01074	Agriculture Dept		9	Nil	Nil	56,000	504,000.00
9 th Mar.2020	RIN 01226	Agriculture Dept		5	Nil	Nil	56,000	280,000.00
21 st Mar.2020	RIN 01242	North Field		17	Nil	Nil	56,000	952,000.00
24 th Mar. 2020	RIN 01246	South Block D6B, 3HA		15	Nil	Nil	56,000	840,000.00
26 th Mar.2020	RIN 01249	Farm E10, E11, E12		40	Nil	Nil	56,000	2,240,000.00
15 th May2020	RIN 01327	South/East/D5 B, D7B		3	Nil	Nil	56,000	168,000.00
24 th Apr.2020	RIN 01346	South/ B3B, B4B, C4A		7	Nil	Nil	56,000	392,000.00
28 th Apr.2020	RIN 01352	North Block 0.48 HA		2	Nil	Nil	56,000	112,000.00
13 th May 2020	RIN 01364	West Block 0.63 HA		3	Nil	Nil	56,000	168,000.00
1 st June2020	1520	OUTH/ D6A		4	Nil	Nil	56,000	224,000.00
1 st July2020	1447	Petrobena E. Africa	1668					-
11 th July2020	1520	North West G4B		7	Nil	Nil	56,000	392,000.00
11 th July2020	1531	East Block E7A		11	Nil	Nil	56,000	616,000.00
13 th July2020	1534	North West		18	Nil	Nil	56,000	1,008,000.00
14 th July2020	1538	South/ B3B		40	Nil	Nil	56,000	2,240,000
14 th July2020	1539	East/ E10B, E11B, E12B		25	Nil	Nil	56,000	1,400,000.00
15 th July2020	1542	South/ B3B		5	Nil	Nil	56,000	280,000.00
17 th July2020	1546	South/ B6B		12	Nil	Nil	56,000	672,000.00
18 th Aug.2020	1741	East		40	Nil	Nil	56,000	2,240,000.00

Date	Receipt or Issue Note	Received from or Issue to	Receipt (BAG of 50kg)	Issue	Daily fertilizer issue	Daily fertilizer used (Bags of 50kg)	Rate (TZS 56,000)	Amount (TZS)
19 th Aug2020	1742	Northwest		15	Nil	Nil	56,000	840,000.00
29 th Aug.2020	1953	Northwest		45	Nil	Nil	56,000	2,520,000
1 st Oct.2020	1978	Agriculture		1	Nil	Nil	56,000	56,000
Total								23,184,000

Source: Fertilizer and Herbicide Store ledger of 2019/20, AMIDAS-Daily fertilizer issue (SN. 101-150)

Appendix 3 A: AMIDAS issued from store and no evidence for its usage

Store ledger(2019/200		Daily fertilizer Issue (SN. 101-150)		Variance	Rate (TZS)/Bag	Amount (TZS)
Date	Issued (Bag)	Date	Used (50kg Bag)			
16 th Oct.2020	400	16 th Oct.2020	302.19kg= 6 Bags	394	56,000	22,064,000
10 th Nov.2020	130	10 th Nov.2020	80kg=1.5bag	128.5	56,000	7,196,000
11 th Nov.2020	266	11 th Nov.2020	153.55kg=3bag	263	56,000	14,728,000
12 th Nov.2020	303	12 th Nov.2020	182.88kg=3.5	290	56,000	16,240,000
		12 th Nov.2020	275.7kg=5.5			
		12 th Nov.2020	190.4kg=4			
13 th Nov.2020	110	13 th Nov.2020	84.65kg=1.5	108.5	56,000	
Total				1184		66,304,000

Appendix 3 B: DAP issued from store and no evidence for its usage

Store ledger(2019/200		Daily Fertilizer Issue (SN. 51-100)		Variance	Rate (TZS)/bag	Amount (TZS)
Date	Issued (Bag)	Date	Used (50kg Bag)			
6 th Aug.2020	12	6 th Aug.2020	12	0	55,000	0
7 th Aug.2020	15	7 th Aug.2020	0	15	55,000	825,000
8 th Aug.2020	8	8 th Aug.2020	0	8	55,000	440,000
9 th Aug.2020	4	9 th Aug.2020	0	4	55,000	220,000
9 th Aug.2020	2	9 th Aug.2020	0	2	55,000	110,000
10 th Aug.2020	9	10 th Aug.2020	0	9	55,000	490,000
10 th Aug.2020	3	10 th Aug.2020	0	3	55,000	165,000
10 th Aug.2020	4	10 th Aug.2020	0	4	55,000	220,000
11 th Aug.2020	17	11 th Aug.2020	0	17	55,000	935,000
12 th Aug.2020	34	12 th Aug.2020	0	34	55,000	1,870,000
13 th Aug.2020	6	13 th Aug.2020	0	6	55,000	330,000
13 th Aug.2020	19	13 th Aug.2020	0	19	55,000	1,045,000
14 th Aug.2020	4	14 th Aug.2020	0	4	55,000	220,000
15 th Aug.2020	16	15 th Aug.2020	0	16	55,000	880,000
16 th Aug.2020	33	16 th Aug.2020	0	33	55,000	1,815,000
17 th Aug.2020	9	17 th Aug.2020	0	9	55,000	495,000
19 th Aug.2020	39	19 th Aug.2020	0	39	55,000	2,145,000
20 th Aug.2020	20	20 th Aug.2020	0	20	55,000	1,100,000
22 nd Aug.2020	39	22 nd Aug.2020	0	39	55,000	2,145,000
2 nd Aug.2020	27	2 nd Aug.2020	0	27	55,000	1,485,000
23 rd Aug.2020	12	23 rd Aug.2020	0	12	55,000	660,000
23 rd Aug.2020	6	23 rd Aug.2020	0	6	55,000	330,000
26 th Aug.2020	9	26 th Aug.2020	0	9	55,000	495,000
29 th Aug.2020	6	29 th Aug.2020	0	6	55,000	330,000
31 st Aug.2020	3	31 st Aug.2020	0	3	55,000	165,000
3 rd Nov.2020	14	3 rd Nov.2020	14	0	55,000	0
4 th Nov.2020	20	4 th Nov.2020	20	0	55,000	0
5 th Nov.2020	38	5 th Nov.2020	38	0	55,000	0
7 th Nov.2020	39	7 th Nov.2020	39	0	55,000	0
10 th Nov.2020	25	10 th Nov.2020	0	25	55,000	1,375,000
1 th Nov.2020	36	1 th Nov.2020	36	0	55,000	0
Total				369		20,295,000

Appendix 4: Fuel utilization by CASE 400HP of Registration No. T 505 DTA

LOG SHEET 701-750					
DATE	DIESEL	ODOMETER READING		HOURS USED	DIESEL /HR
		START	END		
16 th Dec.2020	984	1395.8	1420.9	25.1	39.20
13 th Dec.2020	1048	1361.6	1395.8	34.2	30.64
5 th Dec.2020	503	1338.6	1361.6	23	21.87
1 st Dec.2020	698	1311.2	1338.5	27.3	25.57
27 th Nov.2020	704	1279.7	1311.2	31.5	22.35
6 th Nov.2020	541.51	1265.6	1279.7	14.1	38.40
4 th Nov.2020	588	1250	1265.6	15.6	37.69
31 st Oct.2020	449	1236.7	1250	13.3	33.76
26 th Oct.2020	667.01	1174.4	1236.7	62.3	10.71
LOG SHEET 201-250					
7 th Oct.2020	508	1158.5	1174.4	15.9	31.95
1 st Oct.2020	440	1143	1158.5	15.5	28.39
27 th Sept.2020	517	1129.7	1143	13.3	38.87
25 th Oct.2020	925	1106	1129.7	23.7	39.03
23 rd Sept.2020	519.45	1091.4	1106	14.6	35.58
22 nd Sept.2020	685.6	1077.3	1091.4	14.1	48.62
21 st Sept.2020	606.6	1210.5	1077.3	-133.2	(4.55)
13 th Oct.2020	331	1039.6	1210.5	170.9	1.94
18 th Sept.2020	666.6	1020.9	1039.6	18.7	35.65
16 th Sept.2020	610.35	996.9	1020.9	24	25.43
15 th Sept.2020	1000	976.6	996.9	20.3	49.26
13 th Sept.2020	483.74	961.8	976.6	14.8	32.69
12 th Sept.2020	493.32	947.8	961.8	14	35.24
10 th Sept.2020	663.5	932.5	947.8	15.3	43.37
9 th Sept.2020	886.74	907.4	932.5	25.1	35.33
8 th Sept.2020	569	891.9	907.4	15.5	36.71
7 th Sept.2020	581.3	1198.5	891.9	-306.6	(1.90)
10 th Oct.2020	384	845.6	1198.5	352.9	1.09
30 th Aug.2020	799.85	815.9	845.6	29.7	26.93
28 th Aug.2020	702.32	792.9	815.9	23	30.54
27 th Aug.2020	825.84	765.5	792.9	27.4	30.14
25 th Aug.2020	845.56	742.1	765.5	23.4	36.14
LOG SHEET 051-100					
	568.48	727.8	742.1	14.3	39.75
23 rd Aug.2020	698	703.4	727.8	24.4	28.61
22 nd Aug.2020	323.74	693.3	703.4	10.1	32.05
19 th Aug.2020	974.5	657.9	694.3	36.4	26.77
17 th Aug.2020	250	635.1	657.9	22.8	10.96
14 th Aug.2020	1091.7	609	635.1	26.1	41.83
13 th Aug.2020	1039	581.9	609	27.1	38.34
10 th Aug.2020	637.8	565.9	581.9	16	39.86
8 th Oct2020	888.61	543.3	565.9	22.6	39.32
7 th Aug.2020	557.57	526.1	543.3	17.2	32.42
6 th Aug.2020	687.5	516.5	526.1	9.6	71.61
3 rd Aug.2020	516.7	497.7	516.5	18.8	27.48

1/8/2020	500	478.8	497.7	18.9	26.46
30/7/2020	1014.1	455.8	478.8	23	44.09
29/7/2020	611.56	442.2	455.8	13.6	44.97
26/7/2020	902.2	419.7	442.2	22.5	40.10
22/7/2020	1007.97	399.6	419.7	20.1	50.15
16/7/2020	1101.06	376.8	399.6	22.8	48.29
11/7/2020	930	350.4	376.8	26.4	35.23
6/7/2020	440	109.8	350.4	240.6	1.83
8/6/2020	200	69.5	109.8	40.3	4.96
1/6/2020	790	49.2	69.5	20.3	38.92
28/5/2020	1005	12.9	49.2	36.3	27.69
13/3/2020	550	12.9	12.9	0	
11/3/2020	600	0	12.9	12.9	46.51
31/1/2020	200	0	0	0	

Appendix 5: Overgrown sugarcane and estimated production costs

Field	Plant Date	Field Area	Area Under Cane	Exp. Harvesting Date	Current Age	Variety	Estimated Production Cost /H	Total Estimated Production Cost	Remarks
D2	25 th Nov.2017	14.50	14.5	20 th Nov.20/2018	48.2	NCO 376			Harvested 2020/21
C2	14 th Jan.2018	25.20	25.2	9 th Jan.2019	46.6	NCO 376			Harvested 2020/21
C3	28 th Jan.2018	25.50	25.5	23 rd Jan.2019	46.1	NCO 376			Harvested 2020/21
G7	1 st Feb.2018	25.70	25.7	27 th Jan.2019	46.0	NCO 376			Destroyed
G8	2 nd Feb.2018	25.90	25.9	28 th Jan.2019	46.0	NCO 376			Destroyed
C4	6 th Feb.2018	25.94	25.94	1 st Feb.2019	45.8	MIXED	2,040,550	52,931,867	To be harvested 2020/21
F8	3 rd Mar.2018	25.00	25	26 th Feb.2019	45.0	NCO 376	2,040,550	51,013,750	To be harvested 2020/21
D4	4 th Mar.2018	25.50	25.5	27 th Feb.2019	45.0	NCO 376	2,040,550	52,034,025	To be harvested 2020/21
G9	5 th Mar.2018	25.70	25.7	28 th Feb.2019	44.9	NCO 376			Destroyed
G10	6 th Mar.2018	9.70	9.7	1 st Mar.2019	44.9	NCO 376	2,040,550	19,793,335	To be harvested 2020/21
D3	9 th Mar.2018	25.50	25.5	4 th Mar.2019	44.8	NCO 376			Harvested 2020/21
E7	19 th Mar.2018	25.00	25	14 th Mar.2019	44.5	NCO 376			Harvested 2020/21
E9	19 th Mar.2018	12.50	12.5	14 th Mar.2019	44.5	NCO 376	2,040,550	25,506,875	To be harvested 2020/21
F10	20 th Mar.2018	6.80	6.8	15 th Mar.2019	44.4	NCO 376	2,040,550	13,875,740	To be harvested 2020/21
G4	21 st Mar.2018	11.95	11.95	16 th Mar.2019	44.4	NCO 376			Harvested 2020/21
D5	29 th Mar.2018	25.00	25	24 th Mar.2019	44.2	MIXED	2,040,550	51,013,750	To be harvested 2020/21
F6b	30 th Mar.2018	7.46	7.46	25 th Mar.2019	44.1	NCO 376	2,040,550	15,222,503	To be harvested 2020/21
F9	3 rd Apr.2018	25.60	25.6	29 th Mar.2019	44.0	NCO 376	2,040,550	52,238,080	To be harvested 2020/21
H8	9 th Apr.2018	25.90	21.9	4 th Apr.2019	43.8	NCO 376			Destroyed

Field	Plant Date	Field Area	Area Under Cane	Exp. Harvesting Date	Current Age	Variety	Estimated Production Cost /H	Total Estimated Production Cost	Remarks
H9	12 th Apr.2018	25.20	25.2	7 th Apr.2019	43.7	NCO 376			Destroyed
I8a	13 th Apr.2018	12.80	12.8	8 th Apr.2019	43.7	NCO 376			Destroyed
G6	23 rd Apr.2018	15.00	15	18 th Apr.2019	43.3	NCO 376	2,040,550	30,608,250	To be harvested 2020/21
H6	24 th Apr.24/2018	7.50	7.5	19 th Apr.2019	43.3	NCO 376	2,040,550	15,304,125	To be harvested 2020/21
G5	26 th Apr.2018	25.00	25	21 st Apr.2019	43.2	NCO 376			Harvested 2020/21
H5	26 th Apr.2018	25.00	21	21 st April.2019	43.2	NCO 376	2,040,550	51,013,750	4 ha Dam Construction
H10	30 th May2018	9.00	9	25 th May2019	42.1	NCO 376	2,040,550	18,364,950	To be harvested 2020/21
F7	28 th Sept.2018	25.00	25	23 rd Sept.2019	38.1	NCO 376	2,040,550	51,013,750	To be harvested 2020/21
H7	20 th Sept.2018	25.80	25.8	15 th Sept. 2019	38.4	NCO 376			Destroyed
F5b	25 th May2018	12.73	12.73	20 th May.2019	42.3	NCO 376			Harvested 2020/21
F3a	19 th Sept.2018	13.82	13.82	14 th Sept.2019	38.4	NCO 376			Harvested 2020/21
F4a	26 th Sept.2018	12.56	12.56	21 st Sept. 2019	38.2	NCO 376			Harvested 2020/21
F6a	26 th Sept.2018	7.60	7.6	21 st Sept.2019	38.2	NCO 376			Harvested 2020/21
E6	1 st Oct.2018	15.35	15.35	26 th Sept.26/2019	38.0	NCO 376			Harvested 2020/21
E5	9 th Oct.2018	25.40	25.4	4 th Oct.2019	37.8	NCO 376			Harvested 2020/21
E3	16 th Oct.2018	24.33	24.33	11 th Oct.2019	37.5	NCO 376			Harvested 2020/21
E2	19 th Oct.2018	13.40	13.4	14 th Oct.2019	37.4	NCO 376			Harvested 2020/21
E4	21 st Oct.2018	25.00	25	16 th Oct.2019	37.4	NCO 376			Harvested 2020/21
F3b	13 th Oct.2019	12.49	12.49	7 th Oct.2020	25.6	NCO 376			Harvested 2020/21
F5a	4 th Feb.2018	12.72	12.72	30 th Jan.2019	45.9	NCO 376			Harvested 2020/21
F4b	8 th Feb.2018	12.87	12.87	3 rd Feb.2019	45.8	NCO 376			Harvested 2020/21
Total		752	719					499,934,750	

Source: Board paper (Harvest of overgrown cane) of June, 2020

Appendix 6: Cost items for sugar cane production

Area	Cost item
Operation (labour)	Planting
	Seedcane Supply
	Seedcane selection and trash management
	Gap filling
	Basal Dressing (DAP
	Herbicide Appl (Pre- emerg.)
	Top Dressing(Urea&KCL)
	Herbicide Appl (Post emerg)
	Manual weeding 1
	Manual weeding 2
	Smut Rouging 1
	Smut Rouging 2
	Smut Rouging 3
	Pesticide appl.
Consumable	Fertilizer (Basal dressing) DAP 150kgs
	Fertilizer (Top dressing) Urea 250kgs
	Fertilizer (Top dressing) KCL 250kgs
Herbicides (pre- emergency)	
	Metribuzin
	Paraquat
	Chlorimuron
	Pendimethalin
	Acetachlor
Herbicides (Post- emergency)	Vometra
	MSMA
	Diuron
	Volmuron/Gramurone -Spot herb
	24-D
	Surfactant
	Problem Weeds
	Glyphosate
	Triochloper
	Halosulfuron/Sevian
	Pesticides (Farm Guard)
	Fungicide (Triadimenol)
Land preparation	
	Fuel
	Man day

Appendix 7: Delay in procurement Process for FY 2018/19 and 2019/20

S N	Procured item	File number	Date for General Procurement Notice Advert	Estimated date of contract award	Actual date for award of the contract	Variance (Months)
1	Procurement of Lorry	PA/150/2018-2019/G/02	18 th Feb, 2019	8 th May 2019	September, 2019	3
2	Supply and installation of hot water treatment plant	PA/150/2018-2019/G/07	18 th Feb, 2019	22 nd Apr. 2019	July, 2019	3
3	Supply of 380HP Tractor	PA/150/2018-2019/G/05	18 th Feb, 2019	27 th May 2019	September, 2019	3
4	Supply of Farm implements	PA/150/2018-2019/G/06	18 th Feb, 2019	27 th May 2019		
	Lot 2 supply of harrow		18 th Feb, 2019	27 th May 2019	September, 2019	3
	Lot 4 supply of heavy Ripper		18 th Feb, 2019	27 th May 2019	September, 2019	3
	Lot 5 supply of light furrower		18 th Feb, 2019	27 th May 2019	September, 2019	3
	Lot 7 supply of 1000ltrs of boom sprayer		18 th Feb, 2019	27 th May 2019	September, 2019	3
	Lot 5 Supply of bed former		18 th Feb, 2019	27 th May 2019	September, 2019	3
5	Design and Construction of farm Access Road (22.5 KM. Murrumbidgee Standard)	PA/150/2018-2019/W/11	18 th Feb, 2019	22 nd Apr. 2019	June, 2019	2

S N	Procured item	File number	Date for General Procurement Notice Advert	Estimated date of contract award	Actual date for award of the contract	Variance (Months)
6	Construction of irrigation water storage ponds for Mbigiri	PA/250/2019-2020/W/04 Lot 1	9 th July 2019	30 th Oct. 2019	April, 2020	5
7	Construction of administrative staff and staff houses	PA/150/2019-2020/W/02 lot 1- Administrative block	9 th July 2019	30 th Oct. 2019	January, 2020	2
8	Construction of Dispensary for MK II Estate	PA/150/2019-2020/W/09	9 th July 2019	30 th Oct. 2019	December, 2019	2

Appendix 8 (A): Amount paid by MHCL Direct to Casual Labours

S/N	DATE	DESCRIPTION	PAYEE	CHQ NO	Amount (TZS.)
1	31-Jul-18	Casual labour costs	MONIRA HUSSEIN	392262	38,000,000.00
2	31-Jul-18	Casual labour costs	MONIRA HUSSEIN	392263	38,000,000.00
3	31-Jul-18	Casual labour costs	MONIRA HUSSEIN	392264	38,000,000.00
4	09-Oct-18	EFT Caharges for Casual labour fee	AZANIA BANK		1,405,000.00
5	12-Nov-18	Casual labour costs	MONIRA HUSSEIN	392337	28,600,500.00
6	12-Nov-18	Casual labour costs	MONIRA HUSSEIN	392338	1,864,000.00
7	11-Dec-18	Casual labour costs	AZANIA BANK LTD	392383	11,428,000.00
8	18-Dec-18	Casual labour costs	AZANIA BANK LTD	392394	16,829,500.00
9	30-Dec-18	Casual labour costs- Kigongoni	AZANIA BANK	611819	1,659,000.00
10	09-Jan-19	Casual labour/wages	CRDB KILOSA	611840	6,619,000.00
11	22-Jan-19	Casual labour/wages	CRDB KILOSA	611875	5,929,000.00
12	29-Jan-19	Casual labour/wages	CRDB KILOSA	611889	4,444,000.00
13	29-Jan-19	casual labour/wages	AZANIA BANK LTD	611890	1,674,000.00
14	05-Mar-19	Casual Labour/Wages	CRDB PLC KILOSA	611954	6,746,000.00
15	18-Mar-19	Casual Labour/Wages	AZANIA BANK	611983	810,000.00
16	18-Mar-19	Casual Labour/Wages For Kigongoni	AZANIA BANK	611984	702,000.00
17	18-Mar-19	Casual Labour/Wages	AZANIA BANK	611985	280,000.00
18	18-Mar-19	Casual Labour/Wages	CRDB PLC KILOSA	611986	3,257,000.00
19	26-Mar-19	Wages For Casual Labour	CRDB PLC KILOSA	612013	6,750,000.00
20	27-Mar-19	Casual Labour	UPENDO RAPHAEL MKAMA	612015	440,000.00
21	28-Mar-19	Casual Labour	AZANIA BANK	612019	12,568,500.00
22	05-Apr-19	Casual Labour	AZANIA BANK	612049	810,000.00
23	08-Apr-19	Casual Labour	UPENDO R MKAMA	612052	16,350,000.00
24	10-Apr-19	Casual Labour	AZANIA BANK	612056	864,000.00
25	23-Apr-19	Casual Labour	CRDB KILOSA	612103	908,500.00
26	30-Apr-19	Casual Labour	PRISON CORPORATION SOLE	612124	13,157,500.00
27	08-May-19	Casual Labour	CRDB KILOSA	612144	923,000.00
28	15-May-19	Casual Labour	AZANIA BANK	612172	330,000.00
29	16-May-19	Casual Labour	AZANIA BANK	612181	1,620,000.00
30	22-May-19	Casual Labour	CRDB KILOSA	612194	927,500.00
31	24-May-19	Casual Labour	CRDB KILOSA	612205	6,224,000.00
32	03-Jun-19	Casual Labour	CRDB Kilosa	612229	6,021,500.00
33	04-Jun-19	Casual Labour	CRDB Kilosa	612231	1,331,500.00
34	13-Jun-19	Casual Labour	Azania bank	612261	744,000.00
35	19-Jun-19	Casual Labour	CRDB kilosa	612284	16,082,000.00
36	19-Jun-19	Casual Labour	Azania Bank	612285	210,000.00
Total					292,509,000.00

Appendix 8 (B): Amount Paid by MHCL Direct to Casual Labours

S/ N	DATE	Description	PAYEE	PV NO	CHQ NO	Amount (TZS.)
1	08-Jul-19	Casual labour Payables	CRDB Kilosa		000028	14,407,000.00
2	18-Jul-19	Casual labour	Azania Bank		612346	210,000.00
3	22-Jul-19	Casual labour	CRDB Kilosa		612363	18,992,500.00
4	25-Jul-19	Casual labour	Azania bank		612391	210,000.00
5	03-Aug-19	Casual Labour	CRDB Kilosa		612416	25,701,000.00
6	21-Aug-19	Casual Labour	CRDB Kilosa		612459	27,066,500.00
7	11-Sep-19	Casual labour	CRDB Bank PLC		000043	27,591,000.00
8	23-Sep-19	Casual labour	CRDB Bank PLC-Kilosa		612536	17,197,000.00
9	26-Sep-19	Casual labour	Upendo Raphael Mkama		612547	2,197,000.00
10	23-Sep-19	Casual labour	Upendo Raphael Mkama		612558	2,417,500.00
11	04-Oct-19	Casual labour payment	CRDB Kilosa branch		612581	16,623,000.00
12	22-Oct-19	Casual labour payment	CRDB Kilosa branch		612626	18,216,000.00
13	06-Nov-19	Casual Labour	CRDB Kilosa		612667	25,825,594.00
14	21-Nov-19	Casual Labour	Azania Bank Ltd		612713	27,459,931.25
15	04-Dec-19	Wages for casual labour	Upendo R Mkama		612746	1,750,000.00
16	04-Dec-19	Wages for casual labour	Azania Bank Ltd		612752	18,233,500.00
17	04-Dec-19	Wages for casual labour	Upendo R Mkama		612754	1,793,000.00
18	20-Dec-19	Wages casual labour	Azania Bank Ltd		612781	20,531,312.50
19	06-Jan-20	Wages (Casual Labour)	Branch Manager	2020/21	000138	2,993,281.25

S/ N	DATE	Description	PAYEE	PV NO	CHQ NO	Amount (TZS.)
20	23-Jan-20	Wages (Casual Labour)	Branch Manager	2020/140	000157	2,896,562.50
21	11-Feb-20	Wages Casual Labour	Upendo Mkama	2020/169	407077	145,000.00
22	03-Mar-20	Standing Imprest for casual labour payment	Upendo Mkama	2020/257	000119	39,000,000.00
23	11-May-20	Payment for Casual Labour	Upendo Mkama	2020/5/21	000205	6,955,000.00
24	16-May-20	Casual Labour Garden Design	Upendo Mkama	2020/5/49	000210	1,130,000.00
25	18-May-20	Casual Labour Worked At Mbigiri And Factory	Various Casual Labour	2020/5/55	ONLINE	21,029,500.00
26	18-May-20	Casual Labour Worked At Mbigiri farm	Upendo Mkama	2020/5/56	407126	1,082,250.00
27	29-May-20	Casual Labour Worked At Mbigiri Estate	Upendo Mkama	2020/5/90	407137	393,000.00
28	04-Jun-20	Payment For Casual Labour At Mbigiri Estate 16-31 May	Various Casual Labour	2020/6/25	ONLINE	24,385,063.80
29	04-Jun-20	Casual Labour for Garden works	Upendo Mkama	2020/6/32	000211	3,325,000.00
30	04-Jun-20	Imprest For The Payment Of Casual Labour	Davis Ilomo	2020/6/35	ONLINE	180,000.00
31	17-Jun-20	Casual Labour Worked At Mbigiri Estate	Various Casual Labour	2020/6/103	ONLINE	23,385,968.75
32	23 rd Jun-20	Casual Labour worked at Mbigiri farm	Upendo Mkama	2020/6/125	407144	2,371,875.00
	Total					395,694,339.05

Appendix 9: List of Contracts that Included VAT

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
1	PA/150/2018 -2019/C/07	Dr Charles Kaaya of M/S O.C. Industrial Holdings Limited and MHCL	Consultancy services for conducting Hydrogeological and Geophysical Survey for Mbigiri Estate	40,000,000.00	6,101,694.92
2	PA/150/2018 -2019/G/07	M/s Equiplus Company Limited and MHCL	Supply and Installation of Hot water Treatment Plant for Sugarcane Plantation at Mbigiri Estate	108,000,000.00	16,474,576.27
3	MKLZ/G/01/ 2017-2018	Msowero Cane Farmers Association and MHCL	supply of seed cane at Mbigiri farm	1,800,000,000.00	274,576,271.19
4	MKLZ/G/13/ 2017-2018	Tumainirabi Cosmas Temu T/A TVC Agrochemica l and Inputs Investment and MHCL	supply of field chemicals, tools and protective for Mbigiri farm	1,323,950,000.00	201,958,474.58
5	MKLZ/G/13/ 2017-2019	Tumainirabi Cosmas Temu T/A TVC Agrochemica l and Inputs Investment and MHCL	supply of field chemicals, tools and protective for Mbigiri farm	999,465,000.00	152,460,762.71
6	PA/150/2018 -2019/W/11	Macea Construction Limited and MHCL	rehabilitation of farm access roads at Mbigiri farm 22.5kms supply and install 6 culverts, clearing and grubbing, cut to fill with haulage distance, cut to	1,544,502,000.00	235,602,000.00

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
			spoil, heavy reshaping by motor grader, excavation and provide and install pipes		
7	NSSF/CS/16/ 2016-2017	The board of trustees of national social security fund and Institute of Resources Assessment	provision of consultancy services on environment and social impact assessment for Mkulazi farm no. 217	83,860,000.00	12,792,203.39
8	MKLZ/W/10/ 2016-2017	HZK Company Limited and MHCL	supply of building materials for renovation of a dispensary and recreation centre for sugar factory at Mbigiri farm	997,884,700.00	152,219,700.00
9	PA/150/2018 -2019/G/02	Lonagro Tanzania Limited and MHCL	procurement of farm implements at Mbigiri	51,500,000.00	7,855,932.20
10	MKLZ/NCS/0 1/2017-2018	K.V. One Engineers Limited and MHCL	provision of services for hiring of excavator for excavating of drainage at Mbigiri farm	195,664,296.00	29,847,096.00
11	MKLZ/NCS/0 1/2017-2019	K.V. One Engineers Limited and MHCL	provision of services for hiring of D6R for bush clearance, excavating of drainage and feeder canal and cultivating at Mbigiri farm	207,464,296.00	31,647,096.00

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
12	MKLZ/W/08/ 2017-2018	National Services Construction Department- SUMA JKT and MHCL	proposed design, construction and improvement of Mbigiri farm roads at Mbigiri Estate	943,425,000.00	143,912,288.14
13	MKLZ/W/02/ 2017-2018	National Services Construction Department- SUMA JKT and MHCL	farm and site clearance at Mkulazi farm no. 217. The work entails excavation, backfilling, concrete pipe culvert, cast in- situ concrete and framework, concrete lining for open drains, stone pitching and Riprap	1,848,588,000.00	281,988,000.00
14	PA/004/2016 - 2017/HQ/G/ 48	The Living Room Limited and MHCL	supply of office furniture for MHCL	94,412,498.56	14,401,906.56
15	PA/150/2018 -2019/G/04	TANESCO and MHCL	supply of electric line Installation to cane fields (extension of 9.28km HT Line and establishment of Two 50KVA, 33/0.4KV Transformer) about 60kms from Morogoro town to Mbigiri Estate.	374,178,764.90	57,078,116.68
16	NSSF/W/21/ 2016-2017	The board of trustees of national social security fund and National Service	Design and build for spot improvement, general maintenance of Ngerengere- Mkulazi Road	1,818,284,774.00	277,365,474.00

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
		Construction Department	and Farm Boundary clearance Mkulazi Ward in Morogoro		
17	PA/150/2018 /2019/C/02	Ardhi University Consulting Unit and MHCL	provision of consultancy services to carry out environmental and social impact assessment for Mkulazi II project	105,539,200.00	16,099,200.00
18	PA/150/2018 -2019/C/01	University of Dar es Salaam through Bureau for Industrial Cooperation and MHCL	provision of consultancy services for geotechnical survey for Mkulazi II project	91,011,142.48	13,883,055.63
19	PA/150/2018 -2019/G/04	TANESCO and MHCL	construction of extension of 9.28HT line to cane fields and installation of 2*50KVA, 33/0.4KV Transformer	374,178,764.90	57,078,116.68
20	NSSF/W/25/ 2016-2017	National Services Construction Department- SUMA JKT and MHCL	Construction of gravely improvement of DAKAWA to Mbigiri Sugar Factory Road at Morogoro Region	934,140,000.00	142,495,932.20
21	PA/150/2018 - 2019/HQ/G/ 08	Mantrac Tanzania Limited and MHCL	Supply of Generators 24KVA for Boreholes at Mbigiri Farm in Dakawa Morogoro for	64,400,000.00	9,823,728.81

S/N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
			Financial year 2018-2019		
22	NSSF/CS/14/2016-2017	The Board of Trustees of NSSF and M/S Agricultural Research Institute Mligano	provision of consultancy service for conducting of soil testing on 63,200 hectares of Mkulazi Farm no. 217	122,142,400.00	18,631,891.53
23	MHCL/CS/01/2017-2018	M/S Bureau of Agricultural Consultancy and Advisory Service and MHCL	Provision of Consultancy services for designing and installation of irrigation systems at Mbigiri Farm	192,900,000.00	29,425,423.73
24	PA/150/2018/2019/G/02 LOT 1	Noble Motors Limited and MHCL	Provision for supply of farm equipment Lot 1 (Supply of Lorry Dump Truck Ton 10)	242,000,000.00	36,915,254.24
25	PA/150/2018/2019/G/06 LOT 1,2,4,5 & 7	Hughes Agricultural (Tanzania) Limited and MHCL	Provision for supply of farm machineries and implements Lot 1 (Supply of Disc Plough) with value of T Shs 138,728,100.00 VAT inclusive, Lot 2 (Supply of Harrow) with value of T Shs 171,223,200.00 VAT Inclusive, Lot 4 (Supply of Heavy Ripper with the value of T Shs 89,211,000.00 VAT inclusive, Lot 5 (Supply of Light Furrower)	460,398,300.00	70,230,249.15

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
			with valut of T Shs 15,204,000.00 VAT inclusive, Lot 7 (Supply of 1000Litres of Boom Sprayer) with value of T Shs 46,032,000.00 VAT Inclusive.		
26	PA/150/2018 /2019/G/05 LOT 1 & 2	KANU Equipment Agriculture Limited and MHCL	Provision for supply of farm equipment Lot 1(Supply of 420HP Duo Tyres Articulated Tractor and 340HP Single Tyre Tractor). Supply of farm equipment Lot 1 (Supply of farm equipment Lot 1(Supply of 420HP Duo Tires Articulated Tractor) with the value of T Shs 723,853,500.00 VAT inclusive and Lot 2 (Supply of 340HP Single Tyre Tractor) with the value of T Shs 586,256,000.00 VAT inclusive.	1,310,109,500.00	199,847,211.86
27	PA/150/2018 -2019/G/18	TTCL and MHCL	Provision for Computerizatio n (LAN Installation and Internet provision and Installation	18,271,217.40	2,787,134.86

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
28	PA/150/2019-2020/G/02 LOT 4	Mantrac Tanzania Limited and MHCL	Supply of farm equipment (Lot 4 Supply of Roller Compactor 10 Tons	200,073,720.00	30,519,720.00
29	PA/150/2018 /2019/G/11- LOT 1	Plasco Limited and MHCL	supply of pipes for sprinkler irrigation system	198,994,999.00	30,355,169.34
30	PA/150/2019-2020/W/02- LOT 1	Prisons Corporation Sole and MHCL	Construction of Administration Block at Mbigiri Estate	1,085,915,768.00	165,648,168.00
31	PA/150/2019-2020/W/02- LOT 2	Prisons Corporation Sole and MHCL	Construction of staff houses at Mbigiri Estate	664,924,108.85	101,429,101.35
32	PA/150/2019-2020/W/09	Prisons Corporation Sole and MHCL	Construction of Dispensary at Mbigiri Estate	270,584,513.80	41,275,603.80
33	PA/150/2019-2020/W/05	Prisons Corporation Sole and MHCL	Construction of fence around factory at Mbigiri Estate	323,932,243.00	49,413,393.00
34	PA/150/2019-2020/G/02 LOT No. 11	Mantrac Tanzania Limited and MHCL	Supply of farm equipment (Lot No. 11 Supply of Forklift 3 Tons)	69,852,220.00	10,655,423.39
35	PA/150/2019-2020/W/04 LOT 1	China Sichuan International Corporation Company Limited (SIETCO) and MHCL	Construction of irrigation water storage ponds at Mbigiri estate	4,488,502,230.41	684,686,780.91
36	PA/150/2019-2020/G/02 LOT 1	KANU Equipment Tanzania Limited and MHCL	Supply of Farm Equipment- Lot 1 Bulldozer PR 744	1,160,000,000.00	176,949,152.54
37	PA/150/2019-2020/G/02 LOT No. 5	ACHELIS (TANGANYIK A) LIMITED and MHCL	supply of farm equipment (Lot no. 5 supply of backhoe loader)	165,420,617.00	25,233,653.44

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
38	PA/150/2019-2020/G/02 Lot no. 3	PUMA Logistics Solution Limited and MHCL	supply of farm equipment (Lot no. 3 Supply of Tipping Lorry with 15 Tons	426,839,356.56	65,111,088.29
39	PA/150/2019-2020/G/02 Lot no. 10	Eristics (T) Investment Tanzania Limited and MHCL	supply of farm equipment (lot no. 10 supply of water bowser 20,000 litres	289,100,000.00	44,100,000.00
40	PA/150/2019-2020/G/02 LOT No. 6	KANU Equipment Tanzania Limited and MHCL	Supply of farm Equipment-Front End Loader L538	472,989,208.00	72,150,896.14
41	PA/150/2019-2020/G/11 Lot no. 1	Tanzania Agricultural Services and Training (TAST) and MHCL	Supply, Installation, Testing and Commissioning of mobile Jet guns	306,025,000.00	46,681,779.66
42	Amendment to contract no. PA/150/2018-2019/W/11	Macea Construction Limited and MHCL	rehabilitation of farm access roads at Mbigiri estate- construction of box culvert 3 cells as per the bill of quantities to facilitate the access to the current area where cultivation is on going	237,739,904.10	36,265,409.10
43	PA/150/2019-2020/G/02 LOT No. 2	MANTRAC Tanzania Limited and MHCL	supply of farm equipment (lot no. 2 supply of Motor grader 250HP)	762,366,046.00	116,293,125.66
44	PA/150/2019-2020/G/03 LOT No. 6	GEOMAPS (A) Limited and MHCL	Supply of Surveying Trimble Equipment System	152,404,854.00	23,248,198.07
45	PA/150/2019-2020/G/04 LOT No.1-3	PETROBENA EA LIMITED and MHCL	Supply of fertilizers	422,044,000.00	64,379,593.22

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
46	PA/150/2019 -2020/G/10 LOT No. 5	INVEX HOLDING LIMITED and MHCL	Supply of building materials and hardware for Agricultural workshop rehabilitation for Mbigiri estate	286,054,598.00	43,635,447.15
47	PA/150/2019 -2020/W/11 LOT No. 1	BLACKMANE TANZANIA LIMITED IN JOINT VENTURE WITH GROUP LA WAZEE WA KAZI and MHCL	construction of workers camp for Mbigiri estate	294,408,848.50	44,909,824.35
48	PA/150/2019 -2020/G/11 LOT No.6	EQUIPLUS COMPANY LIMITED and MHCL	supply of system equipment, accessories and pumping unit for 400 ha at Mbigiri estate	838,104,074.00	127,846,384.17
49	PA/150/2020 -2021/W/12 LOT 1	China Sichuan International Corporation Company Limited (SIETCO) and MHCL	construction of earthfill reservoir at Mbigiri estate, Morogoro	11,359,240,500.0 0	1,732,765,500.0 0
50	PA/150/2020 -2021/W/13	Help Desk Engineering Tanzania Limited and MHCL	construction and installation of semi-solid sprinkler irrigation system facilities for 756ha at Mbigiri estate	8,347,114,531.10	1,273,288,657.2 9
51	PA/150/2019 -2020/G/22 LOT 1	Simba Pipes Industries Limited and MHCL	supply of pipes and related materials for installation of irrigation system for 1100ha	768,113,357.14	117,169,834.14

S/ N	NUMBER	PARTIES	TERMS	Amount VAT Inclusive (TZS)	VAT Amount 18% (TZS)
52	PA/150/2019 -2020/G/02 LOT No. 7, 8 & 9	PUMA Logistics Solution Limited and MHCL	Lot no. 7 Supply of 1 pc 40 tons Highway tractor unit with a value of TZS 183,500,200. Lot no. 8 Supply of 1 pc 30 tons Tri-axle low bed semi-trailer with a value of TZS 85,000,500. Lot no. 9 supply of 1 pc Tri-axle stake fence 30 tons truck semi trailer with a value of TZS 74,000,000.	342,501,300.00	52,245,961.02
	Total			50,279,515,851.7 0	7,669,756,655.34

Appendix 10: Assets Contributed by PCS to MHCL

ASSET DESCRIPTION	QTY	DEPR.REP.COST (TZS)
EQUIPMENT FROM MBIGIRI FACTORY		
Transformer, 320kv	1	-
Sub Total		-
EQUIPMENT FROM BAGAMOYO		
Water Pump- Mareli Moton 37kw	1	4,400,000
Water Pump- Lowara 18.5kw	1	1,360,000
Automatic Floating Switch	1	33,000
Non Return Valves, Pn 16 & Pressure Manometer	1	200,000
Non Return Valves, Pn 16 & Pressure Manometer	1	200,000
Automatic Floating Switch	1	33,000
Reducing Connector - Pvc, 63mm -Pn 16	1	160,000
Pvc Elbow Reducer, 315-280mm Pn 16	1	160,000
Sprinkler, Complete With Stand	36	97,200
Nozzle, For Sprinklers Old	37	296,000
Flange Coupling, 400mm, Blue	1	36,000
Pvc Pipe White + Rubber Connection, 280mm	5	1,000,000
Pvc Pipe White + Rubber Connection, 225mm	7	1,400,000
Metal Pipe (Piece), 160mm	3	864,000
Pvc Pipe White + Rubber Connection, 140mm	160	32,000,000
Pvc U Pipe (Grey-No Connection, 90mm -Pn6	37	7,400,000
Pvc Pipe White + Connection, 90mm-Pn6	60	10,080,000
Pvc Pipe White + Connection, 75mm-Pn6	14	2,352,000
Pvc Pipe White + Connection, 63mm-Pn7	30	5,040,000
Metal Elbow 90degrees Reducer, 225-160mm, Blue	4	800,000
Pvc Bend 45degrees, 140mm-Pn16	10	1,600,000
Pvc Bend 90degrees, 110mm-Pn16	44	1,600,000
Pvc Bend 90degrees, 160mm-Pn16	10	1,600,000
Pvc U T Connector,225mm-Pn10	7	3,150,000
Pvc U T Connector,280mm	1	200,000
Pvc T Connector,50mm-Pn16	40	8,000,000
Pvc T Connector,140mm-Pn160mm	7	1,200,000
Rubber Seal, 225mm	10	60,000
Rubber Seal, 280mm	5	30,000
Rubber Seal, 280mm	10	60,000
Rubber Seal, 280mm	35	210,000
Air Vent Connector, Pvc 75mm-Pn16	1	200,000
Pvc Reducing Connector, 160-110mm	5	800,000

ASSET DESCRIPTION	QTY	DEPR.REP.COST (TZS)
Pvc Reducing Connector, 140-110mm	5	800,000
Pvc Reducing Connector, 110-90-63mm	5	1,000,000
Pvc Reducing Connector, 90-75mm	1	200,000
Pvc Reducing Connector, 90-75mm	4	800,000
Pvc Reducing Connector, 280-225mm	3	600,000
Pvc Reducing Connector, 225-160mm	10	2,000,000
Washers, Used	13	3,900
Bolts	21	52,500
Drip Non Return Valves, Pvc0ari-Pn16, 150mm	1	200,000
Drip Non Return Valves, Pvc0ari-Pn16, 200mm	1	200,000
Solenoid Valves, Backwashing, Old	1	6,000
Solenoid Valves, Backwashing, Old	1	6,000
Drip Valve System, Pvc 160mm	1	10,000
Drip Valve System, Pvc 200mm	1	10,000
Rubber Seal, 225mm	41	246,000
Rubber Seal, 315mm	4	24,000
Metal Elbow 90degrees Reducer, 315-280mm, Blue	1	200,000
Pvc Elbow Reducer, 315-280mm Pn16	1	160,000
Pvc Reducing Socket, 315-225mm	2	400,000
Pvc T Connector, 250mm	1	200,000
Pvc Connectors-Threaded 3 Sides, 50mm, Black	10	16,000
Plastic Valve Handles, Used	3	2,400
Sub Total		93,758,000
EQUIPMENT FROM KINGOLWIRA		
Pvc 8inches	300	120,000,000
Rubber Rings	213	852,000
Sub Total		120,852,000
Grand Total for Equipment		214,610,000
Other: Land and Building		
Farm Land 12,000acres		18,000,000,000
Residential Land 55acres		82,500,000
Factory Land (35+53) Hectors +27acres	244.448	366,672,000
Buildings		716,382,500
Sub Total		19,165,554,500
Grand Total		19,380,164,500