



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



PERFORMANCE AUDIT REPORT ON THE MANAGEMENT OF
UNCLAIMED ASSETS BY

THE MINISTRY OF FINANCE AND PLANNING THROUGH GOVERNMENT ASSET MANAGEMENT
DIVISION AND THE BANK OF TANZANIA



REPORT OF THE CONTROLLER AND AUDITOR GENERAL
MARCH, 2021



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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 honour to submit to Her Excellency, the President of the United Republic of Tanzania, Honourable Samia Suluhu Hassan and through her to the Parliament of the United Republic of Tanzania, the *Performance Audit Report on the Management of Unclaimed Assets in Tanzania*.

The Report contains findings, conclusions and recommendations that have focused mainly on improving the management of unclaimed assets in areas of identification and registration, controls and management, as well as appropriate disposal mechanisms for unclaimed assets.

The Ministry of Finance and Planning (MoFP) through the Government Assets Management Division (GAMD) and Bank of Tanzania (BoT) were given the opportunity to scrutinize the factual contents of the report and commented on it. I wish to acknowledge that discussions with the audited entities have been useful and constructive.

My Office intends to carry out a follow-up audit at an appropriate time regarding actions taken by the audited entities in relation to the implementation of the recommendations given in this Report.

In completion of the audit assignment, the Office subjected the draft report to a critical review of experts, namely, CPA Richard Raynerius Manamba from ARCHCO LTD and Dr. Siasa Mzenzi from the University of Dar es Salaam who came up with useful inputs on improving the output of this Report.

This report has been prepared by Mr. Deogratiuous B. Shayo - Team Leader and Mr. Nyanda L. Mabuga- Team Member under the supervision and guidance of Ms. Asnath L. Mugassa - Ag. Chief External Auditor, Mr. George C. Haule - Assistant Auditor General and Mr. Jasper Mero - Deputy Auditor General.

I would like to thank my staff for their commitment in the preparation of this Report. My thanks should also be extended to the audited entities for their cooperation with my Office which facilitated timely completion of this Report.



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

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|--------|--|
| BAFIA | Banking and Financial Institution Act, 2006 |
| BoT | Bank of Tanzania |
| GAMD | Government Assets Management Division |
| GAMIS | Government Assets Management Information Systems |
| MNOs | Mobile Network Operators |
| MoFP | Ministry of Finance and Planning |
| NPS | National Payment Systems |
| OCS | Officer Command Station |
| PGO | Police General Order |
| PSSF | Public Service Social Security Fund |
| RSV | Regional Stock Verifiers |
| SSRA | Social Security and Regulatory Authority |
| TANAPA | Tanzania National Parks |
| TPF | Tanzania Police Force |
| TAWA | Tanzania Wildlife Management Authority |
| TFS | Tanzania Forest Services Agency |
| TZS | Tanzania Shillings |

EXECUTIVE SUMMARY

Background

Unclaimed assets include properties or funds held or owing in the ordinary course of business that have not been claimed by the owner(s). These can be broadly classified in two categories, namely, unclaimed financial assets, and unclaimed non-financial assets. Unclaimed financial assets originate from various sources such as interests and dividends from sale of corporate bonds and share in the stock markets, abandoned bank accounts, stock holdings, unclaimed life insurance benefits, unredeemed money orders, unclaimed mobile money balances, unclaimed payroll cheque, unclaimed utilities deposits, and forgotten pension benefits. On the other hand, unclaimed non-financial assets originate from a variety of sources depending on the institution and the law regulating such institution. For instance, as per the Police General Order (PGO), unclaimed assets come from found properties associated with criminal conducts having been abandoned by criminal perpetrators or exhibits of criminal cases but remained unclaimed after the conclusion of cases.

This audit was mainly carried out at the Ministry of Finance and Planning (MoFP) through its Government Assets Management Department (GAMD) and Bank of Tanzania (BoT). MoFP is responsible to oversee all financial arrangements including issuing directives, guidelines and circulars to financial and non-financial related matters including but not limited to unclaimed assets. GAMD was included because of its responsibilities related to development, monitoring, evaluating and reviewing the implementation of government assets management and disposal guidelines. It is also responsible for carrying-out verification and overseeing disposal of government assets in the country.

BoT on the other hand, is a regulator of banking and financial institutions and it is responsible for management of unclaimed financial assets in the country. Therefore, the audit covered unclaimed financial assets that are managed by BoT and unclaimed non-financial assets that are managed by GAMD. In addition to these main audited entities, the audit was extended to other government entities with potential unclaimed non-financial assets. They include Tanzania Police Force (TPF), Tanzania Wildlife Authority (TAWA), Tanzania Forest Services Agency (TFS), and Tanzania National Parks Authority (TANAPA).

Audit Rationale

This audit was driven by the existence of problems indicating weaknesses in the management of unclaimed assets. For instance, it is estimated that unclaimed financial assets worth about TZS 49 billion are lying idle in various banking and financial institutions whilst these assets could have been mobilized and invested by the government for economic and financial returns to the nation. However, as per BoT records, as of June 2020, there was only TZS 12.25 billion available in the commercial banks and electronic money issuers as unclaimed financial assets. This discrepancy indicates weaknesses in the overall management of unclaimed financial assets in the entire cycle from identification to disposition. Similarly, management of unclaimed non-financial assets held by other government institutions such as TPF, TANAPA, TAWA and TFS remain uncounted for. Some abandoned properties are reported to be missing and value realised from disposal of the said properties remain doubtful.

It is from the above background that, the Controller and Auditor General decided to carry-out performance audit on both unclaimed financial and non-financial assets to determine whether MoFP through GAMD and BoT effectively exercised their jurisdiction to manage unclaimed assets. This is in order to ensure that potential revenues from unclaimed assets are realized. Therefore, the Audit Team assessed both unclaimed financial and non-financial assets for a period of five (5) years from 2015/16 to 2019/20. The audit evidence was gathered through document review, interviews with relevant officials, and non-participant observation. The collected information was subjected to both qualitative and quantitative analysis techniques.

Main Audit Findings

Audit Findings on Unclaimed Financial Assets

The Audit Team noted efforts made by BoT in enhancing management of both financial unclaimed assets. These efforts included, issuance of circular letters to commercial banks and mobile network operators to ensure remittance of unclaimed financial assets; and coming up with a draft amendment of the Banking and Financial Institutions Act, 2006 (BAFIA) to ensure among other things disposition of the remitted amount. Similarly, there were noted efforts employed by BoT in examination of dormant accounts as well as ensuring Electronic Money Issuers remit unclaimed

customers' balances pending in their electronic accounts consecutively for five years. However, the Audit Team noted some challenges that affected effectiveness of the entire process for managing unclaimed financial assets as explained here below.

Inadequate Legal Framework on the Management of Financial Unclaimed Assets

The Audit Team noted that the identified weaknesses were rooted from inadequate legal framework of both the National Payment Systems Act in respect of Mobile Network Operators (MNOs) and the Banking and Financial Institutions Act in respect of commercial banks. The National Payment Systems Act, in particular, is silent (has got no section) in respect of the management of unclaimed financial assets from identification to disposition of unclaimed assets. According to Regulation 31(b) of the Electronic Money Regulations, 2015, Electronic Money Issuers who are non-bank and non-financial institution are required to submit to BoT the balances in the electronic money account that are consecutively dormant for a period of five years. On the other hand, the Banking and Financial Institutions Act, 2006 requires every bank and financial institution that hold any abandoned property to surrender such property to BoT at the end of each calendar year.

On the other hand the Banking and Financial Institutions Act, 2006 does not provide mandate to BoT to dispose-off unclaimed financial assets from commercial banks.

Presence of Operational Weaknesses at BoT for the Management of Unclaimed Financial Assets

Due to noted weaknesses in the two legislations namely, the Banking and Financial Institutions Act, 2006 and the National Payment Systems Act cutting across from identification to disposition of unclaimed balances led to the following operational weaknesses:

Insufficient Management of Unclaimed Financial Assets

The findings show ineffective management of unclaimed financial assets. This was mainly evidenced in four (4) main areas. First, non-remittance of unclaimed financial assets by some commercial banks and electronic money

operators. Second, there was a downward trend in terms of remitted unclaimed financial assets. Third, inadequate on-site examination on commercial banks and Electronic Money Operators. Fourthly, BoT's non-disposition of all remitted unclaimed financial assets amounting to TZS 12.25 billion. These show that BoT did not effectively manage unclaimed financial assets originating from commercial banks and mobile network operators.

(i) Functioning of Identification Mechanisms of Unclaimed Financial Assets was not Optimal

Our audit findings show that BoT had in place mechanisms for identification of unclaimed financial assets in both commercial banks and mobile network operators. However, three (3) main weaknesses were noted: (1) inadequate adherence to identification procedures for unclaimed assets pending at commercial banks, (2) inadequate identification of unclaimed assets pending at electronic money operators, and (3) inadequate issuance of guidelines and directives on unclaimed financial assets. Because of absence of guidelines and directives on unclaimed assets, each commercial bank and electronic money operators used its own internal policy on dormant accounts. This shortcoming, and failure by the Directorate of Financial Sector Supervision and National Payment Systems to include an item/component of abandoned properties in their onsite verification plans, casts a shadow of doubt on correctness/fairness of the amount of unclaimed assets remitted to BoT.

(ii) Insufficient Controls in the Management of Unclaimed Financial Assets

The Audit Team noted that BoT's controls over management of unclaimed financial assets were insufficient. Four main weaknesses were noted suggesting ineffective controls over the unclaimed financial assets. These include inadequate on-site examination on dormant accounts, non-verification of remitted unclaimed financial assets during the on-site examination, non-verification of unclaimed financial assets from mobile network operators, and failure by BoT to impose sanctions to enforce mandatory compliance with a requirement to remit unclaimed financial assets. As a result, few commercial banks and mobile network operators remitted unclaimed assets, and those which did so, they tended to remit a lesser amount. This was also the case with the abandoned properties held

in foreign currency. Despite the observed non-compliances, BoT did not impose sanctions to the holding entities as provided in BAFIA, 2006.

(iii) Non-Disposition of Unclaimed Financial Assets

Our audit findings show that BoT had never conducted disposal of unclaimed financial assets. This was attributed to legal technicalities. BoT officials stated categorically that the Bank has no mandate to dispose the remitted unclaimed financial assets, and opined that the appropriate person is the Registration, Insolvency and Trusteeship Agency (RITA) as provided in Public Trustee (Powers and Functions) Act, Cap 31(RE 2002). Despite several communications between BoT and MoFP on the matter which can be traced way back to 2015, up to June 2020, there was a total of TZS 12.25 billion unclaimed abandoned financial assets at BoT which remains undisposed off. Further, the Audit noted that BoT had not taken any initiative for transferring the fund to RITA.

Also, the team noted that there were no procedures for owners to reclaim their abandoned or unclaimed financial assets as enshrined under Article 24 of the Constitution of the United Republic of Tanzania, 1977. BoT did not issue any guideline or directive which includes procedures on how to reclaim the abandoned properties. However, the Audit Team was informed that procedures for owners to reclaim the abandoned financial assets have been included in the draft amendments of the BAFIA, 2006.

Audit Findings on Unclaimed Non-Financial Assets

(i) Ineffective Management of Unclaimed Non-Financial Assets

According to our audit findings, the overall management of unclaimed non-financial assets was not effective. This was mainly caused by inadequate verification of unclaimed non-financial assets by MoFP. In fact, our audit findings show that, despite existence of other government institutions (such as TAWA, TANAPA and TFS) with potential unclaimed assets, for the period of five years (from 2015/16-2019/20), GAMD conducted verification of unclaimed properties held by TPF only, and this was done in year 2018 only. Non-verification of unclaimed assets was mainly attributed to non-inclusion of unclaimed assets activities in the MoFP's strategies and plans, GAMD emphasis on overseeing disposal of other government assets, notion that every institution has its own laws and regulations for administering

unclaimed assets, and inadequate system for registering unclaimed non-financial assets.

(ii) Inactive Mechanisms for Identification of Unclaimed Non-Financial Assets

The Audit Team found that the mechanism for identification of abandoned/unclaimed assets was not effective as expected. This is evidenced by the fact that, with an exception of Tanzania Police Force which is guided by the General Police Order (PGO), the remaining holding entities had no established and functioning procedures for identification of unclaimed non-financial assets. This weakness was mainly attributed by absence of adequate and functioning identification procedures, and failure by MoFP to issue guidelines for identification of unclaimed assets. Regarding the absence of adequate and functioning identification procedures, our audit found that there were no common identification procedures established by MoFP to be observed by holding entities such as TAWA, TANAPA and TFS. Each holding entity had its own procedures as provided in its laws and regulations.

However, the said procedures were only evidenced in TPF which is guided by PGO. The rest of the entities had no such procedures. Even at TPF, the documented procedures were not functioning. In general, the audit found several anomalies including combining confiscated properties with unclaimed assets in the same pool as well as use of exhibit book in alternative to found properties register. These were mainly caused by inability of MoFP to issue guidelines for identification of unclaimed assets. As a result, our audit noted missing records of grounded unclaimed assets and presence of overstayed properties, in some cases, for more than 7 years, as in the case of TANAPA.

(iii) Inadequate Registration of Found Properties into Assets Register

Our audit noted that registered/recorded found properties/unclaimed assets were not entered in the appropriate registers. At TPF, for instance, contrary to Clause 304 of PGO, exhibits of various court cases or found properties with estimated value of TZS 3.28 billion were neither included in the exhibit register book (PF.16) nor in the found property register (PF.53). In the other visited entities such as TAWA, TANAPA and TFS unclaimed properties were entered in the general ledger and without estimated value.

These anomalies were caused by two main reasons, namely, inadequate establishment registration procedures, and insufficient government assets registration system. This could potentially cause loss of Government revenue which could have been realized from sale of the unclaimed properties that were not properly and appropriately registered.

(iv) Ineffective Controls over Management of Unclaimed Non-Financial Assets

Our audit findings show that controls over management of unclaimed assets were ineffective. This was mainly attributed to inadequacy in issuance of guidelines and directives by MoFP, inadequate plans for on-site verification of unclaimed assets, insufficient on-site verification conducted on unclaimed assets, ineffective reporting on status of unclaimed assets, and improper storage of found properties. The thrust of the matter is the absence of directives or guidelines issued specifically for the management of the abandoned assets. Public Assets Management Guideline, 2019 was found to be inadequate to effectively manage unclaimed assets. Regarding storage, it was found that most of the found properties under the Police Stations were not stored in shaded premises. As a result, the conditions of the assets deteriorate resulting into loss of value during disposal. Therefore, it is not surprising that most of the disposed motorcycles were sold below TZS 50,000 as a scrap property.

(v) Ineffective Disposal of Unclaimed Non-Financial Assets

Our audit found two major weaknesses related to disposal of unclaimed non-financial assets suggesting that the process was ineffective. The noted weaknesses include lack of effective supervision of disposal of unclaimed assets, and inadequate procedures for owners to reclaim their assets. Regarding absence of effective supervision of disposal, it was found that some public auctions were conducted without attendance of Regional Stock Verifiers. Non-involvement of MoFP (through RSV) could potentially result into loss of Government revenue associated with low disposal price of the unclaimed assets as evidenced in the disposal price of motorcycles (ie TZS 50,000).

Our audit similarly found that TAWA, TANAPA, and TFS had no procedures for owners to reclaim their assets. On the other hand, Clause 304 of the PGO provides procedures for individuals to claim back abandoned

properties. However, most of the senior police staff were not aware of the procedures. This indicates that the procedures are not used. In general, the noted anomalies were mainly attributed to inability of MoFP to set out uniform procedures for disposition of unclaimed assets/abandoned properties.

Overall Audit Conclusion

The Audit Team concluded that MoFP and BoT did not effectively manage unclaimed assets. In particular, unclaimed assets were not effectively identified, registered, remitted and disposed-off as a potential source of government revenues. For instance, BoT did not conduct verification of remitted unclaimed financial assets from commercial banks and mobile network operators something which could have increased remittance of unclaimed financial assets. Additionally, remitted unclaimed financial assets have remained idle at BoT for more than five (5) years from the first remittance in 2015. The remitted amounts are regarded as liability and BoT lacks legal mandate to use or reinvest the same. Nevertheless, MoFP and BoT put little effort in resolving the matter as their last correspondence in this regard was traced back to March 2015.

Similarly, an assessment of the mechanism for identification and registration of non-financial unclaimed assets at TANAPA, TAWA and TFS is inadequate and not functioning well. This is attributed to inability of MoFP to designate procedures for identification of unclaimed assets for holding entities to adopt. The Audit Team noted further that MoFP did not conduct verification of unclaimed non-financial assets held by government institutions. As a result, the unclaimed properties were disposed-off in the visited government institutions without being administered by the Ministry. Given the potential of unclaimed non-financial assets, effective verification of the same could increase government revenues in the future.

Audit Recommendations

Specific Recommendations to BoT for Improving Overall Management of Unclaimed Financial Assets

BoT is recommended to:

1. Formulate guidelines and directives for identification and registration of unclaimed financial assets from financial institutions;
2. Develop guidelines for operationalization of the legislation for unclaimed financial assets. The guidelines should include but not limited to reporting timelines, roles of holders, filing of reports to the Authority, powers of authority to enforce compliance and consequences of non-compliance;
3. Review the appropriateness of 15 years' dormancy period for unclaimed financial assets from commercial banks to assess whether there is a possibility to reduce their life span (15 years timeframe) within the commercial banks. The review should also focus on developing a mechanism that will ensure that potential abandoned properties are identified and registered by holder entities;
4. Develop and implement strategies to ensure dormant accounts available at commercial banks and mobile network operators are adequately examined during onsite examination. The strategies should ensure identification of malpractices in the examined dormant accounts;
5. Conduct verification of remitted unclaimed financial assets to both commercial banks and electronic money issuers. The verifications should enhance determination of whether the amount remittance made was the actual one;
6. Institute appropriate sanctions to non-compliant commercial banks and electronic money operators as provided in the applicable laws, regulations, directives, or guidelines on the management of unclaimed financial assets;

7. Establish a mechanism that would enhance effective disposal of remitted unclaimed financial assets from financial institutions. The mechanisms should identify the rightful owner and user of the abandoned properties disposed-off; and
8. Establish procedures in which the initial owner of abandoned properties transferred to BoT or any other government institution can reclaim their right of ownership in case they want to do so. The procedures should facilitate avoiding depriving individuals from their constitutional right to own properties.

Specific Recommendations to MoFP for Improving Overall Management of Unclaimed Non-Financial Assets

MoFP through GAMD is recommended to:

1. Develop and implement harmonized procedures for identification and registration of unclaimed non-financial assets that should be adhered and implemented by all holder entities in the country. The uniformity in identification and registration of unclaimed non-financial assets by all holding entities shall enhance easy tracking of the same by MoFP;
2. Update the existing GAMIS (Government Assets Management Information System) to ensure, among other things, the RSV regularly report acquisition and disposal of abandoned properties by holder entities;
3. Enhance strategies and plans for verification of abandoned/found properties to all government entities with potential unclaimed non-financial assets in order to track records relating to their management by holder entities from acquisition to disposal stage;
4. Ensure RSV establishes and implements risk based on-site verification plans to holder entities. The developed plans should facilitate tracking of the available unclaimed non-financial assets to holder entities on a regular basis;
5. Institute appropriate sanctions to non-compliant holder entities as provided in the applicable laws, regulations, directives, or guidelines on the management of unclaimed non-financial assets;

6. Develop mechanism that ensures disposal of unclaimed non-financial assets held by various entities is properly done in accordance with relevant disposal procedures; and
7. Develop uniform procedures for individuals to reclaim back their previously owned unclaimed non-financial assets.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Audit

Unclaimed assets include properties or funds held or owing in the ordinary course of business that has not been claimed by the owner. Unclaimed property may come from a variety of sources¹ including abandoned land by the owner of the title deed, interests and dividends from sale of corporate bonds, interest on Treasury Bonds, unredeemed money orders, unclaimed insurance claim payments, unclaimed utilities deposits, and share in the stock markets. They also include abandoned bank accounts and stock holdings, unclaimed life insurance benefits, and forgotten pension benefits to mention but a few.

Depending on a particular law that describe certain unclaimed property after the elapse of certain period of time (dormancy period) without owners' activity or contact, the property reaches its dormancy period and becomes reportable to the government in the absence of reunification with the owner. Unclaimed assets can be classified into two major categories, namely, financial and non-financial. Financial unclaimed assets are those assets which are in monetary forms like unclaimed dividends and unclaimed funds from customer's banks accounts or in mobile electronic accounts.

On the other hand, non-financial unclaimed assets are those assets which are of physical nature and abandoned by the owners. These include but not limited to abandoned motor vehicles and motor cycles, abandoned land by the owner of the title deed and abandoned real estates (buildings). Unclaimed non-financial assets originate from various sources depending on the law regulating such assets or institutions. For example, the Police General Order (PGO) defines unclaimed assets as found properties associated with criminal conducts having abandoned by their owners or being exhibits of criminal cases but remained unclaimed after the conclusion of cases. While according to Forest Act, 2002 and Wildlife Conservation Act, 2009, forest produce and animal product are considered

¹ The definition of unclaimed asset/properties varies depending on the sector in which they belong. In the bank and financial institutions it is generally defined to mean accounts (i.e., intangible financial asset) and, in certain cases, tangible personal property held by financial institutions and business associations as liabilities on their books that had no activity generated by the owner for one or more years.

unclaimed after the elapse of 30 days in absence of any person claiming ownership.

1.2 Motivation for the Audit

This audit was motivated by the prevailing problems related to abandoned assets indicating weaknesses in the management of unclaimed assets. For instance, as of June, 2016 it was estimated that financial assets of about TZS 89.9 billion was being held by various banks and other financial institutions pending claims by their rightful owners². As per the BoT statement of abandoned properties from commercial bank as of June, 2020 there are about TZS 12.25 billion held by local banks whose owners or beneficiaries were missing or for some reasons have been abandoned.

Also, the data for potentials of the existing non-financial assets in various government institutions are neither available to the stakeholders nor publicly known. These anomalies indicate weaknesses related to the overall management of unclaimed assets or properties from the initial point of identification to the final point of disposal. Therefore, improving the management of unclaimed assets will eventually enhance controls focusing on identification, registration, and placing clear accountability of unclaimed assets to specific institutions.

Efficient management of unclaimed assets would also support achievement of Vision 2025 which aims at attaining high quality livelihood for all Tanzanians by 2025. It will similarly assist in promoting achievement of United Nation's 2030 Agenda for Sustainable Development (SDGs) Number 17. SDG No. 17 emphasizes and requires developing countries to strengthen domestic resource mobilization and identification of additional financial resources from multiple sources. Therefore, improving management of unclaimed assets is directly linked to the target for mobilization of revenue resources.

In view of the above, the Controller and Auditor General decided to carry-out performance audit on the management of unclaimed assets. The intention was to examine performance of the audited entities in relation to the management of unclaimed assets and recommending areas for further improvement.

² CAG's Assessment on the Extent and Practice of Unclaimed Financial Assets/Dormant Accounts in Tanzania, 2017/2018.

1.3 Audit Design

1.3.1 Audit Objective

The main audit objective was to determine whether MoFP through GAMD as well as BoT effectively managed unclaimed assets in order to ensure that potential revenues from unclaimed assets are realized.

Specific Objectives of the Audit

In order to address the main audit objective, three specific audit objectives were used. The objectives were to assess whether:

- a) There were mechanisms for identification and registration of unclaimed assets in the country;
- b) Controls for management of unclaimed assets were adequate and functioning well; and
- c) Unclaimed assets were appropriately disposed-off.

Detailed main audit questions and sub-questions are presented in **Appendix Two** of this report.

1.3.2 Scope of the Audit

The main audited entity was MoFP through GAMD and BoT. MoFP was audited because it is responsible to oversee all financial arrangements, strategies and plans in the country. These include issuing policies and strategies, managing of public properties and investments, as well as issuing directives, guidelines and circulars regarding financial and non-financial related matters including but not limited to unclaimed assets.

BoT on the other hand, as a regulator of banking and financial institutions, is responsible for management of unclaimed financial assets in the country. This is because unclaimed financial assets ought to be reported and surrendered to BoT by Commercial Banks and other Financial Institutions.

GAMD was included because it is responsible for developing, monitoring, evaluating and reviewing the implementation of government assets management and disposal guidelines. It is also responsible for carrying-out verification and overseeing disposal of government assets in the country.

The audit covered two types of unclaimed assets, namely financial and non-financial assets. Therefore, the audit covered unclaimed financial assets that are managed by BoT and non-financial assets that are managed by GAMD. Under unclaimed financial assets, the focus was on how unclaimed financial assets from commercial banks and those from electronic money issuers (Mobile Network Operators) are managed. The selection of the unclaimed financial assets under these entities was attributed to the fact that they have recorded higher amount of unclaimed financial assets compared to others.

This means that data and information were gathered from GAMD and BoT. As it can be evidenced from the nature of the selected unclaimed assets, BoT and GAMD were selected because of their roles in identification, registration, controlling and disposing-off unclaimed assets in the country. In addition, GAMD performs supervisory role when it comes to unclaimed non-financial assets held by various government institutions including Tanzania Police Force (TPF), Tanzania Wildlife Authority (TAWA), Tanzania Forest Services Agency (TFS), and Tanzania National Parks Authority (TANAPA).

In the identification of unclaimed assets, the focus was mainly on assessing the adequacy of established identification procedures and adherence to the issued directives by MoFP regarding proper identification of unclaimed assets. It also assessed the identification coverage of unclaimed asset. For the registration aspects, the audit assessed the effectiveness of established registration systems for unclaimed assets in ensuring that all identified unclaimed assets are properly documented and declared. Regarding control of unclaimed assets, the audit covered issues related to onsite examination, verification, and applicable sanctions to holder entities for non-compliance. Lastly, in terms of disposal of unclaimed assets, the audit covered the disposal procedures such as remittance, use and reclaiming of unclaimed assets.

The audit covered a period of five (5) financial years starting from 2015/16

to 2019/20. This period was selected in order to examine the magnitude of unclaimed assets in the country and their related trend over time. In that period, there were several enactments of the laws related to the management of unclaimed financial assets such as National Payment System Act and its Regulations as well as the Microfinance Act and its Regulations. These and other legislations were also reviewed as part of audit in order to examine how legal and regulatory framework provides effective control and management of unclaimed assets in the country.

1.3.3 Assessment Criteria

The assessment criteria used in this audit were extracted from various sources such as legislations, guidelines and best practices as presented below:

a) Identification and Registration of Unclaimed Assets

BoT is required to establish a mechanism for transparent and prudent management of unclaimed financial assets and effective reunification of the assets with the rightful owners and, or beneficiaries (***Article 24 of the Constitution of the United Republic of Tanzania of 1977 as amended from time to time***).

The holder entities of unclaimed assets are required to identify, record and register the extent of unclaimed financial assets in their possession as they reach maturity period according to the provision of the law regulating their area of operation (***Section 46 of the Banking and Financial Institutions Act No. 5 of 2006***).

BoT is mandated to require holders of unclaimed financial assets to provide information on the magnitude/extent and regulate them to ensure full compliance, including examining the records of a holder to determine whether the holder entities adequately reported on unclaimed financial assets held thereto (***Section 5(1) of the Bank of Tanzania Act No 5. 2006***).

MoFP through GAMD is supposed to establish, maintain and up-date assets management systems (***Approved MoFP Organization Structure, 2018***).

b) Effective Controls over Management of Unclaimed Assets

MoFP and BoT are required to create an effective handling and reporting requirements over unclaimed financial assets at holding institutions. Also, as per Section 46 of the Banking and Financial Institutions Act, 2006, Banks and Financial Institutions are required to identify and report on unclaimed deposits or payments, within 15 years from the date of deposit or issuance of payment the owners have not performed any transactions with the responsible bank or financial institution (***Section 46 of the Banking and Financial Institutions Act, No. 5 of 2006***). Also, Section 46(1) of the Banking and Financial Institutions Act 2006, requires the holder entities such as bank or financial institution to surrender such property to the BoT at the end of each calendar year.

An electronic money issuer who is a non-bank and non-financial institution is required to submit to BoT the balances in the electronic money account that has been dormant consecutively for a period of five years (***Regulation 31(b) of the Electronic Money Regulation, 2015***).

Furthermore, Section 47(1) of the Banking and Financial Institutions Act, 2006 requires any contents of a safe deposit box upon which the lease or rental period has expired and of which such bank or financial institution sent a notice and the lessee failed to respond within one year to be presumed to have been abandoned.

Section 6(1) of the Banking and Financial Institutions Act, 2006 requires BoT to take actions against holders of unclaimed assets for either non-compliance with the remittance requirements or fraudulent reporting and remittance of unclaimed assets. The said actions include imposing penalties and fines for non or improper reporting and remittance and charging interest for prolonged holding of unclaimed financial assets.

Similarly, Section 6(1) of the Bank of Tanzania Act, 2006 states that BoT shall undertake examination/inspection of records of the holder(s) upon reasonable notice to determine the extent/magnitude and frequency of unclaimed financial assets in the area of their operations³. In this regard,

³ Section 6(1) of the Bank of Tanzania Act provides that BoT shall (a) regulate, monitor, and supervise the payment, clearing and settlement system including all products and services thereof; and (b) conduct oversight functions on the payment, clearing and settlement systems in any bank, financial institution or infrastructure service provider or company.

BoT is expected to undertake examination/inspection of the records of the holder(s) upon reasonable notice to determine the extent of compliance with reporting and remittance requirement of unclaimed financial assets in the area of their operations.

On the other hand, MoFP is required to conduct verification of unclaimed non-financial assets to government institutions and prepare periodic government assets reports (*Approved MoFP, Organization Structure, 2018*)

c) Disposal of Unclaimed Assets

BoT is required to dispose-off all unclaimed financial assets (abandoned property) surrendered to it in accordance with the provisions of the relevant law applicable in the United Republic of Tanzania (*Section 47(3) of the Banking and Financial Institutions Act, 2006*).

BoT is also supposed to create an effective and efficient re-unification of unclaimed assets with owners and beneficiaries under an indefinite right to own property enshrined under Article 24 of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time).

MoFP through GAMD is also required to assess disposal requests of Government Assets (non-financial assets) submitted by government institutions and advice accordingly (*Approved MoFP Organization Structure, 2018*).

1.4 Methods for Sampling, Data Collection and Analysis

In order to realize the main objective of this audit, different sampling techniques, methods of data collection and analysis were employed. These are presented here under:-

1.4.1 Sampling Techniques Used

Purposive sampling technique was used in this audit. In BoT, the audit focused on the Directorates directly responsible for supervision of financial sector (including unclaimed financial assets) nationwide. The selected Directorates include the Directorate of Financial Sector Supervision,

National Payment Systems, Financial Markets, Finance, Banking and Legal Services.

The Directorate of Financial Sector Supervision was selected because it is responsible for supervision of banking sector including microfinance institutions. It is also required to make sure that Commercial Banks remit to BoT the unclaimed financial assets from abandoned property accounts.

Also, the Directorate of National Payment Systems was selected due to its role on the supervision of electronic money issuers (Mobile Network Operators) in the country. Among other things, the Directorate is required to ensure that electronic money issuers declare and remit the unclaimed customers funds that are available in the dormant/unused mobile phone cards of customers.

The Directorate of Financial Markets, on the other hand, is responsible for facilitating the implementation of financial policies by facilitating credit facilities. The Directorate facilitates selling and purchasing of government bonds in the financial markets with respect to both internal and external investors. The government is expected to pay interest on the issued bonds on maturity. Therefore, the Directorate of Financial Markets ensures that uncollected interests on government bonds are accounted for by remitting that information to the Directorate of Finance. Given the roles played by this Directorate in relation to uncollected interests on government bonds (unclaimed financial assets), it was deemed appropriate to include it in the sample size.

Furthermore, the Directorate of Finance was selected due to its role as a custodian of all BoT funds including those originating from unclaimed property or dormant accounts. These are financial assets remitted by Commercial Banks when deemed as abandoned property as per the Banking and Financial Institutions Act. The Directorate also maintains unclaimed funds remitted by electronic money issuers.

Since all BoT's operations for supervision of Commercial Banks and Financial Institutions are centrally operated at its Head Quarters in Dar es Salaam, the Audit Team did not visit the BoT's Regional Branches. Another reason for not visiting the BOT branches was because the current primary responsibility of BoT regional branches is to issue currency, conduct periodic economic reviews in their areas of jurisdiction and issuance of reports

thereon. We considered that these functions are not directly related to the management of unclaimed financial assets.

For the purpose of covering the aspect of unclaimed non-financial assets, the Audit Team selected GAMD under MoFP. The selection of GAMD is based on its role in developing, monitoring, evaluating and reviewing the implementation of government assets management and disposal guidelines specifically for unclaimed non-financial/physical assets. The Division is also responsible for developing and maintaining government assets register as well as inspecting and controlling government assets.

At MoFP, apart from GAMD, the Audit Team also covered Financial Sector Development Division. The Division is mainly responsible for developing and implementing National Policies and Strategies for facilitation of development of the financial sector in the country. It is also responsible for developing and reviewing financial instruments and frameworks governing the financial sector. It follows therefore that, the above roles are directly related to the management of unclaimed assets.

In terms of focus, the audit assessed unclaimed financial assets (abandoned property) which indicated high risk for loss of potential revenue. These assets include those originating from Commercial Banks and Mobile Networks operators. This is because, currently, the two categories of financial institutions constitute about 56% of established unclaimed financial assets in the country⁴. Therefore, the unclaimed financial assets assessment which was covered during the audit included abandoned customer funds in the bank accounts, unclaimed interest on Government stocks, unclaimed balances on dormant Government accounts, and unclaimed customers' funds from mobile network operators.

On that basis, the audit did not cover unclaimed financial assets originating from other institutions such as Insurance Companies, Stock Exchange Markets, and Pension Funds. Thus, unclaimed financial assets such as insurance from life insurance, dividends from companies listed on the Dar es Salaam Stock Exchange, and financial assets from pension funds were not covered.

⁴ Reviewed BoT's Statement of Accounts on abandoned customer property as of June, 2020 and CAG's analysis on the extent of unclaimed assets in Tanzania.

Regarding unclaimed non-financial assets, the audit covered property available in the Tanzania Police Force Department at the Ministry of Home Affairs. This is because the Tanzania Police Force Department is the custodian of found property of a criminal nature. At the Tanzanian Police Force Department, the Audit Team collected information on the unclaimed transport assets which were involved or used for criminal activities. These include motor vehicles, motorcycles, and other equipment and machineries. Information was collected from TPF Headquarters in Dodoma, and for the sake of verification, four (4) regional police offices were also visited. Based on the number of criminal cases reported and geographical coverage; Regional Police Offices of Kinondoni, Mwanza, Katavi, and Tabora were selected and visited. Kinondoni and Mwanza represent Regional Police Offices with high number of reported cases while Katavi and Tabora represent those with low number of reported cases. In each selected Regional Police Office, the Audit Team sampled two (2) police stations for assessment.

In addition, the audit includes unclaimed non-financial assets originating from various government institutions such as transportation and biological (plants and animals) assets which had indicated high risk for loss of potential revenue. Information in respect of these assets were collected from Tanzania Wildlife Authority (TAWA) and Tanzania National Parks (TANAPA) which hold unclaimed non-financial asset originating from wild animals trophies. The Audit Team also collected data from Tanzania Forestry Services Agency (TFS) which also holds unclaimed non-financial assets that originate from forestry subsector in respect of forest related products. Detailed types of unclaimed assets covered and selection criterion are presented in **Appendix Three** of this report.

1.4.2 Methods for Data Collection

In order to gather reliable and sufficient audit evidences for addressing the audit questions, both qualitative and quantitative data from the MoFP and BoT were collected through documentary review, interviews and observations.

(i) Documentary Review

In the course of audit, various documents from the MoFP and BoT were reviewed. The reviewed documents were those falling within a period of July 2015 to June 2020. These documents enabled the Audit Team to gain comprehensive, relevant and reliable information on the performance of MoFP through GAMD and BoT on the management of unclaimed financial and non-financial assets. Also, information extracted from the reviewed documents facilitated identification of the weaknesses, likely causes and underlying impacts. The reviewed documents from both MoFP and BoT included audited financial statements, annual implementation reports, examination or verifications reports, and assets disposal reports.

Furthermore, the Audit Team reviewed strategic plans, action plans, and monitoring reports from the financial year 2015/16 to 2019/20. These documents were reviewed in order to assess the planned, implemented and reported activities in relation to the management of unclaimed assets by both MoFP and BoT. The review also aimed to assess the extent to which the audited entities performed monitoring and supervision of the institutions under their jurisdiction which were considered to generate potential unclaimed assets.

Category of documents reviewed and reasons for their reviews are detailed in ***Appendix Four*** of this report.

(ii) Interviews

Interviews were conducted with officials of MoFP and BoT in order to gain insights and clarification on the information regarding practices and challenges on the management of unclaimed assets in the country. Moreover, interviews were used to validate information from the reviewed documents.

At BoT, the Audit Team conducted 6 interviews with Senior Officials from the Directorates of Finance, Financial Sector Supervision, Financial Markets and Legal Services. The interviews particularly aimed at assessing the extent of management of unclaimed financial assets arising from commercial banks and mobile network operators in the country as well as

assessing the regulatory and institutional framework regarding management of unclaimed financial assets.

At MoFP, the Audit Team interviewed various officials including Commissioner for Financial Sector Supervision, Assistant Commissioner for Microfinance Section, and Director of Government Assets Management. The interviewed officials provided information on oversight of the financial sector and executed controls on the management of non-financial assets in the country. In relation to other Government institutions covered in this report, the Audit Team interviewed senior officials of TAWA, TPF, TFS and TANAPA. Like others, the interviewed officials provided information that enabled the Audit Team to assess adequacy of the executed controls on the management of unclaimed non-financial assets under their jurisdiction. Detailed descriptions of the interviewed officials are described in **Appendix Five** of this Report.

(iii) Observation

In addition to documentary review and interviews, the Audit Team conducted non-participant physical observation of unclaimed non-financial assets in the visited Police Stations, TANAPA, TFS and TAWA storage and custody facilities. The physical verification was conducted in order to verify and agree the records in the unclaimed/found properties register to physical or actual existence of the assets on the ground. It was also aimed at establishing the conditions of unclaimed assets in storage or custody facilities. It also verified duration (time period) for which such assets have stayed in storage or custody facilities. During the observation, notes and pictures (photo) were taken in respect of the observed unclaimed non-financial assets which depicted the status and physical condition of those assets.

1.4.3 Methods for Data Analysis

The collected information related to the management of unclaimed financial and non-financial assets were analysed qualitatively and quantitatively.

a) Analysis of Qualitative Data

- Content analysis techniques was used to analyse qualitative data by identifying different concepts and facts originating from the documentary review, interviews, and observation notes.
- The identified concepts and facts were then linked to each other, classified, and those depicting similar and/or related issues were combined and categorised them based on the audit assertion.
- The extracted concepts or facts were tabulated and presented as they explained or established relationship between different variables originating from the audit questions.
- The recurring concepts or facts which explains the management of unclaimed assets in the audited entities were narrated depending on the nature of data it portrays.

b) Analysis of Quantitative Data

- Quantitative information obtained from secondary data were quantitatively analysed. The analysis involved examining those with multiple occurrences and these were tabulated in spread sheets to develop point data or time series data and relevant facts extracted from the figures obtained.
- The tabulated data was summed, averaged or prorated to extract relevant information and relationships from the figures
- The sums, averages or percentages were portrayed using different types of graphs and charts depending on the nature of data to explain facts for point data or establish trends for time series data
- Other quantitative information/data with single occurrence was presented as they were in the reports by explaining the facts they asserts.

1.4.4 Data Validation Process

As part of validation process, MoFP and BoT were given the opportunity to go through the draft report and commented on the figures and information being presented. They confirmed on the accuracy of the figures used and information presented in the audit report. In addition, the information was

cross-checked and discussed with subject matter experts on management of unclaimed assets for validation of the presented information.

1.5 Standard Used for the Audit

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

These standards required the audit to be planned and performed in order to obtain sufficient and appropriate evidence and to provide a reasonable basis for the findings and conclusions based on the audit objectives.

1.6 Structure of the Report

This performance audit report contains six (6) chapters. **Chapter One** covers background to the audit, audit motivation, audit design and assessment criteria used during the audit. It also provides standards used to carry-out the audit and descriptions on the validation process of the information presented in this report. **Chapter Two** provides system descriptions on management of unclaimed assets in Tanzania. **Chapter Three** presents audit findings on the management of unclaimed financial assets while **Chapter Four** presents audit findings on the management of unclaimed non-financial assets. **Chapter Five** provides audit conclusions based on the audit findings presented in Chapter Three and Four. **Chapter Six** presents the audit recommendations aiming at improving the current practices regarding the management of unclaimed assets by the audited entities.

CHAPTER TWO

SYSTEMS FOR MANAGING UNCLAIMED ASSETS IN TANZANIA

2.1 Introduction

This chapter describes the systems for managing unclaimed assets in Tanzania. It briefly presents practices on management of unclaimed assets in other countries within and outside the African region. It also covers legal framework governing the management of unclaimed assets as well as roles and responsibilities of the key players in identifying, registering and regulating unclaimed assets. The Chapter also presents categories of unclaimed assets and available controls in the entire systems for managing unclaimed asset in the country.

2.2 System Used in Managing Unclaimed Asset in Other Countries

Unclaimed asset has been an area of concern in many countries, which necessitated some of them to regularly improve their system for managing unclaimed asset. Few examples of such countries include Kenya, United Kingdom and Australia.

Kenya conducted a study in 2007 and realized that Kenyan financial institutions held more than KSH.9.1 billion. Also, in 2011, it passed a legislation known as the Unclaimed Financial Assets Act, 2011, which among other things, requires holder entities to escheat unclaimed property to a trust fund, operated and managed by the Unclaimed Financial Assets Authority (UFAA). Under the said law, the individuals have right to reclaim back the unclaimed property. Similarly, holders that fail to report unclaimed property face penalties equal to 25% of the property value and an imposition of additional fines based on the period they failed to report (*Unclaimed Financial Assets Act, 2011*).

Unclaimed assets in UK is based on the 'bona vacantia' principle which means '*property with no identifiable owner belongs to the sovereign crown*'. In 2008, UK passed Dormant Bank and Building Society Act, 2008 which authorizes the Government to use assets from cash accounts that have been dormant for 15 years to fund charitable and social causes. The law also gives right to the individual to reclaim the previously unclaimed assets (*Dormant Bank and Building Society Act, 2008*).

Likewise, in 2012, Australia reduced dormancy period of bank accounts from 7 years to 3 years. This created some concerns among the Australian communities. As a result, in 2015, the Banking Laws Amendment (Unclaimed Money) Bill was passed and reversed dormancy period to previous 7 years. However, this exempted children accounts (source: Banking Laws Amendment (*Unclaimed Money*) Bill, 2015)

The management of unclaimed assets in Tanzania, is explained in detail under the following sub-sections.

2.3 Policy and Legal Framework Governing Unclaimed Assets

This section describes the governing policy / policies), laws and regulations on the management of unclaimed assets in the country.

2.3.1 Policy

In Tanzania, there was no policy specifically addressing the area of unclaimed assets. However, there were different laws for the management of unclaimed assets in the country. The government, through MoFP, is still in the process of developing a policy that will govern the unclaimed assets available in banking and financial institutions.

2.3.2 Governing Acts

Management of unclaimed assets is governed and regulated by various laws existing in Tanzania. These include the Bank of Tanzania Act No. 4, 2006, the National Payment System Act, No. 4 of 2015, the Banking and Financial Institutions Act, No. 5 of 2006, the Public Service Social Security Fund Act No. 2, 2018, the Land Act Cap 113, and the Administrator General (Powers and Functions) Act Cap 27 (RE 2002). Brief descriptions on each of these in relation to the management of unclaimed assets are presented hereunder:

(i) *The Bank of Tanzania Act No. 4, 2006*

According to the Section 5 of the BoT Act of 2006, among other things, BoT is required to formulate and implement monetary policy and regulate and supervise banks and financial institutions in the country. Under the same provision, BoT is also responsible for compiling, analysing, and publishing the monetary, financial, balance of payments statistics and other statistics

covering various sectors of the national economy. The said reports are published for public use in the BoT website (www.bot.go.tz) on monthly, quarterly and annual basis.

Also, as per Section 46 (1) of the Banking and Financial Institutions Act No. 4 of 2006, every bank or financial institution that held abandoned property is expected at the end of each calendar year to surrender such property to BoT. In this regard, at the end of each financial year, banks and financial institutions are expected to remit unclaimed assets to BoT. Failure to remit such amount contravenes the provision of section 46(1) of the Banking and Financial Institutions Act No. 4 of 2006. Holder entities of such unclaimed assets are also liable upon conviction to a fine not exceeding ten (10) million shillings.

(ii) *The National Payment System Act, No. 4 of 2015*

This Act provides provision for regulation and supervision of payment systems, regulation of electronic payment instruments as well as, electronic money and payment system service providers. According to Section 4(1) of the National Payment System Act, No. 4, 2015, BoT is required to regulate, supervise, investigate and oversee the operations of payment system.

The Act also requires BoT to oversee and regulate the operations of payment systems, regulation of electronic payment instruments, electronic money issuers like mobile phones operators, payment system service providers and validity and enforceability of netting arrangements. According to the Act, electronic payment services are required to be provided by a payment system provider licensed by BoT.

Furthermore, Section 43(1) of the National Payment Systems Act, 2015, requires a payment system provider to submit returns (reports) relating to operation of the payment system or electronic payment services as may be prescribed by BoT. In this regard, BoT requires companies providing electronic payment mostly through mobile to submit reports relating to their operations.

(iii) *The Banking and Financial Institutions Act, No. 5 of 2006*

This Act provides, among other things, definition of abandoned property and the roles of Financial Institutions and set out the requirement of the same

to be surrendered to BoT. In particular, Section 47 (2) of the Banking and Financial Institutions Act No. 4 of 2006 provides for the definition of unclaimed financial assets⁵. Banks and Financial Institutions in possession of any abandoned property that remains unclaimed for a period not less than fifteen (15) years are required to annually surrender it to BoT as provided under the provision of Section 47(2) of the Banking and Financial Institutions Act No. 4 of 2006.

Furthermore, BoT is required to dispose abandoned assets surrendered by banks and financial institutions in accordance with the prevailing laws of the United Republic of Tanzania as provided for under Section 46(3) of the Banking and Financial Institutions Act No. 4 of 2006.

Moreover, Section 46 (4) of the Banking and Financial Institutions Act No. 4 of 2006 states that, any bank or financial institution which failed to deliver property presumed to be abandoned into the custody of the banks commits an offence and was liable upon conviction to a fine not exceeding ten (10) million shillings.

(iv) *The Public Service Social Security Fund Act No. 2, 2018*

Unclaimed assets/properties in the Public Service Social Security Fund Act No. 2 of 2018 were found under the provision of Section 48(1) of the Public Service Social Security Fund Act No. 2 of 2018 to mean any benefit (that is, social security benefit) that remains unclaimed for a period of three years from the date of death of beneficiary or any other cause. PSSSF was required to credit the whole amount to a special reserve account created, kept and managed by the PSSSF Board. It is further required that where any benefits remained unclaimed for a period of ten years, the account should be frozen and PSSSF transfer the outstanding amount to reserve account.

⁵ Abandoned property as any general deposit including demand, savings or matured time deposit made in the United Republic with a bank or financial institution, together with any accrued interest or dividend but excluding any lawful charges; any funds paid in the United Republic toward the purchase of shares or other interest in a bank or financial institution, together with any accrued interest or dividend excluding any lawful charges; any contents of a safe deposit box upon which the lease or rental period has expired and concerning which any bank or financial institution, together with any accrued interest or dividend excluding any lawful charges; any contents of a safe deposit box upon which the lease or rental period has expired and concerning which any bank or financial institution has sent a notice, by registered letter to the last known address of the lessee and to which notice the lessee has failed to respond within one year.

(v) The Public Finance Act, 2001

The objective of the Act is to make better provisions for the more effective control, management, and regulation of the collection and use of the finances of the United Republic and for enhancing Parliamentary control and supervision of public funds and resources, and for related matters. The act recognise the existence of accounting officers who as per the act are accountable for the expenditure of money and for all revenues and other public moneys received, held or disposed of, by or on account of the department . The act obliges the Accountant General and all Accounting Officers to submit to CAG a summary statement of assets for each Vote being a summary of the Statement of assets signed by accounting officers.

(vi) The Land Act, CAP 113 (R.E 2019)

Section 45 of the Land Act [CAP 113 RE. 2019] mandated the President⁶ through the recommendations made by the Commissioner for Lands, to revoke any right of occupancy if the said land was abandoned for not less than two years. Such recommendations were to be preceded by the Commissioner's 90 days' notice⁷. The Land Act provided for different factors for which land held under right of occupancy was considered to have been abandoned.

Section 51 of the Land Act, 1999 stated that, land held for a right of occupancy should be considered to have been abandoned where one or more of the following factors were present:

- i. the occupier owed any rent, taxes or dues in respect of the land and has continued to owe such rent, taxes or dues or any portion of them for not less than five years from the date on which any rent, taxes or dues or any portion thereof first fell to be paid;

⁶ According to section 3(1) of the Land Act [CAP 113 RE 2002] all land in Tanzania is public land vested in the President as trustee on behalf of all citizens

⁷ Commissioner for Lands if satisfied that the right of occupancy has been abandoned for not less than two years shall issue a 90 days' notice to the owner and shall proceed to recommend to the President for the revocation of the said right if no cause is shown by the owner or his successor in case he is dead and such right of occupancy will be revoked there forthwith as per Section 48 of the Land Act.

- ii. the occupier left the country without making any arrangement for any person to be responsible for the land and for ensuring that the conditions subject to which the right of occupancy was granted were complied with and that occupier did not give any appropriate notification to the Commissioner;
- iii. any building on the land fell into a state of disrepair that it had become a danger to the health and safety of any person occupying that building for any lawful purpose or a neighbour to the occupier; and
- iv. persons with no apparent lawful title were occupying or using the land or any buildings on the land and one or more of those persons or a person from a community which contains one or more such persons have so occupied or used the land or any building on the land for a period of not less than two years immediately preceding the date on which in accordance with this section, the Commissioner published a notice of abandonment in the Gazette.

The Commissioner for Land is obliged to issue in the prescribed form, a declaration of abandonment and sent a copy of that declaration to the occupier of the land at his last known place of residence or last known address where after the said land was to be revoked in the manner prescribed under section 49 of the Land Act.

(vii) *The Administrator General (Powers and Functions) Act, CAP 27 (R.E 2002)*

Section 2 of the Administrator General (Powers and Functions) Act defines an asset to mean all property movable and immovable of a deceased person, which was chargeable with and applicable to the payment of his debts and legacies or available for distribution amongst heirs and next-of-kin, of the deceased.

Section 48 of this Act requires the Administrator-General to transfer to the account and credit of the government any assets which was in his custody for a period of twelve years or without any application for payment being made by any person and granted by the Administrator General. Similarly, Section 49 of the Act gives power to the Minister responsible for legal affairs to dispose-off or distribute either the whole or any part of any asset

transferred to the government or among any kindred of the deceased or any other such persons in such shares or manner as the Minister should have thought fit.

2.3.3 Governing Regulations and Guidelines

(i) *Electronic Money Regulations, 2015*

The Electronic Money Regulation of 2015, made under the National Payment Systems Act, 2015 required unclaimed financial assets to be remitted to BoT. In particular, Regulation 31 (b) of the the Electronic Money Regulations 2015, required all electronic money issuers other than bank and financial institution, to submit to BoT the balances in the electronic money account that had been dormant for a period of five consecutive years.

(ii) *Public Assets Management Guideline, 2019*

The MoFP developed Government Assets Guideline in 2012, which among other things, provides overall guidance on the management of government assets. This was revised and replaced with the Public Assets Management Guideline, 2019. It does not specifically provide management guidance related to unclaimed assets. However, some of the directives included in the Guideline are equally applicable in the management of unclaimed non-financial assets. For instance, Clause 6.4 of the Public Assets Management Guideline, 2019, requires MoFP to formulate guideline and issue various directives for proper management of assets. Similarly, Clause 11 of the Public Assets Management Guideline, 2019 requires holders of unclaimed asset to recognize or record at cost or at revalued amount in the asset register for all controlled assets.

2.3.4 Strategies and Goals

The MoFP's Medium Term Strategic Plan (2017/18 - 2021/22) had set an objective of having improved financial management and accountability by 2022. In order to achieve this objective, MoFP introduced various strategies and targets on improving government assets management. Table 2.1 below summarizes the set strategy and targets geared on improving accountability of government assets.

Table 2.1: MoFP Strategies and Targets

| Strategy | Targets |
|--|---|
| To promote capacity building to improve adherence to laws and regulations governing assets management | Assets verification units in MDAs, RSs and LGAs increased from 360 units to 600 units by June, 2022 |
| To develop and review various Legislations, Regulations, Guidelines and Circulars related to assets management | Public Asset Management legislations reviewed by June, 2022 |
| To establish and maintain control systems in assets management and reporting | Physical Asset tracking conducted and maintenance of Asset Register increased from 28% to 81% by June, 2022 |

Source: MoFP Medium Term Strategic Plan 2017/18-2021/22

On the other hand, reviewed BoT Strategies and Plans up to financial year 2019/20 indicate that the Bank did not set strategies and targets on improving management of unclaimed financial assets up to the financial year 2019/20.

2.4 Roles and Responsibilities of Key Stakeholders

Key stakeholders responsible for management of unclaimed assets include MoFP, GAMD, BoT, CMSA, RITA, TIRA, and PSSSF. Their respective roles and responsibilities are presented hereunder.

2.4.1 The Ministry of Finance and Planning

The vision of the Ministry is to have high and equitable economic growth, macro-economic stability; sound financial management and accountability. The Ministry is the overall overseer of all financial arrangements, strategies and plans in the country. The Ministry issues policy, directives, guidelines and circular to financial related matters including but not limited to unclaimed assets.

2.4.2 Government Assets Management Division under the Ministry of Finance and Planning

Non-financial assets are managed by GAMD under MoFP whose roles include to:

- (i) Develop, monitor, evaluate and review implementation of policy and guidelines relating to management of government assets;
- (ii) Inspect and control government assets;
- (iii) Establish, maintain and up-date asset management systems;
- (iv) Develop, monitor, evaluate and review the implementation of government assets management and disposal guidelines;
- (v) Carry out verification and oversee disposal of government assets;
- (vi) Prepare periodic government assets reports;
- (vii) Assess the government assets disposal requests and advice accordingly; and
- (viii) Develop and maintain Government Assets Register.

On the other hand, MoFP through the Financial Sector Development Division aimed at providing services and expertise to financial sector development. The purpose is to broaden access to financial services to households and firms for sustainable economic growth and poverty reduction. In order to implement this objective, the Division has a number of responsibilities including to:

- (i) Develop and implement national policies and strategies for facilitation of development of the financial sector in the country;
- (ii) Develop, review financial instruments and frameworks for governing the financial sector; and
- (iii) Develop, monitor and evaluate implementation of microfinance policies, strategies, legal and regulatory framework in order to promote viable and sustainable microfinance sector.

2.4.3 The Bank of Tanzania (BoT)

BoT was established by the Bank of Tanzania Act of 1965 and became operational in June 1966. Various amendments to the Bank of Tanzania Act have been made leading to the Bank of Tanzania Act of 1978 and the Bank of Tanzania Act of 1995. Currently BoT operates under the Bank of Tanzania Act, 2006 whose establishment is reflected under section 4 (1) of the BoT Act No. 5 of 2009.

BoT is an autonomous public body responsible to regulate and supervise banks and financial institutions including microfinances and mobile money transactions in the country. According to Section 5 of BoT Act No. 5 of 2009, it is obliged to compile, analyse, and publish the monetary, financial, balance of payments statistics and other statistics covering various sectors of the national economy to which statistics on abandoned/unclaimed asset form part of the monthly economic review reports.

Apart from regulating commercial banks and financial institutions, BoT also performs operational functions similar to those of commercial banks and other financial institutions to all government departments. Furthermore, BoT advances Treasury bills, credit instruments or securities to commercial banks and financial institutions. These functions are mainly implemented by the Directorates of Finance, Banking and Financial Sector Supervision.

2.4.4 Capital Markets and Securities Authority (CMSA)

The CMSA was established in 1995 by the Capital Markets and Securities Act, [CAP 79 RE. 2002]. The CMSA Act is supplemented by 19 Regulations and Guidelines governing various aspects of capital markets. The capital markets are important because they provide the appropriate mechanisms for mobilizing long term savings and ensuring efficient allocation of resources to productive sectors in a way that stimulates economic growth. The functions of CMSA are stipulated in Section 10(1) of the Capital Markets and Securities Act and these include but not limited to formulation of principles for the guidance of the industry, protection of investors' interests and integrity of security market against any abuses and advising the Government on policies and all matters relating to the securities industry. Other functions of CMSA include promoting and developing efficient and sustainable capital markets and securities business in Tanzania while ensuring fair and equitable dealings; licensing and regulating stock exchanges, dealers, brokers and their representatives and investment advisors.

2.4.5 The Registration, Insolvency and Trusteeship Agency (RITA)

The Registration, Insolvency and Trusteeship Agency (RITA) is a semi-autonomous Government Authority established under Section 3(1) of the Executive Agencies Act, No. 30 of 1997. RITA is responsible for ensuring

effective and efficient management of information on key life events, insolvency and trusteeship services in Tanzania.

In matters related to unclaimed asset, Section 48 of the Administrator General (Powers and Functions) Act CAP 27 (RE 2002) provides that all assets in charge of the Administrator General or which have been under the custody of the Administrator General for a period of twelve years without any application for payment shall be transferred to the government.

2.4.6 Tanzania Insurance Regulatory Authority (TIRA)

The Tanzania Insurance Regulatory Authority (TIRA) was established under the Insurance Act No.10 of 2009. Its core functions include but not limited to registration of insurance agents, insurance assessors and loss surveyors, insurance brokers, insurance companies, reinsurance companies, inspection of all insurance players, handling insurance complaints from the public, and creation of insurance awareness to the Public. In relation to unclaimed assets, the Authority regulates insurance companies to which unclaimed assets exist in terms of unclaimed insurance claims and premiums from life insurance.

2.4.7 Public Service Social Security Fund (PSSSF)

The fund is established under the provision of Section 6 of the Public Service Social Security Fund Act No. 2 of 2018. The objective of the fund is, among other things, to ensure that every person who is an employee in the Public Service receives his retirement pension benefits when due.

The fund has the responsibility to declare any benefit that remains unclaimed for a period of three years from the date of death or any other cause. The whole amount is credited to a special reserve account created, kept and managed by the Public Service Social Security Fund Board as per the provision of Section 48 of the Public Service Social Security Fund Act No. 2 of 2018.

2.4.8 Tanzania National Parks Authority (TANAPA)

TANAPA is governed by the National Parks Act [CAP 282 RE. 2002]. Similarly conservation in Tanzania is governed by the Wildlife Conservation Act [CAP 5 RE. 2009] which allows the Government to establish protected areas and outlines how they are organized and managed. National Parks represent the

highest level of resources that are to be protected by TANAPA. From the National Parks Act [CAP 282 RE. 2002] TANAPA has mandate to protect national parks by conducting anti-poaching operations. From those operations various items are apprehended and collected including government trophies, motor vehicles, motor cycles, canoes left unattended or sometimes apprehended with the accused persons who becomes part of abandoned properties.

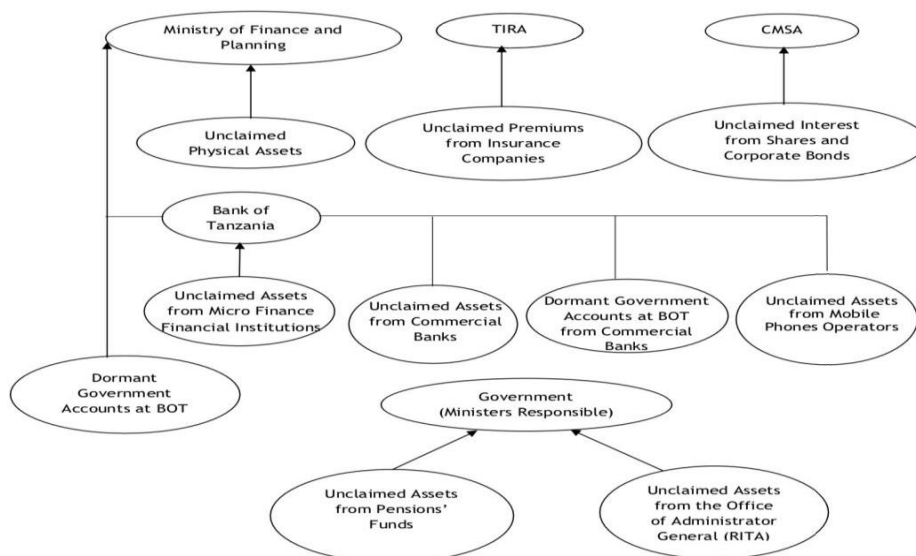
2.4.9 The Tanzania Forest Service (TFS)

TFS is an Executive Agency established under the Executive Agencies Act (Cap. 245 Revised Edition 2009) with the mandate of management of national forest and bee resources in a sustainable manner by ensuring sustainable supply of various forest and bee products and services, stable ecosystem and maintaining biological diversity. Similar to TANAPA, TFS conducts operations on illegal harvest of forest produce to which items used together with suspects are apprehended. In addition, sometimes apprehended suspects abandons the used items which include forest and non-forest produces. As per Section 94 (4) of the Forest Act of 2002 where the owner or a person in control of a seized property fails to appear or absconds and abandons his property for a period of thirty days, the Director or an authorised officer may dispose of such property by way of sale and the money collected therefrom shall be deposited into the Fund.

2.4.10 Tanzania Police Force (TPF)

The Tanzania Police Force is established under section 3 of the Police and Auxiliary Services Act [CAP 322 RE 2002] having undergone several amendments as from January 1953. The force is established purposely to maintain peace and order in country while protecting the public and its properties from any harm, loss or theft. The force is responsible for investigating and arresting any criminal suspects in the country and present them to court for prosecution. While performing its functions the force comes into contact with properties suspected to have been involved in the commission of criminal acts or exhibits abandoned by their owner. According to the act such properties becomes found property after the expiry of six months.

Figure 2.1: Relationship between Actors in the Management of Unclaimed Assets



Source: Auditors' Analysis

2.5 Categories of Unclaimed Assets

The term/phrase unclaimed asset is used synonymously to mean abandoned property, dormant accounts depending on the source and the entity responsible to regulate the asset. Unclaimed assets or abandoned properties results from a range or variety of sources. The unclaimed assets could have either been unclaimed financial assets or abandoned non-financial/physical assets as described below.

2.5.1 Unclaimed Financial Assets

Unclaimed financial assets result from financial operations of different entities included but not limited to operations of commercial banks, micro finances, capital and security markets, pensions fund and insurance operations. This applies equally with respect to BoT when undertaking banking operations to the government departments. They ranged from abandoned/dormant bank accounts and stock holdings, unclaimed life insurance payouts/premiums, money from mobile operators and forgotten pension benefits. The criteria for the property to qualify as abandoned

properties and the entity holding such unclaimed asset depends on the law that established the entity.

2.5.2 Unclaimed Non-financial Assets

These are physical assets available to/in the government departments and public authorities and include motor vehicle, landed properties, motor cycles, and abandoned precious minerals. They also include found properties available at the police force. These properties are identified and registered at the government asset register kept by each accounting officer as per the Public Finance Act of 2001 and disposed-off depending on the law regulating particular holder entity.

Table 2.2: Summarized Categories of Unclaimed Assets

| Nature/Source of Unclaimed asset | Governing law/regulation | Responsible Entity |
|---|--|--|
| Unclaimed assets from commercial banks and financial institutions | The Bank of Tanzania Act, No. 4 of 2006, the Banking and financial institution Act, No. 5 of 2006 | Bank of Tanzania (BoT) |
| Unclaimed Non-financial/Physical Assets | Public Finance Act of 2001 | Ministry of Finance and Planning (MoFP) |
| Unclaimed assets from pensions' benefits | <i>The Social Security (Regulatory Authority) Act, R.E 2015</i> , PSSSF Act No. 2 of 2018 and NSSF Act of 2015 | Social Security Regulatory Authority (SSRA) |
| Unclaimed assets from insurance premiums and claims | The Bank of Tanzania Act, No. 4 of 2006, Insurance Act No.10 of 2009. | Tanzania Insurance Regulatory Authority (TIRA) |
| Unclaimed interest from corporate and Treasury bonds and shares | Capital Markets and Securities Act, [CAP 79 RE. 2002]. | Capital Market and Securities Authority (CMSA) |
| Unclaimed Assets from deceased individuals, trust distributions | Administrator General (Powers and | Registration Insolvency and |

| Nature/Source of Unclaimed asset | Governing law/regulation | Responsible Entity |
|--|--|---|
| and dividend due from insolvency of entities | functions) Duties Act. | Trusteeship Agency (RITA) |
| Unclaimed/abandoned Landed Properties | The Land Act [CAP 113 RE. 2002] | Commissioner for Lands and Registrar of Title |
| Unclaimed assets from mobile money transfer companies, Dormant Government Accounts kept at BoT and at Commercial Banks | Bank of Tanzania Act, No. 4 of 2006 | Bank of Tanzania (BOT) |
| Unclaimed financial assets from micro finances | The Micro Finance Act and its regulatOions | Bank of Tanzania (BOT) |

Source: Auditors' Analysis (2020)

For the purpose of this audit, the focus was mainly on unclaimed financial assets from commercial banks and mobile network operators and unclaimed non-financial assets overseen by the Ministry of Finance and Planning in Tanzania.

2.6 Process of Managing Unclaimed Asset

The process for managing unclaimed assets differed from one institution to another owing to different laws creating and regulating such unclaimed asset. Likewise, the process depends on the category of unclaimed assets whether it is financial or non-financial. However, management of unclaimed assets generally passes through different processes as described below:-

2.6.1 Identification of Unclaimed Assets

Identification of unclaimed assets is done by the holding entities in compliance with the law setting out the requirement for such asset to be considered unclaimed. For instance, financial assets held by banks or financial institutions from customers' bank accounts are treated as abandoned property after lapse of fifteen (15) years without the holder of account performing any transaction in connection with respective account.

On the other hand, for non-financial assets, every government institution had its arrangement of treating the assets as abandoned according to the

applicable laws and regulations. For example, TPF identifies found property as unclaimed assets after lapse of six (6) months in absence of claims received from their owners. This is in accordance with the Police General Order (PGO).

2.6.2 Registration and Reporting of Unclaimed Assets

Public entities that hold unclaimed assets are supposed to register them in the register books like other assets. The unclaimed financial assets are normally recorded in the statement of financial position of the holder entity as unclaimed property. It is recorded as current liability to the holder statements because it is not their funds, rather, customers' uncollected funds. The unclaimed financial assets can be sourced from various sources, such as from unclaimed dividends from listed companies on the stock exchanges, abandoned monies from bank deposits or mobile money transactions and unclaimed insurance liabilities from life insurance premiums.

Companies listed on the Dar es Salaam Stock Exchange (DSE) are required to report unclaimed dividends in the unclaimed property account at BoT. This is in accordance with the circular issued by CMSA as there was no law requiring them to report the unclaimed dividends.

However, section 10(2) (v) of the Capital Markets and Securities Act 1994 R.E 2010, CMSA on 11th September 2018 issued a Circular no CMSA/MSD/02/24/29 which requires all companies which are listed on the Dar es salaam Stock Exchange (DSE) to submit to CMSA reports on status of unclaimed dividends after every six months effectively 1st July 2018.

The same reports are required to be filed with CMSA within 30 days after the end of the referred six months. The same Circular also requires the listed companies to make reasonable efforts to inform and educate their shareholders on the importance of collecting their dividends in time.

2.6.3 Remittance of Unclaimed Assets

Unclaimed financial assets held by commercial banks or other financial institutions were required to be surrendered to BoT on annual basis in accordance with the requirement of the Banking and Financial Institutions Act, 2006. Failure to remit the declared abandoned property attracts a fine of not more than ten million Tanzania Shillings upon conviction. However

other unclaimed financial assets resulting from insurance business and companies trading on the Dar es Salaam Stock Exchange were not governed or regulated by any statutes. Similarly, unclaimed financial assets such as unclaimed utility deposits emanating from utility companies, and those from sources other than the aforementioned are not covered by any regulatory framework or law.

On other hand, non-financial assets/physical assets from government institutions are not remitted anywhere outside the holder of such asset. This is because there is no legal requirement to remit them to a dedicated or a central authority.

2.6.4 Conducting On-site Examination

BoT is required to conduct on-site and off-site inspection to commercial banks, electronic money issuers and other financial institutions. In doing so, it is required to examine among other things the actual magnitude of unclaimed assets and verify whether the remitted amount corresponds with the amount reported in the books of accounts.

The MoFP is also required to conduct on-site verification of the registered unclaimed non-financial assets within government institutions to check compliance with procedures of maintaining government assets. These procedures include entering the respective assets into an asset register and disposal off of the assets by the holding government entity.

2.6.5 Issuance of Regulation/Circulars

Regulatory Authorities for unclaimed financial assets (including BoT, CMSA and TIRA) are responsible to issue circulars or regulations to banking, financial institutions and mobile companies to remind them on their responsibility to report and remit the unclaimed financial assets. Moreover, for the companies that are not legally required to report unclaimed financial assets such as insurance companies and companies listed on DSE are entirely dependent on the issuance of circulars or guideline on how to deal with unclaimed financial assets.

2.6.6 Sanctioning non-compliances

Banks and Financial Institutions that hold abandoned property are required to remit them to BoT at the end of each calendar year. BoT is supposed to impose a fine not exceeding ten (10) million Tanzanian Shillings to non-

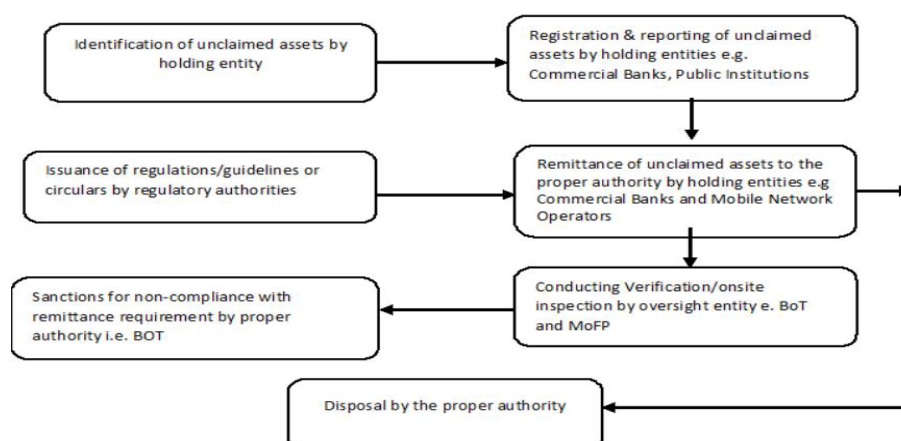
compliant banks or financial institutions. Sanctions to appropriately account for unclaimed non-financial assets held by other government institutions are stipulated in their respective laws and regulations.

2.6.7 Disposal of Remitted Unclaimed Assets

According to the Banking and Financial Institutions Act of 2006, BoT is required to dispose-off the remitted unclaimed financial assets in accordance with the applicable prevailing laws of the country. However, the above Act does not provide mechanisms of disposing off the remitted abandoned property. As a result, currently, there are no disposal procedures for abandoned customers' balances from both Commercial Banks and Mobile Network Operators after the remittances were made to BoT by the holding entities.

Currently, as far as the non-financial assets are concerned, every government institution that holds the said assets dispose them off according to the law and regulations governing that particular holder entity. For instance, abandoned motor vehicles and motorcycles are disposed-off by the holder entities according to the respective laws and regulations pertinent to the holding entities. In this case the holding entities include among others Tanzania Police Force, Tanzania Forest Services and Tanzania Wildlife Authority. Figure 2.2 shows the Processes of Management of Unclaimed Assets in Tanzania:

Figure 2. 2: Processes of Management of Unclaimed Assets in Tanzania



Source: Auditors' Analysis, 2020

2.7 Resources for Managing Unclaimed Assets

Adequate financial and human resources are essential for effective management of unclaimed assets. These resources are as described below:

2.7.1 Funds for Managing Controls of Unclaimed Assets

(a) The Ministry of Finance and Planning

Financial resources for management of government assets are directed to the Division of Government Assets Management at MoFP. **Table 2.3** below presents the amount of funds budgeted and spent for management of government assets.

Table 2.3: Budget and Expenditures for GAMD from 2015/16-2019/20

| Financial Year | 2015/16 | 2016/17 | 2017/ 18 | 2018/19 | 2019/2 0 | Total |
|--------------------------------------|-------------------|-------------------|-------------|---------|-------------|--------|
| Budgeted (TZS in Billions) | 1.843 | Data Not provided | 3.336 | 3.495 | 4.195 | 12.870 |
| Amount Allocated (TZS in Billion) | Data not provided | | | | | |
| Actual Expenditure (TZS in Billions) | 0.556 | Data not provided | 3.109 | 2.877 | 3.938 | 10.480 |
| Percentage Spent) | 30 | Data not provided | 93 | 82 | 94 | 81 |

Source: GAMD Annual Approved budget and Actual Expenditures from 2015/16 to 2019/20

Table 2.3 shows that from 2015/16 to 2019/20 financial years, GAMD spent 81 percent of the budgeted amount.

(b) Financial Resources at the Bank of Tanzania

BoT has four Directorates responsible for management of unclaimed financial assets derived from commercial banks, mobile network operators and other financial institutions. The financial resources allocated to these Directorates are summarized in **Table 2.4**.

Table 2.4: Budgets and Expenditures at Visited BoT's Directorates

| Item | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--|---------|---------|---------|---------|---------|
| Directorate of Finance | | | | | |
| Approved Budget (TZS Billion) | 39.515 | 45.958 | 45.824 | 41.027 | 42.013 |
| Actual Expenditure (TZS Billion) | 33.202 | 37.471 | 28.812 | 30.151 | 26.847 |
| % Spent | 84 | 82 | 63 | 73 | 64 |
| Directorate of Financial Markets | | | | | |
| Approved Budget (TZS Billion) | 114.900 | 72.165 | 98.775 | 100.508 | 97.283 |
| Actual Expenditure (TZS Billion) | 55.537 | 60.567 | 70.315 | 85.893 | 40.373 |
| % Spent | 48 | 84 | 71 | 85 | 42 |
| Directorate of Banking Supervision | | | | | |
| Approved Budget (TZS Billion) | 2.474 | 2.795 | 3.105 | 4.317 | 3.652 |
| Actual Expenditure (TZS Billion) | 2.000 | 2.232 | 2.605 | 3.194 | 2.868 |
| % Spent | 81 | 80 | 84 | 74 | 79 |
| Directorate of National Payment Systems | | | | | |
| Approved Budget (TZS Billion) | 1.646 | 2.064 | 2.297 | 2.956 | 3.164 |
| Actual Expenditure (TZS Billion) | 0.974 | 2.232 | 1.019 | 1.404 | 1.536 |
| % Spent | 59 | 80 | 44 | 48 | 49 |
| Directorate of Legal Services | | | | | |
| Approved Budget (TZS Billion) | 4.765 | 4.231 | 5.129 | 5.128 | 3.239 |
| Actual Expenditure (TZS Billion) | 4.253 | 2.647 | 3.911 | 3.497 | 2.633 |
| % Spent | 89 | 63 | 76 | 68 | 81 |
| Item | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |

Source: BoT's Budgets and Expenditures Extracts, 2020

Table 2.4 indicates that the visited BoT Directorates spent between 42% and 89% of total budgeted and allocated funds from the financial year 2015/16 to 2019/20. It further shows that, in the stated financial years, all budgeted expenditures were allocated in full.

2.7.2 Human Resources

For effective management of unclaimed assets, adequate human resources are also essential to ensure planned activities are adequately implemented. The extent of staffing level at both MoFP and BoT is as presented below:

(a) Staffing level at the Ministry of Finance and Planning

The status of the available human resources in relation to the required level for GAMD is as summarized in **Table 2.5**:

Table 2.5: Human Resources Status at GAMD

| Division | Total Available number of Staff (Number) | Total Required Number of Staff (Number) | Number of shortage Staff (Number) | Percentage of shortage Staff (%a) |
|--------------------------------------|--|---|-----------------------------------|-----------------------------------|
| Government Assets Management at MoFP | 18 | 43 | 25 | 58 |
| Regional Stock Verifiers | 43 | 130 | 87 | 67 |
| Total | 61 | 173 | 112 | 65 |

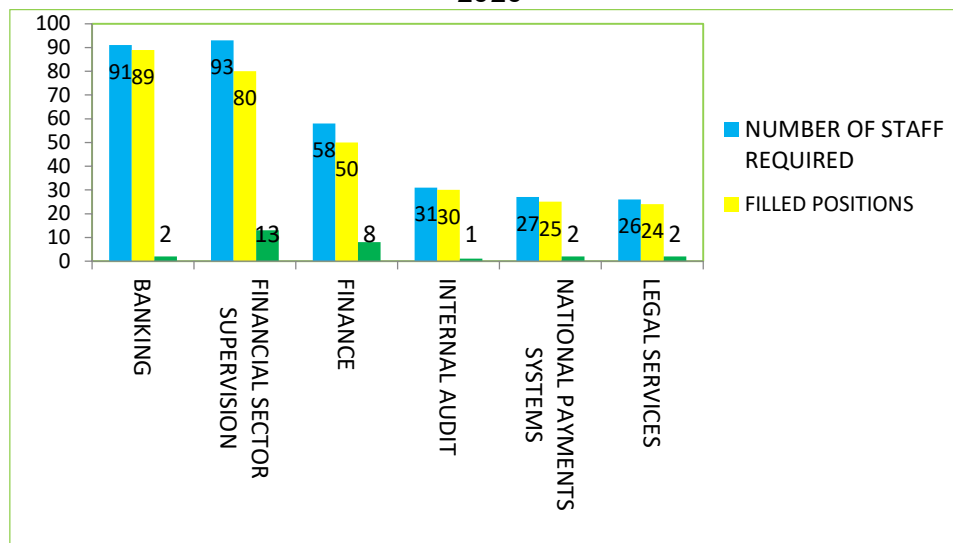
Source: Analysis of information extracted from Staff records from Human Resource Division, 2020

Table 2.5 indicates that the staffing level at GAMD Officers national wide was 61 staff out of 173 required staff up to June, 2020. The noted deficit is equivalent to 65%. The Regional Stock Verifiers Officers were particularly fewer (understaffed) by 67%.

(b) Staffing Level at Visited BoT Directorates

The staff position of the visited BoT Directorates directly responsible for management of unclaimed financial assets are as presented in **Figure 2.3**.

Figure 2.3: Staffing Position of Visited BoT Directorates as of June, 2020



Source: Reviewed and Analysed BoT's Staffing Establishment Report 2020.

Figure 2.3 indicates that BoT Directorates mainly responsible for management of unclaimed financial assets were cumulatively understaffed by 28 personnel equivalent to 9% as of June, 2020. However, from the figure it can be observed that, the Directorates of Financial Sector Supervision and Finance were both understaffed by 13 and 8 staff respectively while the remaining Directorates which are the Directorates of Banking, Internal Audit, National Payment Systems and Legal Services were under staffed by less than 3 personnel respectively.

CHAPTER THREE

AUDIT FINDINGS ON THE MANAGEMENT OF UNCLAIMED FINANCIAL ASSETS

3.1 Introduction

This chapter presents audit findings on the assessment of effectiveness of management of unclaimed financial assets. The findings cover mechanisms for identification, registrations, controls and disposal of unclaimed financial assets as carried out by BoT. The findings address the extent of the problem and the three (3) specific audit objectives described in Section 1.3.1 of this report. Below are the detailed findings for each of the three specific audit objectives:

3.2 Effectiveness in the Management of Unclaimed Financial Assets

The audit involved assessment on the extent to which BoT effectively ensured that commercial banks and mobile network operators (electronic money issuers) remit unclaimed financial assets using four indicators. These include extent to which commercial bank and mobile operators remit unclaimed financial assets, rate of increase of unclaimed financial assets and extent of disposal of remitted unclaimed financial assets.

The Audit Team noted the efforts employed by BoT in managing unclaimed financial assets. These efforts included issuing of Risk Management Guidelines for Banks and Financial Institutions 2010 (RMG 2010), and circulars to commercial banks and MNOs for remittance of unclaimed assets. Similarly, there were efforts employed by BoT in examination of dormant account as well as compelling MNOs to submit list of individuals with unclaimed balances. Nonetheless, the analysis by the Audit Team revealed some deficiencies by BoT to effectively manage unclaimed financial assets as indicated by the followings:

3.2.1 Inadequate Legal Framework on the Management of Financial Unclaimed Assets

The Audit Team identified a number of weaknesses on the management of financial unclaimed assets that were mainly rooted from inadequate legal framework. The two legislations governing this area are; the National

Payment Systems Act in respect of Mobile Network Operators (MNOs) and the Banking and Financial Institutions Act in respect of commercial banks. The National Payment Systems Act in particular is silent (has got no section in respect of the management of financial unclaimed assets right from their identification to disposition. According to Regulation 31(b) of the Electronic Money Regulations, 2015, Electronic Money Issuers who are non-bank and non-financial institution are required to submit to BoT the balances in the electronic money accounts that are dormant for a period of five years. On the other hand, the Banking and Financial Institutions Act, 2006 requires every bank and financial institution that hold any abandoned property to surrender such property to BoT at the end of each calendar year.

From the two legislations mentioned above, the Audit Team identified a number of weaknesses which contributed to the ineffective management of unclaimed assets. The weaknesses from the two legislations are presented in Table 3.1.

Table 3. 1: Summary of Weaknesses of the Laws

| Key item for managing unclaimed financial assets | National Payment Systems Act | Banking and Financial Institutions Act, 2006 |
|--|------------------------------|--|
| Regular remittance | Not Stated | Stated (Done Yearly) |
| Mandate to dispose | Not Stated | Stated |
| Detect and impose sanction for non-compliance | Not Stated | Stated |
| Ownership after remittance to BoT | Not Stated | Not Stated |
| Right to reclaim | Not Stated | Not Stated |

Source: Banking and Financial Institutions Act 2006, National Payment Systems Act and Auditors' Analysis 2020

From Table 3.1, it can be noted that the National Payment Systems Act does not cover any of the five items for the management of financial unclaimed assets. On the other hand, the Banking and Financial Institutions Act 2006 covered only two out of five items critical for effective management of financial unclaimed assets.

Furthermore, according to BoT's officials, the identified weaknesses in the legal framework such as failure to cover and provide guidance on regular remittance and disposition of unclaimed assets contributed to non-disposition of the deposited amount. And subsequently contributed to the ineffective management of unclaimed properties pending at BoT originating from both Mobile Network Operators and commercial banks.

The Audit Team also noted that BoT took initiative to amend the Banking and Financial Institutions Act, 2006 in which the Audit Team was supplied with the copy of the proposed amendments (which are in preliminary stages within BoT). However, the Audit Team noted that some of the weaknesses in the proposed amendments. The proposed amendment did not set in express terms which institution has the mandate to dispose-off the abandoned financial assets pending at BoT. Also, no similar efforts were employed in the National Payment Systems Act to address the noted weaknesses.

3.2.2 Some of the Commercial Banks did not Remit Unclaimed Financial Assets

Does BoT ensure commercial banks and Mobile Network Operators remit unclaimed financial assets?

The Banking and Financial Institutions Act 2006, requires every bank and financial institution that hold any abandoned property to surrender such property to BoT at the end of each calendar year. Electronic money issuers who are non-bank and non-financial institution are also required to submit to BoT the balances in the electronic money account that has been dormant consecutively for a period of five years (Regulation 31(b) of the Electronic Money Regulation, 2015).

The Audit Team noted that to a large extent, BoT had not adequately ensured that commercial banks fulfil this requirement. The reviewed BoT's bank statements on unclaimed financial assets from commercial banks from financial years 2015/16 to 2019/20 noted a total of TZS 2.5 billion of unclaimed financial assets were remitted to BoT by 11.5 percent⁸ of commercial banks with over 15 years of operations.

⁸ Reviewed Abandoned Properties Remittance Letters from Commercial Banks from the Financial Year 2015/16 – 2019/20

It was also noted that, BoT did not conduct verification on the remittance of unclaimed financial assets made by commercial banks. This indicates a risk of loss of financial assets from both commercial banks and mobile network operators that had either not remitted or under-remitted. Table 3.2 presents the periods (years) in which Commercial Banks did not remit unclaimed financial assets for the period under review.

Table 3. 2: Periods on Non-remittance by Commercial Banks

| Name | Date Licensed by BoT | Age up to June, 2020 | Period (Years) not remitted from June 2015 - June 2020 |
|--|----------------------|----------------------|--|
| TPB Bank Plc | 17-Oct-93 | 27 | Data not provided |
| Bank of Africa (Tanzania) Ltd | 01-Sep-94 | 26 | |
| TIB Development Bank Limited | 1-Jan-94 | 26 | |
| Citibank (Tanzania) Ltd | 1-Nov-95 | 25 | 4 |
| Kilimanjaro Cooperative Bank Ltd | 14-Aug-95 | 25 | Data not provided |
| Standard Chartered Bank (Tanzania) Ltd | 1-Nov-95 | 25 | |
| CRDB Bank Plc | 2-Oct-96 | 24 | |
| Exim Bank (Tanzania) Ltd | 20-May-96 | 24 | |
| Stanbic Bank (Tanzania) Ltd | 31-Dec-96 | 24 | |
| Akiba Commercial Bank Plc | 17-Jan-97 | 23 | |
| Diamond Trust Bank (Tanzania) Ltd | 25-Jul-97 | 23 | |
| Habib African Bank Ltd | 3-Nov-97 | 23 | |
| International Commercial Bank (Tanzania) Ltd | 24-Sep-97 | 23 | |
| Mucoba Bank Plc | 11-May-99 | 21 | |
| ABSA Bank Tanzania Ltd ⁹ | 11-Oct-00 | 20 | 4 |
| National Bank of Commerce Ltd | 20-Sep-00 | 20 | 4 |
| Mwanga Rural Community Bank Ltd | 23-Oct-00 | 20 | Data not provided |
| African Banking Corporation (Tanzania) Ltd | 16-Apr-02 | 18 | |
| Commercial Bank of Africa (Tanzania) Ltd | 16-Apr-02 | 18 | |

⁹ ABSA acquired assets and liabilities of Barclays through take over on 11th February 2020

| Name | Date Licensed by BoT | Age up to June, 2020 | Period (Years) not remitted from June 2015 - June 2020 |
|-------------------------------|----------------------|----------------------|--|
| I & M Bank (Tanzania) Ltd | 16-Apr-02 | 18 | |
| DCB Commercial Bank Plc | 12-Jun-03 | 17 | |
| Peoples' Bank of Zanzibar Ltd | 31-Mar-03 | 17 | |
| Azania Bank Ltd | 24-Jun-04 | 16 | |
| Bank of Baroda (Tanzania) Ltd | 7-Oct-04 | 16 | |
| NIC Bank (Tanzania) Ltd | 28-Jan-04 | 16 | |

Source: Reviewed List of Licensed Banks and Remittance Letters for Abandoned Properties from July 2015-June 2020

Table 3.2 indicates that there is insufficient information from BoT which could provide evidence that the licensed commercial banks that have been operating in Tanzania for more than fifteen years remitted unclaimed financial assets during the period under review. Officials from BoT recited that some of the named banks did not have correspondences pertaining to abandoned properties during the period under review. Nevertheless, as detailed below, it shows that not all commercial banks emitted unclaimed financial assets to BoT as detailed below:

(i) Not all Commercial Banks Remitted Unclaimed Financial Assets to BoT

Review of BoT's List of Licensed Banks for year 2020, revealed that as of June 2020, there were a total of 26 commercial banks that have been operating in Tanzania for more than 15 years. However, the review of the Abandoned Customer Property Accounts Statements and Remittances Letters from Commercial Banks showed that up to June, 2020, a total of TZS 2.5 billion of unclaimed financial assets were remitted to BoT. These assets were remitted by 3 out of the 26 qualified commercial banks which is equivalent to 11.5% of total qualified commercial banks. **Table 3.3** below presents a summary of cumulative remittance of unclaimed financial assets made by commercial banks:

Table 3. 3: Status of Remittance by Commercial Banks

| Name of Account Holder | Account Source | Total Remitted Amount (TZS Million) |
|------------------------|---|-------------------------------------|
| BoT Head Office | Abandoned customer property - TZS | 2,440.151 |
| | Abandoned customers property - EUR | 3.007 |
| | Abandoned customer property - GBP | 19.697 |
| | Abandoned customer property - USD | 77.689 |
| | Unclaimed interest on Government stocks | 8.231 |
| Grand Total | | 2,548.775 |

Source: Reviewed BoT Abandoned Customer Property Accounts Statements from 2015/16 - 2019/20

Table 3.3 indicates that up to June 2020, the cumulative balance of remitted abandoned customers' properties from commercial banks stood at TZS 2.5 billion.

ii. Remittance of Abandoned Customers' Balances by Electronic Money Issuers

The review of account statement for unclaimed balances from Licensed Electronic Money Issuers revealed that as of June 2020, there were a total of TZS 9.7 billion remitted to BoT by the Licensed MNOs. This included MNOs which have been operating the business of issuance of electronic money in Tanzania for a period of more than five (5) years. The reviewed Abandoned Property Remittance Letters from electronic money issuers addressed to BoT for the years 2019 and 2020, showed that as of October 2020, all MNOs remitted a total of **TZS 11.1 billion** to BoT as unclaimed customers' balances available in their trust/electronic accounts.

This trend was a result of the directives of BoT through letter/circular with Reference No. LB.422/535/02/11 dated 25th September, 2019 to various Mobile Network Operators requiring them to remit to BoT all unclaimed

balances held in trust/electronic money accounts. **Table 3.4** below presents a summary of cumulative remittance of unclaimed financial assets made by MNOs:

Table 3. 4: Remitted Unclaimed Financial Assets from MNOs

| Name of Mobile Network Operator (Electronic Money Issuer) | Total remitted amount (TZS Million) |
|---|-------------------------------------|
| M-Pesa Ltd | 9,005.519 |
| Tigo-Pesa Ltd | 1,355.238 |
| Airtel Money (T) Ltd | 726.189 |
| Ezy Pesa Ltd | 38.56 |
| Grand total | 11,125.51 |

Source: Auditors' Analysis from Reviewed Records of Electronic Money Issuers for the Period from 2019/20 - 2020/21

Table 3.4 indicates that, up to October, 2020, 100% of electronic money issuers remitted a total of TZS 11.1 billion to BoT. The remittances were made in respect of the balances in the customers' electronic money accounts that have remained dormant consecutively for a period of five years. However, it was noted that, BoT did not conduct verification of remitted unclaimed financial assets made by the Mobile Network Operators.

The above two audit findings indicated that there was a risk of loss of the unclaimed financial assets from commercial banks and mobile network operators. The noted anomalies are mainly attributed to the following factors:

(i) Non-Verification of Remitted Unclaimed Balances from Commercial Banks:

The Audit Team noted that BoT did not verify the remitted amount to ascertain the amount so remitted by commercial banks and MNOs. Review of on-site Examination Reports conducted to different commercial banks for the period from 2015/16 to 2018/19 revealed that BOT had not conducted verification of remitted abandoned property. The interviewed BoT's Officials stated that examination reports could not show whether the remittances were reviewed or not. This is because most of the issues covered in the reports are weaknesses. Thus, if there was no weakness, the report does not indicate issues related to remittances.

(i) *BoT Inadequately Conducted Verification to Electronic Money Issuers (MNOs):*

The Audit Team noted that despite the fact that all four MNOs remitted unclaimed balances to BoT, up to the time of this audit the Bank did not verify the amount so remitted to ascertain that it was the actual amount pending to MNOs. The interviewed BoT Officials revealed that BoT sampled only those MNOs with high risk by using RBS Manual to the extent that it was not possible to verify each MNO. Furthermore, it was revealed that MNO normally attach together with the remittance letter, a list of individuals against their balances for verification. However, from four (4) Electronic Money Issuers, we noted the list from Ezy Pesa only, with the rest attaching remittance letters notifying the Bank.

Consequently, BoT could not ascertain on whether the amount remitted was the actual unclaimed customer balances with more than five years of age in 75% of the Electronic Money Issuers. For instance, BoT officials indicated that among the weakness noted during their onsite examination, was a charge of TZS 600 maintenance fee for dormant customer balances in the electronic money accounts aged below 5 years without approval by BoT. This demonstrate that strengthened verification could have portrayed the actual amount pending to MNOs as unclaimed balances.

(ii) *BoT did not determine potential unclaimed financial assets found into the commercial banks and MNOs:*

It was revealed that BoT as the regulatory authority did not determine the magnitude of potential unclaimed financial assets expected to mature in different period of time arising from commercial banks and mobile network operators. The audit noted further that BoT did not enforce receipt of regulatory returns from banks and financial institutions which would indicate aging analysis of dormant account which ultimately led to abandoned balances. The interviewed BoT's Officials indicated that BoT was confident that holding institutions cannot tamper with the potential unclaimed financial assets that could be available from time to time. BoT officials further revealed that, BoT as the regulatory authority did not have guidelines which would enable determination of magnitude of potential unclaimed financial assets expected to mature in different periods of time.

Additionally, the Audit Team noted similar situation to MNOs. Despite the fact the BoT did not determine the magnitude of potential unclaimed balances pending to MNOs. Similarly, BoT did not compel MNOs to perform aging analysis and report regularly. Therefore, BoT was not certain on the actual amount of potential unclaimed financial assets available to mobile network operators. As a result, the government stands to potentially lose financial resources that could be realised from unclaimed financial assets that were held by the holding entities.

3.2.3 Trend of Remitted Unclaimed Financial Assets

To what extent remittance from unclaimed financial assets has increased annually?

Commercial banks and financial institutions with unclaimed financial assets that have reached maturity period of 15 years were required to remit them to BoT as per the requirement of the section 46(1) of the Banking and Financial Institutions Act No. 5 of 2006. Therefore, BoT was expected to record an improved performance in remittances of the abandoned property in each calendar year from the year 2015 to June, 2020 due to improved adherence to the remittance requirement.

BoT's Officials stated that strengthened remittance compliance by Commercial Banks was expected to be represented by a decreasing trend in annual remittance. However, there was no evidence provided to the Audit Team as a proof of strengthened remittance compliance. Therefore, non-remittance by some of the commercial banks, as analysed by the Audit Team, contributed to decreased trend of remittance for the period under review.

Review of BoT's Statements of Accounts for the abandoned property remitted by commercial banks revealed that there was inconsistent remittance of unclaimed financial assets from commercial banks. This was because the percentage increase of remittance from previous year, was noted to decrease from the calendar year 2015 to June, 2020 as indicated in **Table 3.5**.

Table 3. 5: Percentage of Increased Annual Remittance

| Calendar year ¹⁰ | Annual remitted unclaimed assets (TZS Million) | Excess of remittance from previous year ¹¹ (TZS Million) | % increase from previous year |
|-----------------------------|--|---|-------------------------------|
| 2015 | 5.762 | 0 | 0 |
| 2016 | 75.19 | 69.428 | 1,204 |
| 2017 | 411.39 | 336.2 | 447 |
| 2018 | 1,026.02 | 614.63 | 149 |
| 2019 | 173.46 | -852.56 | -83 |
| June 2020 | 838.39 | 664.93 | 383 |

Source: Auditors' Analysis of Information extracted from Various Statements of Accounts of Remitted Unclaimed Property from 2015/16 - 2019/20

Despite that Table 3.5 shows an increase in annual remittances from the calendar years 2015 to 2018, growth rate of unclaimed financial indicated declining trend. From the calendar year 2015 to June, 2020. For example, comparison of percentage remittance growth rates for the year 2016 and 2017 decreased from 1,204% to 447% while for the years 2017 and 2018, decreased from 447% to 149% respectively. It was further noted that, remittance growth rates for the calendar year 2019 dropped to negative - 83% compared to the year 2018. The drop of remittance in 2019 was due to the fact that in 2018 TZS 890 million was remitted by only a single Commercial Bank.

However, for the calendar year 2020, remittances started to grow from negative 83% to 383% as assessed up to June, 2020. The huge increase in 2020 was due to increased compliance level resulted from the Circular with Ref. No. FA. 178/451/01/3 dated 5th June 2018 to all Commercial Banks requiring them to comply with remittance requirement of abandoned properties.

The reviewed abandoned property accounts at BoT indicate that depicted declining growth rate of remittance of unclaimed financial assets from commercial banks was mainly attributed to:

¹⁰ The Audit Team use calendar year to present the data, because as per Section 46(1) of the Banking and Financial Institution Act, 2006, commercial banks that holds abandoned properties are required to surrender them to BoT at the end of each calendar year.

¹¹ Excess remittance = Current year remittance less previous year remittance

- ***Inadequate adherence by commercial banks to the remittance requirements as stipulated in the Banking and Financial Institution Act (BAFIA), 2006:*** This was because before financial year 2017/18, BoT did not issue any circular as a reminder to commercial banks requiring them to comply with the requirement of the BAFIA, 2006 which resulted into remittance laxity by commercial banks;
- ***Non-remittance of abandoned property under forex account in the commercial banks:*** Up to the financial year 2018/19, there were no remittances of abandoned customer property from forex customers' accounts held in the commercial banks. During the stated period, there were no remittances from commercial banks to BoT in respect of abandoned financial assets, particularly in currencies denominated in USD, EUR, and GBP accounts. However, BoT Officials were of the view that the spike/surge of remittances of abandoned properties in some years of operations was the results of efforts undertaken by the BOT to ensure compliance with legal requirements for abandoned properties including opening of forex accounts which were not in existence;
- ***Inadequate examination of dormant accounts during on-site examination:*** It was noted that weaknesses in the examination procedures of not reporting examined areas with low risk resulted to BoT not reporting potential unclaimed assets during on-site examination.
- ***BoT did not compel Commercial Banks to conduct aging analysis and regular reporting of potentially unclaimed assets.*** It was noted that unclaimed assets were potential offspring of dormant accounts. The BoT received monthly returns which indicated deposit accounts and other claims which turned into dormant status. However BoT did not ensure the returns indicate aging of dormant accounts to determine the extent of potential unclaimed assets pending to commercial banks through aging analysis.

3.2.3 BoT had not Disposed 100% of the Reported Unclaimed Financial Assets Amounting TZS 12.25 Billion

To what extent the identified and reported unclaimed assets have been disposed- off?

As per Section 47(3) of Banking and Financial Institutions Act, 2006, BoT is required to dispose-off all unclaimed financial assets (abandoned property) surrendered to it in accordance with the provisions of the relevant laws applicable in the United Republic of Tanzania.

The interviewed BoT Officials stated that, BoT did not disposed-off any remitted unclaimed financial assets from either commercial banks or mobile network operators up to the time of this audit. Further interview with Senior Officials from Directorate of Legal Services provided similar remarks.

The review of the BOT's statement of Unclaimed Financial Assets from commercial banks and mobile network operators for the year starting from 2015/16 to 2019/20, revealed that up to June 2020 there was a total of TZS 12.25 billion undisposed off by BoT. The period for which the unclaimed financial assets from commercial Bank were idle at BoT are presented in Table 3.6:

Table 3. 6: Period which Unclaimed Financial Assets Remained Idle

| Calendar Year | Annual Remitted Unclaimed FA (million TZS) | Increased Amount (million TZS) | Total Number of years up to 2020 |
|---------------|--|--------------------------------|----------------------------------|
| 2015 | 5.76 | 0 | 5 |
| 2016 | 75.19 | 69.43 | 4 |
| 2017 | 411.39 | 336.20 | 3 |
| 2018/ | 1,026.02 | 614.63 | 2 |
| 2019 | 173.46 | -852.56 | 1 |
| June 2020 | 838.39 | 664.93 | - |

Source: Reviewed BoT's Abandoned Property Accounts Statements and Auditors' Analysis, 2020

The Audit Team further reviewed correspondences made between MoFP and BoT through letters with Ref. No. C/AB.689/690/01 dated March 24th 2015 and Ref. No. 6/237/01 dated May 22nd 2015 respectively. Both letters were enquiring how the unclaimed financial assets should be disposed-off.

It was noted that BoT advised MoFP that abandoned property are regulated by the Public Trustees (Powers and Functions) Act which is under custodian of RITA. On that basis, BoT advised MoFP that unclaimed financial assets/abandoned property should be disposed/transferred to RITA in accordance with requirement of Public Trustees (Power and Functions) Act. However, up to December, 2020 was yet to receive guidance from MoFP on how to dispose unclaimed financial assets held in its books of accounts.

Non-disposal of remitted unclaimed financial assets was mainly attributed to lack of legal mandate that allows BoT to dispose-off remitted unclaimed financial assets from both commercial banks and mobile network operators despite being stated in the Banking and Financial Institution Act, 2006. The interview revealed further that, despite BoT's advice that unclaimed financial assets should be transferred to RITA, they are nevertheless still concerned with the existing legal gap as to who is the right owner of unclaimed financial assets. The interviewed officials stated further that they are in the process of reviewing the Banking and Financial Institutions Act, 2006, to address, among other things, the existing legal gap related to unclaimed financial assets.

Lack of clear guidance on how to dispose unclaimed financial assets to resulted into presence of idle funds recorded in BoT's statements of accounts for abandoned property. As a result, the government is unable to utilize the remitted unclaimed financial assets from commercial banks and mobile network operators for productive use.

Ineffective management of unclaimed financial assets as demonstrated by presence of significant amount of undisposed remitted unclaimed financial assets, high number of mobile network operators and commercial banks that didn't remit unclaimed financial assets as required; and decreasing rate of increase of remitted unclaimed financial assets were caused by a number of factors including weak mechanisms for identification and registration and ineffective controls for unclaimed financial assets.

3.2 Identification Mechanisms of Unclaimed Financial Assets

Are mechanisms for identifying unclaimed assets functioning well?

A well-functioning identification mechanism is based on extent to which holder adheres to the procedures, its practicability and extent to which directives and guidelines have resulted to improved identification of unclaimed assets.

Reviews of the Banking and Financial Institution Act, 2006 and the Electronic Payment Regulations of 2015, show that BoT had in place mechanisms for identification of unclaimed financial assets to both commercial banks and mobile network operators. However, in the course of audit, the following weaknesses were noted:

3.3.1 Inadequate Adherence to Identification Procedures for Unclaimed Financial Assets Pending at Commercial Banks

Are established procedures for identification of unclaimed assets in place and functioning well?

According to Section 46 of the Banking and Financial Institutions Act No. 5 of 2006, commercial banks or financial institutions are required to identify, record and register unclaimed financial assets kept in custodianship as they reach maturity period of 15 years.

The interviewed BoT's officials stated that, commercial banks normally identify and record the value/magnitude of unclaimed assets whenever they reach maturity time of fifteen years as per the requirement set out in the Banking and Financial Institutions Act No. 5 of 2006.

It was further noted that BoT issued a circular letter with Ref No. FA.178/451/01/3 dated 05th June 2018 reminding banks and financial institutions to ensure compliance with requirements of remitting abandoned properties as stipulated in the BAFIA, 2006 and also provided the accounts details for submission of foreign exchange abandoned properties.

For instance, the reviewed BoT's onsite examination report related to the National Bank of Commerce Limited (NBC) as of December, 2016, revealed that NBC was not generating or preparing dormant account reports

indicating the aging analysis of the same. As per the report, NBC was reactivating dormant accounts to active accounts status when approaching dormancy period. The report further observed that some accounts had no transactions for over four years but were still considered as active accounts.

This situation was prompted by the following factors:

- a) Officials from BoT indicated that 15 years' timeframe set by the Banking and Financial Institution Act, 2006 for financial assets to qualify to be unclaimed was considerably long. This period creates operational challenges on the management of unclaimed assets, and this is especially a case when a commercial bank is not in operation.
- b) Due to long period required by banks and financial institutions to submit unclaimed financial assets, may result into potential loss of the assets when banks and financial institutions become insolvent before fifteen years. For example, it was stated that some banks, such as the Twiga Bank and Tanzania Women's Commercial Banks became insolvent before lapse of 15 years. As a result, potential unclaimed financial assets which were available in dormant accounts were dissolved for reasons of insolvency;

Based on the NBC assessment above, BoT was not certain that unclaimed financial assets identified by commercial banks were indeed the amount/value which fall due for identification. In lieu of that, there is a risk that the identified unclaimed financial assets by commercial banks did not portray an actual value/amount of unclaimed assets pending with these holder entities.

3.3.2 Inadequate Identification of Unclaimed Assets Pending at Electronic Money Issuers

Do the holding entities identify unclaimed assets in their respective institutions?

According to Regulation 31 of the Payment Systems (Electronic Money) Regulations, 2015, read together with section 56 (3) of the National Payment Systems Act, 2015, require electronic money issuers to treat the balances in the electronic money accounts that has been dormant consecutively for a period of five years as abandoned properties.

The audit found out that non-bank electronic money issuers who were Mobile Network Operators were not identifying unclaimed assets by conducting aging analysis and regular reporting to BoT. The Audit Team noted that BoT issued a circular letter referenced LB.422/535/02/11 dated 25th September 2019, directing electronic money issuers to identify and remit abandoned properties pending to those institutions to BoT. The letter required electronic money issuers who were mobile money operators to remit and fulfill regulatory requirements with respect to reports submission and surrendering of the abandoned properties.

In response to the letter, all four (4) available Electronic Money Issuers identified and remitted a total of TZS 9.7 billion to BoT as unclaimed customers' balances up to June, 2020. M-PESA Tanzania Ltd indicated in three of its letters that it would be remitting the amount of abandoned properties on quarterly basis. However, that requirement was neither found nor observed in the National Payment Systems Act 2015 and the Electronic Payments Regulations 2015, nor was it indicated in the circular letter dated 25/09/2019 from BoT to electronic money issuers. However, it was noted during the audit that M-Pesa Limited deposited the unclaimed customers' balances in the electronic accounts quarterly from October 2019 to October 2020.

The Audit Team acknowledged the efforts made by M-Pesa limited to deposit the unclaimed customers' balances in the trust/electronic accounts quarterly from October, 2019 to October, 2020. The inadequate-identification and subsequent remittance of the abandoned properties by Mobile Money Electronic Operators was mainly caused shortcomings in the circular letter issued by BoT. The circular letter issued lacked clear guidance on identification and the frequency of submission of the reports. BoT was in process to issue a Trust Account Management Guidelines that will address the frequency of submission of unclaimed dormant electronic wallets.

As a result, there was no regular remittance of the abandoned properties from the date BoT issued the circular letter to mobile operators. For instance, apart from M-Pesa Limited which committed itself to remit the amount of unclaimed properties on quarterly basis, the rest (other mobile operators) had no such a commitment. In response to this anomaly BoT

revealed that it was in the process of preparing a guideline for MNOs on abandoned properties.

3.2.3 Inadequate Issuance of Unclaimed Financial Assets Guidelines and Directives by BoT

Are there Directives or Guidelines issued by BoT to holders of unclaimed entities to appropriately identify the unclaimed assets?

According to Section 71 of the Banking and Financial Institutions Act, No. 5 of 2006, BoT is supposed to issue directives and circulars for carrying out or giving effect to the purposes and provisions of the Banking and Financial Institutions Act, No. 5 of 2006, which may include but not limited to additional prudential guidelines or requirements not expressly mentioned in this Act.

The Audit Team noted that BoT did not issue guidelines to commercial banks and electronic money issuers on how unclaimed assets should be identified and recorded before their remittance to BoT. It was also noted that commercial banks were guided by their independent internal policy on dormant accounts but were not guided on the identification of abandoned properties by BoT.

Further, the Audit Team noted that the circular letter No. FA. 178/451/01/3 dated 5th June 2018 issued by BoT to commercial banks obliging them to identify and remit the abandoned properties to BoT, did not guide commercial banks on the procedures to be followed in identification of the abandoned properties and how unclaimed assets could be realized from dormant accounts, rather, the letter insisted on the remittance of the pending amount to BoT.

As to electronic money issuers, the Audit Team noted similar situation regarding to the absence of designated guideline for identification of the abandoned properties. The circular letter issued by BoT to electronic money issuers for remittance of the unclaimed assets with reference No. LB.422/535/02/11 dated 25th September, 2019. The aforementioned circular letters had no directives or guidance as to how electronic money operators should be identifying and report the abandoned properties.

This was attributed to BoT's non-cognizance of the potentials of the abandoned properties and absence of strategic priority for which the guideline and directives are to be issued for guidance on the identification of unclaimed financial assets. The noted anomaly was also contributed by inability of BoT to include an item/component of the abandoned properties in its annual onsite verification plans. However, BoT officials opined that Risk Based Planning based on significance of risk has caused BoT not to prioritise the review of abandoned property. As such review of abandoned property was included as a reviewable area in the examination procedures as dormant accounts. This is because all abandoned financial assets were dormant accounts.

This could potentially establish weaknesses and non-uniformity of commercial banks internal policy for identification of the abandoned properties. As a result, BoT could not ascertain whether already remitted abandoned properties were true accounts of such properties which were to be identified. Finally, the Bank was not able to effect any sanctions either to commercial banks or electronic money issuers. This is due to the fact that it could not establish whether commercial banks were operating contrary to the identification requirements set out in the Banking and Financial institutions Act No. 5 of 2006 and in the Payment Systems (Electronic Money) Regulations, 2015.

3.4 Controls in Management of Unclaimed Financial Assets

Are controls over effective management of unclaimed financial assets adequate and functioning well?

In order to ensure effective controls in management of unclaimed financial assets, BoT is expected to adequately conduct on site examination of unclaimed financial assets to ensure compliance with remission of abandoned properties. The reviewed BoT Onsite Examination Plans from financial year 2015/16 - 2019/20, indicated that the Bank planned to conduct onsite examination based on its developed Risks Based Supervision Manual of 2010.

The manual requires the BoT to conduct full scope on-site examination of banks among others to determine their financial conditions, risks management and compliance with laws and regulations. Further review of BoT Onsite Examination Reports for financial years 2015/16 - 2019/20

conducted to three commercial banks (ABSA Bank (T) Ltd, CRDB Bank PLC and TPB Bank PLC) revealed some weaknesses as identified below:

3.4.1 Inadequate Reporting of Dormant Accounts during Regular Onsite-Examination

Does BoT adequately conduct review of dormant accounts during onsite examination/verification to ensure holder entities comply with the remittance requirements of unclaimed financial assets in their institutions?

Section 31(1) of the Bank of Tanzania Act No. 2006, gives power to BoT to conduct examination on banks and financial institutions operating in the country. The interviewed BoT's officials stated that they normally conduct onsite examination on annual basis based on the planned examination plans. The officials added that, during execution of onsite examination, potential unclaimed properties are also examined through examination of dormant accounts in the particular banks.

During the audit, the submitted Onsite Examination Reports and that of dormant accounts were reviewed and revealed the followings:

BoT included information of reviewed Dormant Account in 5% reported of Conducted On-site Examinations

The audit noted that BoT reported examinations on dormant accounts of commercial banks only in 4 out of 40 conducted onsite examinations. This is equivalent to 5%. This is reflected in **Table 3.7** which indicates number of examinations planned versus number of examinations reported on dormant accounts from financial year 2015/16 - 2019/20.

Table 3. 7: Extent of Reporting on reviewed Dormant Accounts

| Financial year | number of onsite examinations conducted | onsite examinations reported dormant accounts | Percent of conducted Planned (%) |
|----------------|---|---|----------------------------------|
| 2015/16 | Not Provided | NIL | indefinite |
| 2016/17 | Not Provided | 1 | indefinite |
| 2017/18 | Not Provided | 1 | indefinite |
| 2018/19 | 12 | 1 | 6 |
| 2019/20 | 28 | 1 | 4 |
| Total | 40 | 4 | 10 |

Source: Reviewed BoT's Conducted Onsite Examination and Implementation Reports from 2015/16 - 2019/20

Table 3.7 indicates that from 2015/16 to 2017/18, BoT did not provide data on the extent of on-site examination conducted despite reporting on two dormant account in 2016/17 and 2017/18. In the remaining two years from 2018/19 to 2019/20 BoT reported 2 dormant accounts in 40 conducted onsite examination. BoT Officials recited that the involvement of BoT cannot effectively be assessed by looking at the reports of examinations (ROE) because ROE will only involve negative aspects of dormant accounts. There will be no entries if anomalies were not revealed.

However, the audit noted some anomalies such as failure to conduct aging analysis and regular reporting which were not captured in the reports of examinations (ROE). Inadequate examinations of dormant accounts during onsite examinations were mainly contributed by lack of effective strategies and priorities on assessment of dormant accounts during planning stage.

Inadequate examination of dormant accounts which was the main source of unclaimed financial assets from commercial banks, resulted into lack of information by BoT on potential unclaimed customers' balances that would ultimately be remitted as abandoned property to BoT as per the requirement of the Banking and Financial Institution Act, 2006.

3.4.2 Non-verification of Remitted Unclaimed Financial Assets during Onsite Examination

It was expected that BoT would have verified remitted abandoned properties from commercial banks during onsite examination. However, the reviewed onsite examination reports revealed that BoT did not verify remittance of unclaimed abandoned properties made by the commercial

banks. The interviewed BoT officials confirmed the same and stated that remittances of the unclaimed abandoned properties were not assessed during examinations because they did not form part of onsite examination plans. As noted before, the main reason being the fact that the Directorate was guided by risk based onsite verification plans and the remittance of the unclaimed abandoned properties did not form part of the plan.

Further review of list of licensed banks by BoT noted that out of 44 licenced banks, there were 26 banks aging above 15 years from licenced year. That means despite 59% of the licensed banks in Tanzania having potential unclaimed financial assets, BoT has never verified their remittance since financial year 2015/16 - 2019/20. Non-verification of remitted abandoned properties resulted into lack of information on potential unclaimed abandoned properties found in the commercial banks. This resulted into risks of loss of government potential source of revenues from unclaimed financial assets from the commercial banks.

3.4.3 Non-verification of unclaimed financial assets from Mobile Network Operators

To ensure MNOs' remittance of the unclaimed customers' balances in their electronic accounts, BoT was expected to conduct verification or assessment of the remitted amount by MNOs to determine whether there were discrepancies. However, the interviewed BoT Officials stated that, during the stated period, the Bank did not confirm whether the remitted amount was the actual amount ought to be remitted to the Bank.

Review of BoT Circular number LB.422/535/02/11 dated 25th September, 2019 revealed that BoT required MNOs to submit to the Bank, reports of the balance of the abandoned properties and ensure that the reports contain detailed records of the customers with the unclaimed balances. In response to the letter, all four (4) mobile network operators with abandoned property made remittance to BoT. However, it is important to stress that verification of the remitted amount was and is still vital because MNOs could understate the remittance for business purpose.

Non- verification of remittance of the abandoned properties in electronic money accounts by BoT was mainly attributed to absence of strategies to verify remittances made to MNOs. The Audit Team noted that BoT did not

include verification of remittance by MNOs in its strategies and onsite plans for the period under review; and Non-verification of the remittances made by MNOs through onsite verification resulted into risks of loss of potential revenues that could be realized if onsite verification were conducted.

3.4.4 BoT did not detect non-compliance and impose sanctions on non-remittances of Unclaimed Financial assets

Does BoT impose sanction measures to ensure compliance with the remittance requirements of unclaimed assets?

Section 46(4) of the Banking and Financial Institutions Act, 2006 mandated BoT to impose a fine not exceeding ten (10) million Tanzanian shillings upon conviction to any bank or financial institution which fails to deliver property presumed to be abandoned in the custody of the Bank.

The interviewed BoT officials indicated that BoT has never sanctioned commercial banks or mobile networks operators for failure to remit abandoned property, and that there was no non-compliance for the period under review. Despite this fact, the reviewed abandoned customer property statement of accounts maintained at BoT indicate that for the period of 3 years from June 2015 to June 2018, there were no balances of abandoned customer property held under foreign currency accounts from commercial banks. This is an indication that commercial banks were not remitting abandoned property held under foreign currency accounts before BoT issued a circular in the financial year 2018. However, they were not sanctioned for failure to remit abandoned properties held in foreign currency accounts.

Further review of number of licensed commercial banks noted that up to June 2017, 17 out of 46 licensed banks were supposed to remit abandoned property held under foreign currency' bank accounts even if there was a zero balance. However, nothing was found to have been remitted. Despite these anomalies by commercial banks, BoT did not detect and subsequently impose sanctions as per the requirement of the Banking and Financial Institution Act, 2006.

Non-sanctioning of commercial banks for non-remittance of abandoned property was mainly contributed by the fact that BoT had no statistics for non-compliance of remittances related to abandoned property, particularly, foreign accounts. Inadequate coordination between the

Directorates of Legal Services and the Directorates of Financial Sector Supervision was also the contributing factor for non-sanctioning of non-compliant commercial banks.

This resulted into potential loss of government revenue that could be realized from fines imposed to commercial banks for failure to remit abandoned property held under customers' foreign accounts. The audit noted further that there is no sanction provided in the NPS Act or Regulations to Mobile Network Operators for failure to remit unclaimed customers balances that remained dormant consecutively for five years. Likewise, BoT Circular with reference number LB.422/535/02/11 dated 25th September, 2019 did not provide sanction in case of failure to remit.

3.5 Disposition of Unclaimed Financial Assets

For the purpose of realizing economic advantage on unclaimed financial assets to both government and financial institutions, BoT was expected to dispose-off remitted unclaimed financial assets from commercial banks and mobile network operators. However, the reviewed Statements of Abandoned Properties Accounts maintained at BoT and the interviewed Senior Officials from BoT have revealed that there was no disposition of unclaimed financial assets. Details related to non-disposition of unclaimed financial assets and issues related to the owners to claim back the unclaimed financial assets are provided hereunder:-

3.5.1 Non-Disposition of Unclaimed Financial Assets Remitted to BoT

To what extent the identified and reported unclaimed assets have been disposed-off?

As per Section 47(3) of the Banking and Financial Institutions Act, 2006, BoT was required to dispose-off all unclaimed financial assets (abandoned property) surrendered to it in accordance with the provisions of the relevant law applicable in the United Republic of Tanzania.

The Audit Team noted that after holder entities (Commercial banks and Electronic money issuers who are mobile phone operators) were issued with circular letter by BoT directing them to remit/deposit unclaimed assets, such amount was remitted to BoT in different periods.

However, the interviewed BoT Officials stated that, as of December 2020, BoT has never disposed-off any remitted unclaimed financial assets from either commercial banks or electronic money issuers. Further, the interviewed BoT's Officials were of the view that BoT has no mandate to dispose-off any amount of unclaimed financial assets kept at the Bank.

The Audit Team reviewed BoT unclaimed financial assets accounts statements balances from commercial banks and mobile network operators for financial years 2015/16 - 2019/20. The review revealed that up to June 2020, there was a total of **TZS 12.25 billion** unclaimed abandoned property undisposed off by BoT. It is BoT's view that the amount was kept under the custody of MoFP and was pending as a liability which the Bank did not have mandate to dispose-off, use or reinvest. Further, the Bank believed that MoFP is responsible to give guidance on how such amount was to be disposed-off.

Similarly, the interviewed Officials from MoFP were of the opinion that in absence of any provision in the Public Finance Act or in any other law mandating MoFP to dispose unclaimed assets, MoFP could not proceed under no mandate to dispose unclaimed assets pending at BoT.

The audit noted that this was caused by lack of clear and express provision in the law providing the two institutions with mandate to either dispose or deal with unclaimed asset in whichever course. It was further caused by non-harmonization of the Public Finance Act and the BoT Act.

The Audit Team further reviewed correspondences made between MoFP and BoT through letters with Ref. No. C/AB.689/690/01 dated March 24th 2015 and Ref. No. 6/237/01 dated May 22nd 2015, enquiring how the unclaimed financial assets should be disposed-off. Part of the second letter of May, 2015 reads as provided hereunder:

We take the view, subject to Attorney General's confirmation, that the applicable law in Tanzania is the Public Trustee (Powers and Functions) Act, Cap. 31 R.E. 2002, which entrusts such abandoned property to the Registration, Insolvency and Trusteeship Agency (RITA).

In this regard, RITA will handle, as it deems fit, all issues including value and ownership of abandoned property as disposed of by the Bank.

As evidenced in the quoted letter above, BoT advised MoFP that abandoned property were to be disposed-off by using the Public Trustees (Powers and Functions) Act, the law which establishes RITA. However, up to the end of December, 2020, none of unclaimed financial assets had been transferred to RITA.

Despite efforts made by BoT in amending the Banking and Financial Institutions Act No. 5 of 2006 we noted that, the proposed amendment did not set in express terms which institution has mandate to dispose-off the abandoned financial assets pending at BoT.

This was mainly caused by non-realization of the potentials of unclaimed assets by both BoT and MoFP to the extent that the two institutions were unable to lay down procedures on how unclaimed assets should have been dealt with. This is attributed to the fact that after the said correspondences in 2015, MoFP has not taken any initiative to check on the validity of BoT advice or come up with a different approach on how such properties were to be dealt with.

As a result, the abandoned property remains unused/idle in the books of accounts of BoT while being treated as liability to the Bank. Although there is a loophole in the law in terms of mandate, MoFP was supposed to take appropriate initiatives to ensure disposition of the abandoned properties. This resulted to overstay and non-use of the amount from both electronic money issuers and commercial banks.

3.5.3 Absence of Procedures for Owners to Claim Back Unclaimed Financial Assets

Does BoT have procedures on how previous owners should reclaim already remitted/registered assets?

BoT was required to create an effective and efficient re-unification of unclaimed financial assets with owners and beneficiaries under an indefinite right to own property enshrined under Article 24 of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time).

In the course of audit, the Team reviewed the Banking and Financial Institutions Act, No. 5 of 2006, the National Payment Systems Act of 2015, and Electronic Money Issuers Regulations of 2015. We noted that, these legal

instruments have no provision on individuals to reclaim the abandoned properties. Moreover, besides the absence of any provision, BoT did not issue any guideline or directive with procedures on how to reclaim the abandoned properties.

The Audit Team further inquired as to why the Bank had no procedures to reclaim abandoned properties and how BoT would deal with the claims of already declared abandoned properties; if it would ever happen. The Bank revealed that such amount was kept in custody of the Bank and that the Bank lacked mandate to dispose-off in any way. However, the Bank acknowledged a need for having procedures in the law for individual to reclaim the said property.

Despite the fact that currently there are no consequential effects associated with the absence of procedure to reclaim abandoned financial assets, BoT acknowledged that in the future, there is a possibility of facing complaints or civil litigations over the unclaimed financial assets under its custody by individuals or their beneficiaries.

However, the interviewed BoT's Officials stated that, the Bank was in process of reviewing and developing draft amendment of the Banking and Financial Institution Act to which the procedures to reclaim the abandoned properties have been incorporated.

CHAPTER FOUR

AUDIT FINDINGS ON THE MANAGEMENT OF UNCLAIMED NON-FINANCIAL ASSETS

4.1 Introduction

This chapter presents audit findings on the assessment of effectiveness in management of unclaimed non-financial assets. The findings cover mechanisms for identification, registrations, controls and disposal of unclaimed non-financial assets as overseen by MoFP. The findings also address the extent of the problem and provide insights on the three (3) specific audit objectives described in Section 1.3.1 of this report. Detailed audit findings are presented hereunder:

4.2 Extent of Effectiveness in Management of Unclaimed Non-Financial Asset

To what extent unclaimed non-financial assets are being effectively managed?

MoFP was expected to test whether controls are in place to ensure effective management of unclaimed non-financial assets/abandoned properties. A review of the relevant documents and interviews conducted at GAMD and holder entities show that the management of unclaimed non-financial assets was ineffective. This is due to the fact that the controls put forward by MoFP on verification, plans for verification and reporting could not ensure effective management of the unclaimed non-financial assets. Additionally, reviewed MoFP's Staff establishment report as of March, 2021 also indicated that the Regional Assets Management Offices were understaffed by 74%. Further review of staff establishment status in all six (6) visited MoFP's Regional Assets Management Offices revealed that the Offices were understaffed by 64%. Further the staff workload ratio on number of verifications required to be conducted per staff per year was noted to be 1:10, indicating that one staff is expected to conduct 10 verifications per year. Detailed audit findings related to verification of unclaimed non-financial assets are presented here under:

4.2.1 Inadequate Verification of Unclaimed Non-financial assets by MoFP

To what extent GAMD managed to conduct verification of unclaimed non-financial assets from public assets?

According to the Approved Organization Structure, 2018 of MoFP, the Ministry was required to conduct verification of unclaimed non-financial assets to holder entities and prepare verification reports. In this regard, GAMD was expected to conduct verification of all government entities especially those that were likely to hold unclaimed non-financial assets such as Police Force, TAWA, TANAPA and TFS.

Through the review of Government Assets Management Division Action Plans and Progress Reports from 2015/16-2019/20, it was revealed that, GAMD did not conduct verification of unclaimed property (non-financial assets) that are likely to be held by TAWA, TFS and TANAPA other than TPF. Similarly, the interviewed Senior Officials from GAMD at MoFP confirmed the same and stated that the Division has recently started efforts to verify unclaimed non-financial government assets which were previously not examined. The Officials added that in 2018 they conducted special audit to TPF whereby amongst issues examined were unclaimed properties or found properties held by TPF.

The interviewed officials stated further that verification of unclaimed non-financial assets under TPF was undertaken in response to the directives from Public Accounts Committee (PAC) to MoFP dated 04th April, 2016. PAC directed MoFP to conduct special audit to all TPF's Stations in the country focusing on acquisition, storage and disposal of government assets under the custodianship of TPF acquired from various sources. The audit noted that other government owned assets other than unclaimed non-financial assets pending in TAWA, TANAPA and TFS are frequently verified on annual basis. **Table 4.1** presents a status of verification in some Government institutions that are likely to hold unclaimed non-financial assets:

Table 4.1: Verifications Status of Unclaimed Non-financial Assets

| Public Entity /Holder | Likelihood for Existence | Name of Unclaimed Assets | Status/Frequency of Verification (Rarely conducted/ Not Conducted) |
|-----------------------|--------------------------|---|--|
| Immigration | Medium | Equipment i.e. Weapons | Never conducted |
| Police Force | High | Found Motor Vehicles and Motorcycles | Conducted |
| TRA | High | Various | Never conducted |
| TANAPA | High | Weapons, Motor vehicles, Motorcycles, etc | Never conducted |
| TFS | High | Non-forest produce | Never conducted |
| NCA | High | Weapons, Motor vehicles, Motorcycles, etc | Never conducted |
| TAWA | High | Weapons, Motor vehicles, Motorcycles, etc | Never conducted |

Source: Auditors' Analysis, 2020

Table 4.1 shows that MoFP conducted verification of unclaimed non-financial assets to TPF while other noted government institutions with potential unclaimed non-financial assets were not verified.

Non-verification of unclaimed non-financial assets were mainly attributed to the following factors:

a) *Non-inclusion of unclaimed non-financial assets activities in the MoFP strategies and plans:*

The reviewed MoFP Strategic and Action Plans from financial years 2015/16 - 2019/20 revealed that GAMD did not include verification of unclaimed non-financial assets among the activities to be implemented in each financial year for the period under review. Instead, the Division plan was focused on verification of only registered assets in the books of accounts/register of the respective accounting officers as government assets.

b) GAMD relied more on overseeing disposal of government assets other than unclaimed non-financial assets:

The interviewed Senior Officials from GAMD stated that the Division directed its efforts on administering compliance with disposal procedures of government assets already in the books of accounts rather than unclaimed non-financial assets.

c) Every Institution that hold unclaimed/found property has its own laws and regulations for administering unclaimed properties

The interviewed GAMD Senior Officials stated that unclaimed property that may be available in TAWA, TPF, TANAPA and TFS were administered by the laws, regulations and procedures governing each individual institution. Verification of unclaimed non-financial assets by GAMD would harmonise the procedures derived from the principal laws of each entity. TPF uses PGO (Police General Order) to administer unclaimed property from acquisition to disposal stage. TAWA, TFS and TANAPA did not have laid down procedure or standard manuals for administration of unclaimed non-financial assets.

Table 4.2 below shows prevailing laws and manuals/procedures for administration of unclaimed non-financial assets within TFS, TAWA, TPF and TANAPA.

Table 4.2: Availability of Laws and Procedures

| S/N | Holder Entity | The law for unclaimed non-financial assets | Standard Operating Procedure or Manual |
|-----|---------------|--|--|
| 1 | TANAPA | National Parks Act and Wildlife Conservation Act | No Manual |
| 2 | TFS | The Forest Act | No Manual |
| 3 | TPF | The Police and Auxiliary Service Act | PGO |
| 4 | TAWA | Wildlife Conservation Act | No Manual |

Source: Auditors' Analysis, 2020

Table 4.2 shows that, despite the mandate to hold unclaimed non-financial assets provided in the laws governing the respective institutions, there is no manual or procedure laid down for administration of such assets within TAWA, TFS and TANAPA. As stated above only TPF has a defined procedure from identification to disposition stage under clause 304 of the PGO.

d) *Inadequate system for registering unclaimed non-financial assets*

It was noted during the audit that despite MoFP having established Government Assets Management Information System (GAMIS), the system is only used to register the assets which are already in the books of accounts of the government institutions. It was not used to register unclaimed properties since these were not registered in the system. As a result, MoFP through GAMIS lacked information on existence of unclaimed non-financial assets in government institutions.

Ineffective verification of the unclaimed non-financial assets from public entities might result into/pose risk for loss of government revenues that could have been obtained if verification had been conducted. Ineffective management of unclaimed non-financial assets as demonstrated above was caused by several factors including weak mechanisms for identification and registration and ineffective controls over unclaimed non-financial assets. Details descriptions of these factors are provided hereunder: -

4.3 Inactive Functioning Mechanisms for Identification of Unclaimed Non-Financial Assets

Are Mechanisms for Identifying Non-Financial Unclaimed Assets Functioning Well?

The functioning of the identification mechanisms was assessed based on extent of adherence to the identification procedures by holder entities, and the functioning of guideline for identification of unclaimed non-financial assets. Reviewed Report Books, Found Property Register, General Ledgers in the visited stations, TPF, TAWA, TFS and TANAPA indicated some weaknesses as detailed below:

4.3.1 Absence of Adequate and Functioning Identification Procedures

Are established procedures for identification of unclaimed nonfinancial assets in place and functioning well?

The Audit Team noted that there were no common identification procedures established by MoFP for holder entities to observe. Each individual holder entity had its own established procedures for identification as provided in

the laws and regulations governing such holder entities. However, the audit noted that, with an exception of police force which is guided by PGO, TAWA, TANAPA and TFS had no established and functioning procedures for identification of unclaimed non-financial assets as indicated in Table 4.2 above.

The audit noted further that even the established procedures at TPF were not functioning. Absence of the established procedures to TAWA, TANAPA and TFS and non-functioning of the same in case of TPF is attributed to four (4) main weaknesses, namely, absence of developed general identification procedures by MoFP, combination of confiscated properties and unclaimed assets, use of exhibit book or general ledger in alternative to found property register, and non-adherence to the developed identification procedures at TPF. Brief descriptions on each of these are provided hereunder: -

a) Absence of Developed General Identification Procedures by MoFP

According to Clause 6.4 of the Public Assets Management Guideline, 2019 MoFP through GAMD was expected to determine identification procedures for unclaimed non-financial assets pending with each holder entity across public sectors.

The Audit Team noted that GAMD did not determine general identification procedures and disseminate such procedures to TAWA, TANAPA or TFS for implementation. Non determination of the procedures by GAMD forced each individual holder entity to determine and designate their own procedures for identification of unclaimed non-financial assets.

As stated before, out of four (4) visited entities, only one (TPF) had established procedures for identification of unclaimed non-financial assets as articulated under clause 304 of the PGO. The interviews with officials from MoFP indicate that the Ministry had not yet developed identification procedure because each individual holder entity had unclaimed non-financial assets different from the other. Likewise, there are different laws and regulations governing unclaimed non-financial assets to such holder entities.

On the other hand, officials from TAWA, TFS and TANAPA reiterated that, the use of general ledger for identification of unclaimed non-financial assets

was self-sufficient and the procedures for identification of unclaimed assets was not part of their obligations.

b) Combining of Confiscated Properties and Unclaimed Assets

The audit found out that all four (4) visited holder entities were combining unclaimed assets together with confiscated properties. In the general ledger, in case of TAWA, TFS, TANAPA and in unclaimed assets register books in the case of TPF.

For instance, the reviewed TFS's general ledger (unclaimed assets register book) found that the record of confiscated assets together with found property were registered together. TFS officials claimed this to be appropriate because they originate from the same case or individuals or from the same operations. The Audit Team reviewed general ledgers from TFS and noted that forest produce which were confiscated from anti-illegal harvest operations were recorded in the general ledger together with items like motor cycles, bikes and chainsaw. The latter items ought to have been recorded in the separate unclaimed properties register book.

In TANAPA we found out that general ledger had both properties which were in the definition of the authority were confiscated government trophies and would not qualify to be named as unclaimed assets registered in the general ledger together with other items like fire arms which qualify as unclaimed assets.

(c) The Use of Exhibit Book or General Ledger in Alternative to Found Properties Register

The Audit Team noted that non-issuance of directive and guideline by MoFP had resulted into holder entities, particularly TPF, to use Exhibit Register as an alternative book to found properties register. This situation resulted into non-recording of the estimated value of the found properties at the reporting time, the information which was the requirement in Found Property Register but missed in the Exhibit Register Book.

Consequently, the value of found properties remained unknown until the time TPF disposed them off, hence resulting into understatement of estimated price. For example, the Reviewed Inventory List in 6 out of 8

visited Police Stations show that found motorcycles were valued at a maximum TZS 50,000 with no entry value.

Likewise, TFS, TANAPA and TAWA use general ledger for registration of unclaimed assets as an alternative to found properties register. Similar to exhibit register in the general ledger, TFS, TANAPA and TAWA did not record an estimated original value of such properties. The original value was significant to determine the loss or revenue of such properties at the time of disposition. As a result, we found several overstayed items which could not be disposed-off any longer but TFS, TANAPA and TAWA could not tell the estimated value of such properties. Eventually it was impossible for GAMD to establish the extent of lost revenue to properties which had no original value.

(d) Non-adherence to the Developed identification Procedures by TPF

PGO requires unclaimed assets/found property, after being initially recorded in the Report Book (RB), to be identified and registered in the Found Property Register Book by recording their details such as; RB numbers, date reported to the station, type of assets, registration numbers and value.

The audit noted efforts made by TPF in identification and registration of found properties. However, examination of the Found Property Register from 2015/16-2019/20 in all 8 visited Police Stations in Dar es Salaam, Mwanza, Katavi and Tabora, revealed that found properties were not adequately identified by entering their value as per the requirement of the Clause 304 of the PGO. The recorded information was only details of RB numbers, date reported to the station, type of assets and their registration numbers. We noted that there was no estimated value or condition of the properties at the time of entry for the same to be rechecked at the time of disposition.

The interviewed Senior Police Officers in the visited Police Stations stated that the noted anomaly was caused by lack of technical ability among police officers to establish the value of found properties in their possession. They were of the view that recording value and condition requires an individual with actuarial skills at the time of acquisition. On the other hand, inadequate supervision and verification among Regional Stock Verifiers

(RSV) from MoFP allowed this anomaly in the visited holder entities to be unnoticed for long period of time.

As a result, all visited Police Stations were not in a position to know an estimated value of the abandoned properties at the time when such properties were acquired. This is expected to be compared with the value at the time of their disposition, considering that such properties had depreciated while grounded at holder entities' storage facilities.

4.3.2 Non-issuance of Guidelines for Identification of Unclaimed Non - Financial Assets to Holder Entities by MoFP

Are there Directives or Guidelines issued by MoFP (GAMD) and BoT to holding entities to appropriately identify the unclaimed non-financial assets?

According to Clause 6.4 of the Public Assets Management Guideline, 2019 MoFP was expected to formulate guideline and various directives for proper management of government assets.

However, the Audit Team noted that MoFP as a custodian of all public assets did not issue guidelines or directives of how holder entities should identify and record unclaimed assets existed to various holder entities. The interviewed RSV in the visited Regions stated that TAWA, TFS, TANAPA were supposed to identify and record abandoned properties as provided in their own institutional laws and regulations. In particular, TPF was guided by PGO. However, TFS, TAWA and TANAPA had no identification procedures and identification and registration was done using their general ledgers.

MoFP was of the view that the non-issuance of guidelines in identification of the abandoned properties was caused by non-uniformity of such properties. That, unclaimed assets which were found within TANAPA were different from those found within TAWA or TFS and that it was not possible to issue guidelines which would cut across all holder entities. However, the Audit Team noted that despite the properties being different they were falling in the same category of unclaimed non-financial assets.

Therefore, non-uniformity was not a factor for failure to formulate a common guideline for identification of abandoned properties. Rather,

absence of plans for the formulation and issuance of guideline for identification of the abandoned properties in the MoFP Strategies and Plans was the major contributing factor. Furthermore, this situation was caused by the fact that Regional Stock Verifiers not recommending to MoFP on how identification of non-uniform abandoned properties in different holder entities could be dealt with.

In general, non-issuance of the guidelines for identification of unclaimed non-financial assets to holder entities resulted into the following:

a) Missing Records from Grounded Unclaimed Non-Financial Assets at TPF

The Audit Team noted that there were unclaimed non -financial assets in the storage facilities of holding entities whose information could not be established and corroborated in the unclaimed assets registers. This was particularly found in 6 out of 8 visited Police Stations. The Audit performed verification of the abandoned motorcycles because other unclaimed non-financial assets held under TPF such as Arms had a different treatment and involves immigration departments. **Table 4.3** presents a list of found motorcycles whose information could not be traced either in the Exhibit Register, Found Properties' Register or Report Books.

Table 4.3: Analysis of Missing Unclaimed Motorcycles

| Police Regional Office | Name of the Police station Visited | Number of Found Motorcycles not registered. | Total Estimated Value ¹² (TZS) |
|------------------------|------------------------------------|---|---|
| Dar es Salaam | Oysterbay Police Station | 6 | 1,200,000 |
| | Urafiki Police Station | NIL | NIL |
| Katavi | Mpanda Central Police Station | 8 | 1,600,000 |
| | Inyonga Police Station | 3 | 600,000 |
| Mwanza | Nyamagana Central Police Station | 10 | 2,000,000 |
| | Kirumba Police Station | 16 | 3,200,000 |
| Tabora | Tabora Central Police Station | 1 | 200,000 |
| | Nzega Police Station | NIL | NIL |
| Total | | 44 | 8,800,000 |

Source: Physical verification conducted by the Audit Team, 2020

From **Table 4.3** it is observed that a total of 44 motorcycles with an estimated value of TZS 8.8 million were missed in the 6 out of 8 visited Police Stations. That means, these motorcycles were not found on the ground during physical verification. The interviewed Senior Police Officers stated that the motorcycles were returned to the owners without written records. This could potentially allow dishonest employees to temper with the unclaimed assets and expose TPF to unnecessary claims and litigation in-case the assets are not eventually delivered to the owners.

This was also caused by non-issuance of guidelines of identification and registration by MoFP on the timing of recording of such properties. However, the interviewed Police Officers responsible for custody of exhibits stated that, as long as the properties were in their custody there was no danger of loss. However, they could not explain why such properties were not entered into the required books for the purpose of identification and registration.

b) Presence of Overstayed Unclaimed Non-Financial Assets

The Audit Team noted that all visited entities had held overstayed unclaimed non-financial assets in respect of which the holder entities

¹² The Audit Team estimated TZS 200,000 as an average estimated disposal value of found motorcycles in the visited Police Stations.

either, lacked mandate to dispose, failed to dispose, or could not be disposed by way of auction. For example, TFS had non-forest produce properties in Katavi which have overstayed. The interviewed officials claimed that they could not be disposed by way of auction because those properties have been already fully impaired. Also, TANAPA officials were of the view that it could not dispose their unclaimed assets because the firm has no legal mandate to dispose them off. Interviewed senior official of TAWA had opined the same position but added that with respect to TAWA disposition of items which were apprehended for illegal hunting, would encourage the behaviour since this will lead to taking back the same items to the community. In their view it was the ministry's responsibility to advise a better way to deal with such items. We however noted that TAWA has never written an inquiry to MoFP on how best such items would be disposed-off.

Generally, holder entities were of the opinion that MoFP should be giving directives or guidance in situations where unclaimed assets could not be disposed by way of auction. Table 4.4 below shows a period for which unclaimed assets had overstayed within the holder entities and the reasons for the overstay.

Table 4.4: Extent of Overstay of Unclaimed Non-financial Assets

| Holder Entity | Name of the Asset | Maximum Period overstayed (in years) | Reason for overstay |
|---------------|---|--------------------------------------|--|
| TFS | <ul style="list-style-type: none"> • Motorcycles • Logs (from different tree species) • Bicycles • Charcoal | 3 | <ul style="list-style-type: none"> • Set price is too high • Over depreciation |
| Police | <ul style="list-style-type: none"> • Motorcycle • Motor vehicles • TVs • Bicycles | 2 | <ul style="list-style-type: none"> • Delayed disposal • Over depreciation |
| TANAPA | <ul style="list-style-type: none"> • Motorcycles • Motor vehicles • Bicycles • Chainsaws • Arms | 7 | <ul style="list-style-type: none"> • No legal mandate to dispose |

| | | | |
|--|---|--|--|
| | <ul style="list-style-type: none"> • Timber • Boats and Boats Engines • Fishing nets | | |
|--|---|--|--|

Source: Reviewed holder entities registers and general ledgers from 2015/16 - 2019/20

It is evident from **Table 4.4** that some unclaimed assets/properties have overstayed within holder entities for a period of more than 36 months without being disposed-off and holder entities had taken no action to realize them. This situation caused impairment of the properties to the extent that such properties could not be disposed-off by way of auction as they had degenerated to scrap assets.

The overstay of such unclaimed assets was due to various reasons including high price tagged on them, delayed court process to conclude the cases, over depreciation and lack of mandate as it was the case with TANAPA.

c) Missing Recorded Unclaimed Assets to TPF

The audit noted further that there were recorded unclaimed assets particularly to the visited Police Stations which were not found to be real and physically existing. These were particularly found in 6 out of 8 visited Police stations where there were missing items of unclaimed properties (specifically found motorcycles). The interviewed Police Officers stated that such properties were returned to individuals (previous owners) without recording to and doing reconciliation with the records from the officers responsible for keeping found properties.

However, the interviewed officials could not provide any proof as to whether the missing unclaimed assets on the ground were indeed returned to the previous owners. We further cross-checked with the inventory of found properties to establish whether the missing found properties were placed for auction. The findings had that there was no evidence to substantiate the assertion by Police Force that such properties were placed for auction.

Table 4.5 shows the number of unclaimed non-financial assets against the visited police stations which were recorded in the register but were not physically in existence on the ground.

Table 4.5: Visited Police Stations with Missing Unclaimed Properties

| Visited Region | Name of visited Police Station | Missing unclaimed Properties | Particulars |
|----------------|--------------------------------|------------------------------|----------------|
| Katavi | Mpanda Central | 6 | • Motor cycles |
| | Inyonga | 3 | • Motor cycles |
| Mwanza | Kirumba | 16 | • Motor cycles |
| | Nyamagana Central | 5 | • Motor cycles |
| Tabora | Tabora Central | 1 | • Motor cycles |
| Total | | 31 | |

Source: Reviewed Police Stations Register Books and Physical verifications from 2015/16 - 2019/20

From Table 4.5 shows that 31 found motor cycles were recorded in the reviewed Police Register Books. However, the same were neither physically existing on the ground no information on the transfer or disposal thereof was available. This points to the loss or misuse of found properties which were under the custody of the above referred police stations. In addition, the statements by officials indicating that the said properties might have been returned to the original owners were not substantiated.

4.4 Inadequate Registration of Found Properties into Asset Register

Do holding entities adequately register unclaimed assets in their institutions?

Clause 11 of the Public Assets Management Guideline, 2019 requires holders of unclaimed asset to recognize or record at cost or at revalued amount in the asset register for all controlled assets. Moreover, Clause 304 of the PGO states that found or unclaimed assets handed over to all police stations shall be entered in the report book together with brief details and their estimated value. The said unclaimed assets should later be transferred to the found and unclaimed property register.

The audit noted that TPF registered/recorded found properties/unclaimed assets were not entered in the appropriate register for abandoned properties. For instance, the audit established that the abandoned properties under the custody of the O/C were never recorded in the exhibit register. Also, Verification Report of Government Assets, 2019 showed that various properties that were exhibit of various court cases or found properties with estimated value of **TZS. 3.28 Billion** were neither included

in the exhibit register book (PF.16) nor in the found property register (PF.53). This was contrary to the requirement of Clause 304 of PGO.

In the case of TAWA, TFS, TANAPA, the Audit Team established that unclaimed properties were not recorded in the independent register. They were however entered in the general ledger without the estimated value. The above entities could not establish an estimated value of unclaimed assets maintained in their registers or even at the time of entry to such registers. This anomaly was mainly caused by the following:

- Failure by holding entities to report instantly acquisition of such found properties to the effect that their details could not be traced, and eventually holder entities could not track the reporter;
- Inadequate supervision by RSV whereby the non-registration of abandoned assets has gone unnoticed; and
- Non-issuance of guidelines and directives with close oversight and absence of sanctions measures by MoFP with respect to delinquent holder entities.

As such unrecorded found properties were placed for public auction and consequently disposed-off or even returned to original owners without being registered in the found properties register book or having original value to register the extent of impairment. This was potentially causing loss of Government revenue which could have been realized from sale of the unclaimed non-financial assets that were not properly and appropriately registered.

4.4.1 Inadequate Establishment Registration Procedures of Non-Financial Unclaimed Assets

Did MoFP establish registration procedures for unclaimed non-financial assets?

According to the MoFP Approved Organization Structure, 2018, the Ministry, through GAMD, was expected to establish, maintain and up-date assets management systems. The interviewed Senior Officials from GAMD stated that there were no unified procedures obliging/requiring government institutions with unclaimed assets to register them in the unified Government registration procedures. This situation was mainly attributed

to lack of established system for registration of the unclaimed non-financial assets pending with various holder entities in the country.

The interviewed GAMD officials further confirmed that at the time of this audit report in November 2020, each government institution was using its own procedures in registering the unclaimed assets existing in their respective institutions. For example, TPF was guided by PGO whereby unclaimed assets were registered in the Found Property Register.

On the other hand, TFS, TAWA and TANAPA, were using general ledger for registration of properties as an alternative for unclaimed assets register. We noted similarities in details of the general ledger used for registration by TAWA, TFS, and TANAPA. The ledger had no date, property/item name, the operation which gave rise to the property, and the number. Similar to TPF, official of TAWA, TFS, TANAPA were not recording an estimated value of the properties/items they considered to be abandoned. However different from the found property register of the TPF, ledgers of TAWA, TFS, and TANAPA had no column for estimated value. As such it was not possible to establish the extent of loss or impairment of overstayed properties.

The audit noted that inadequately established registration procedures had resulted into the following:

(i) Combining of Confiscated Properties and Unclaimed Assets

The audit noted that TAWA, TFS, TANAPA and TPF were combining unclaimed assets together with confiscated properties in the unclaimed assets register books. This weakness resulted to difficulty in establishing the magnitude of unclaimed assets pending with those entities. It also caused the entities to fail to segregate values of disposed unclaimed assets from values of confiscated properties.

(ii) The Use of Exhibit Book/General Ledger in Alternative to Found Properties' Register

The audit noted that inadequate procedures for registration guidelines had resulted into TAWA, TFS, and TANAPA using general ledgers which combine confiscated properties, forest produce, government trophies and unclaimed

non-financial assets. This happened even though TAWA, TFS, and TANAPA treat confiscated items, forest produce and government trophies as not unclaimed assets. We also noted the use of Exhibit Register as an alternative book to found properties register by TPF. This could potentially lead to failure to trace found properties as exhibits are not the properties of TPF. They are only being kept in custody or in trust for the owners as opposed to found properties which as per the PGO become the property of TPF, kept under the custody of the OCS.

4.4.2 Insufficient Government Assets Registration System

Are there established registration systems for unclaimed non-financial assets?

According to the MoFP Approved Organization Structure 2018, the Ministry, through GAMD, was expected to establish, maintain and up-date assets management systems. The audit noted that MoFP through GAMD did not centrally register unclaimed non-financial assets/found properties despite having established a system (that is, GAMIS) for registering all public assets. MoFP was of the view that every holding entity kept an independent register and had different registration procedures to suit the kind of abandoned properties originating from that particular holder entity. The Ministry added that some of the registration system /procedures were established by the Institutional laws, regulations or guideline, making it difficult to be centralized.

Our examination of GAMIS revealed that the system was used to register and track Government assets acquired through public procurement processes as well as their maintenance and disposition. Thus, the system had no place for registration of assets acquired outside of procurement processes like unclaimed/found properties. The interviewed officials at the Ministry confirmed further that, as of the time of this audit, the system was yet to be updated and each government institution was using its own system for registering the unclaimed assets available in their institution.

Further interview with the GAMD officials suggests that absence of updated GAMIS was attributed to the fact that each government institution has its own independent management of found properties as per its established laws and regulations. It was further noted that MoFP considered its supervisory role on unclaimed properties to supersede its operational

responsibility on laying the foundation for updated assets management system to the extent that no procedures for registration which must be laid down for holder entities to implement. As a result, MoFP was not able to track every unclaimed asset kept and maintained by different holder entities. Also, the Regional Stock Verifiers and GAMD were equally unaware of the extent of unclaimed non-financial assets kept and maintained by holder entities.

4.5 Effective Controls over Management of Unclaimed Non-Financial Assets

MoFP through GAMD was expected to ensure that there is effective management of unclaimed non-financial assets to responsible government institutions in the country. Our review of document and interviews conducted at MoFP revealed that the controls were ineffective to ensure that unclaimed assets are effectively managed. Our detailed audit findings in this regard are provided hereunder: -

4.5.1 Inadequacy Issuance of Guidelines and Directives by MoFP

Does GAMD issue guidelines and directives for effective controls of unclaimed non-financial assets?

According to Clause 6.4 of the Public Assets Management Guidelines, 2019, MoFP was expected to formulate guidelines and issue various directives for proper management of unclaimed/abandoned assets. Despite MoFP's efforts in formulation of Asset Management Guidelines in 2019, the Ministry acknowledged that there had been no directives or guidelines issued specifically for the management of the abandoned assets.

The interviewed Regional Stock Verifiers in all 6 visited Regions indicated that holder entities were operating by using their internal procedures while guided by the Public Finance Act of 2001 and its regulations. However, the Audit Team noted that the law cited above had no specific provision for management of abandoned properties. This is what necessitated MoFP to formulate guidelines for the same.

Further, the visited holder entities confirmed that they had never been issued with any guideline from MoFP for management of abandoned properties. However, they reiterated a common practice of inviting

Regional Stock Verifiers during public auctions intended for disposition of government assets be either unclaimed or other assets ready for disposal.

The audit further noted that the Public Assets Management Guidelines, 2019 was inadequate to be considered as a tool for the entire process of managing unclaimed assets. In particular, the Audit Team noted that the Guidelines lacked the following:

- a) Procedures for identification of abandoned properties by holder entities;
- b) Procedure for registration and valuation of acquired abandoned properties;
- c) Procedures for conducting public auctions by holder entities for intended disposition of abandoned properties;
- d) Procedure for reunification of unclaimed assets with their previous owner;
- e) Procedures for sanctioning holder entities who misuse or mismanage abandoned properties for instance inability to adhere to the registration procedures; and
- f) Procedure for setting up price during public auction by holder entities.

This was attributed to MoFP's inability to plan for the formulation and issuance of guideline for identification of abandoned assets. It was also caused by inability of Regional Stock Verifiers to recommend to MoFP on how identification of heterogeneous abandoned assets in different holder entities could have been dealt with. Furthermore, the problem is associated with a failure by MoFP to recognize potentials of unclaimed assets and provide its entire management procedures in the Public Assets Management Guidelines, 2019. This includes procedures for reunification between unclaimed assets and its previous owners.

As a result, it is not surprising that MoFP did not sanction holder entities who were in violation of unclaimed assets management procedures.

4.5.2 Inadequate Plans for Onsite Verification of Unclaimed Non-Financial Assets

Has GAMD developed plans for verification of unclaimed non-financial assets in various government institutions?

MoFP through GAMD was required to establish, maintain and up-date assets management systems (Approved MoFP Organization Structure, 2018). The Audit Team noted that MoFP's Regional Stock Verifiers were planning for onsite verification of all public assets as per the requirement of the Public Finance Act of 2001. In the six (6) visited Regional Stock Verifiers Offices of Dar es Salaam, Morogoro, Tabora, Mwanza, Arusha and Dodoma, it was noted that the Regional Stock Verifier's annual work programmes were more of general plans for onsite verifications of Government's assets. Further examination of the Regional Stock Verifiers' annual work programme in all 6 visited Regional Stock Verifiers' Offices revealed that, MoFP through Regional Stock Verifiers did not have specific items on abandoned properties in their plans to be checked during onsite verification to cover the entire management of unclaimed assets.

The audit noted further that the onsite verification plans generally provided a number of on-site verifications to be conducted. The work programmes did not indicate exact items that were to be subject of the onsite verification. As a result, the following items were left out by Regional Stock Verifiers actions plans on verification of abandoned properties:

- (i) Adherence or non-adherence to registration and identification procedures of unclaimed assets;
- (ii) Found and unaccounted for unclaimed assets;
- (iii) Procedures for disposition of abandoned unclaimed assets which could not be sold during public auction; and
- (iv) Procedures for instituting claims for abandoned properties by previous owner.

The interviewed Regional Stock Verifiers stated that despite work programmes lacking such items, they were indeed checked and reported for during the actual conduct of onsite verification of abandoned properties. However, no evidence was provided to substantiate the stated statement. Non-inclusion of abandoned assets in the work programmes is mainly

attributed to absence of risk profiling on the management of abandoned assets.

Regional Stock Verifiers did not establish areas of high risk (including abandoned assets) where verification needs to focus. Instead, they focus on supervising public auctions. It is also noted that the specific few items which were checked by Regional Stock Verifiers regarding abandoned properties differ across the visited regions.

4.5.3 Inadequate Onsite Verification Conducted on Unclaimed Non-Financial Assets

Does GAMD carry out verification of unclaimed assets to holder entities in the country?

MoFP was required to conduct verification of unclaimed non-financial assets to holder entities of abandoned properties and prepare periodic government assets reports (*Approved MoFP, Organization Structure, 2018*). The interviewed MoFP Senior Officials from GAMD noted that the Ministry through Regional Stock Verifiers conducted regular onsite verification to holder entities on the entire management of not only unclaimed assets but on all government assets. However, review of verification reports from 5 out of 6 visited MoFP Regional Stock Verifiers Office revealed that Regional Stock Verifiers were reporting on an overall conducted verifications of government assets. These reports did not feature a component on unclaimed assets. Only Dar es Salaam region had appropriately reported unclaimed assets.

The audit further reviewed verification reports of the visited MoFP Regional Stock Verifiers Offices to assess whether unclaimed assets were among the components assessed during stock verification to holder entities. Table 4.6 presents the results on the extent of verification of unclaimed assets as performed by the RSV in the visited Regions.

Table 4.6: Extent of Verification of Unclaimed Non-financial Assets

| Holder Entity (Regional Stock Verifiers) | Number of reviewed onsite verification Reports | Component of unclaimed assets | Particulars |
|--|--|-------------------------------|---------------------------|
| Dodoma | 2 | Nil | N/A |
| Morogoro | 3 | Nil | N/A |
| Dar es Salaam | 3 | V | Registration and Disposal |
| Mwanza | 4 | Nil | N/A |
| Arusha | 3 | Nil | N/A |
| Tabora | 2 | Nil | N/A |

Source: Reviewed Regional Stock Verifiers Onsite Verification Reports from 2015/16 - 2019/20

From Table 4.6 above, it can be noted that only Dar es Salaam Regional Stock On-site Verification Reports covered or featured an item of unclaimed assets. The other reports did not cover items of unclaimed assets. However, the Regional Stock Verifiers stated that, they did not feature in the report because there were no anomalies to report. This contradicts from the audit examination to all visited holder entities which showed some anomalies related to unclaimed assets. As a result, the holder entities, specifically the visited Police Stations, misused or misappropriated some of the found properties by transferring them without any records.

The audit also noted that the components of the unclaimed assets/abandoned properties were not found in the reviewed onsite verification reports prepared by Regional Stock Verifiers. This shows that Regional Stock Verifiers did not conduct onsite verification as per their plans, and even when they did, the conducted onsite verifications failed to include components of abandoned properties such as reclaiming of abandoned properties by previous owners. This is mainly attributed to inability of RSV to conduct and establish risk profile on the planned and conducted onsite verifications to holder entities. It was also attributed to inability of RSV to prioritise the areas of onsite verification to be conducted on holder entities and include them in their annual plans and work programme.

The audit noted that MoFP had set out reporting as a control to check the conduct of RSV. However, there was no evaluation conducted by MoFP.

Neither was there any evaluation results communicated to RSV. As a result, RSV had rarely checked the management of unclaimed assets from identification stage to disposition by holder entities. In some cases, they were unaware of public auctions taking place in their localities, leading the auctions to be conducted without supervision of MoFP.

4.5.4 Inadequate Reporting on Status of Unclaimed Non-Financial Assets

Does GAMD periodically reports on the status of unclaimed non-financial assets in the country?

MoFP was expected to create effective handling and reporting requirements to holder entities on abandoned properties/unclaimed financial assets (*Approved MoFP, Organization Structure, 2018*). The interviewed RSV in all 6 visited Regions stated that MoFP was conducting and reporting on the management of all government assets regardless of whether such assets were unclaimed assets or not. The RSV further confirmed that, their reports on government assets include a number of queries related to various holder entities. They claimed that these queries form part of the CAG's report as required by Public Audit Act, 2008.

During the audit, the team examined the said CAG reports and noted that the referred components related to the procured government assets which were abandoned for various reasons including aging and destruction. The Audit Team did not find report on unclaimed assets from RSV that formed part of the CAG report.

Further audit enquiries to holder entities found that, instead of including all items/components of unclaimed assets, RSV tend to report on the public auction conducted to dispose such properties. This was mainly caused by inadequate planning and execution of onsite verification by RSV leaving items related to unclaimed assets unchecked.

In relation to reporting to RSV, the visited holder entities claimed that they did not have legal obligation to report to RSV as regards to either of the abandoned properties or public auction. Instead, they claimed that, as a good practice, they involve RSV whenever they conduct such public auctions. In our view, this was mainly caused by failure of RSV to conduct awareness to holder entities on the mandatory requirement of MoFP to

oversee the overall management of government assets as per the Public Finance Act, 2001. As a result, RSV failed to maintain consolidated monthly or annual reports of each holder entity indicating the scope of found properties/abandoned properties or the extent to which holder entities disposed -off the abandoned properties.

4.5.5 Improper Storage of Found Properties

As part of audit, the team conducted physical verifications of found properties to establish, among other things, whether the found properties were properly stored by the holder entities. It was found that most of the found properties under the Police Stations were not stored in shaded premises. They were stored in the open field or ground and therefore exposed to sunlight or rainfall. This situation was found in 4 out of 8 visited Police Stations whereby found motorcycles and bicycles were stored in an open field or ground hence exposed to direct sunlight or rainfall.

The above fact is demonstrated by the pictures below which show motorcycles and bicycles stored in unshaded area at Inyonga Police Station in Katavi. This was observed by the Audit Team during physical verification on 25th November, 2020.



Photo 4.1: Motorcycles and Bicycles stored in unshaded area at Inyonga Police Station in Katavi. Photo taken by Auditor on 25th November, 2020.

The interviewed Senior Police Officers expressed that the improper storage of found properties was mainly caused by lack of budget to construct the

storage sites. As a result, condition of the assets deteriorated resulting into loss of value on their disposal. Therefore, it is not surprising that most of the disposed motorcycles were sold below TZS 50,000 as scrap property.

Proper storage was noted at TANAPA whereby the Authority had an underground building where government trophies were stored separately from other items like firearms. Nonetheless TANAPA was of the view that given the numerous number of items received in a year, which was also expected to increase in future years, there was a concern that the Authority may run out of storage space. TANAPA thus calls for inter-ministerial arrangements between MoFP and Ministry of Natural Resources and Tourism to chart disposal mechanisms for such items. Furthermore, the Audit Team noted some deficiencies on part of TFS in all three zones which were visited. In Katavi special zone in particular, unclaimed properties were kept in an open field putting the value and quality of such properties at risk. This makes it impossible to dispose such properties in ordinary manner.

4.6 Disposition of Unclaimed Non-financial Assets

For a similar purpose of realizing economic advantage with respect to unclaimed assets pending to or held by the holder entities which were visited, MoFP was expected to oversee disposition of unclaimed non-financial assets. MoFP was further expected to have established procedures for reclaiming the unclaimed assets by their bonafide owners. The assets to be reclaimed may still be pending with holding entities or already disposed-off by way of auction. However, during the audit, various weaknesses relating to disposal of unclaimed non-financial assets by MoFP were revealed. These are briefly presented below:-

4.6.1 Absence of Effective Supervision of Disposal of Unclaimed Assets by MoFP

According to Rule 224 of the Public Finance Regulations of 2001, RSV were required to oversee disposition of public assets which were effected by way of public auctions. MoFP through GAMD was also required to assess the government assets (non-financial assets) disposal request and advice accordingly (Approved MoFP Organization Structure, 2018).

The interviewed RSV expressed that in some instances holder entities were conducting public auctions without notifying them of the date or/and place

of auctions. In this case, they referred to TPF. They further revealed that they normally discover the holding of such auctions at the time they perform verification of public asset generally. However, as elaborated before, the interviewed senior officials from TPF stations and TFS stated that they were not obliged or required by any law to invite RSV and insisted that they did invite them as a matter of practice. They further stated that, in some auctions, they invite RSV from MoFP and not regions. The reviewed communication letters between visited Police Stations and RSVs attested that, up to the financial year 2018/19, there were no letters sent to invite the RSV to oversee the disposal processes of the unclaimed assets.

The inadequate supervision on disposal of unclaimed assets as noted in the foregoing was caused by both statutory and operational reasons. Also, despite the RSV's claims that they were not invited, they had never written any guidance or reminder letters informing the holding entities such as TFS, TPF, TANAPA and TAWA about the mandatory requirement that all public auctions conducted by such entities should be supervised by MoFP. This situation has resulted into non-involvement of MoFP in setting up item prices. This could potentially result into the loss of Government revenue associated with the low disposal prices of the unclaimed assets as evidenced in the observed disposal price of motorcycles at TZS 50,000.

4.6.2 Lack of Procedures for Owners to Reclaim Unclaimed Non-Financial Assets

Does MoFP through GAMD have established procedure on how previous owners should reclaim already remitted/registered assets?

Holder entities were required to create an effective and efficient re-unification of unclaimed non-financial assets with owners and beneficiaries under an indefinite right to own property enshrined under Article 24 of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time).

Despite the above requirement, the reviewed Government Assets Management Guideline, 2019 shows that MoFP had no established procedures for individuals to reclaim their properties which were declared

as abandoned. However, it was noted that Clause 304 of the PGO¹³ provides procedures for individuals to claim back abandoned properties. The audit noted that 5 out of 8 visited Police Stations, the Officer Commanding Stations (OCS) were not aware of the procedures to be followed when individuals want to reclaim already disposed off found property.

This suggested that individuals could be denied of their right to reclaim found properties. We noted one case in the Police /Oysterbay whereby an individual who came forward to reclaim his already auctioned property was left to negotiate with the buyer a modality of compensation that will be fair to each other. This happened despite of the procedure underscored in the PGO and in the Police and Auxiliary Services Act.

On the other hand, the Audit Team noted that TFS, TANAPA and TAWA had no established procedures for individuals to reclaim their properties deemed as unclaimed assets or abandoned properties. Interviewed officials from TFS, TAWA and TANAPA recited that they had never encountered situations of an individual who wanted to reclaim ownership of found properties. And, that in their case, the procedures could not function as they had finalized legal procedures for legalizing such properties as government properties. They recited that reading through the law there were circumstances which gave them mandate or allow individuals or persons to reclaim such properties. As such it was not possible for them to formulate procedures on reclaiming unclaimed non-financial assets by their owners as they lack a mandate to stand on.

Table 4.7 shows the governing law and mandate to reclaim unclaimed assets with corresponding procedure for every visited holder entity:

¹³ Clause 304 which is specifically on abandoned properties allows individuals who are capable of establishing their ownership to reclaim found property from the Officer Commanding Station (O/CS) or from the courts of law as the case may be.

Table 4.7: Availability of Provision to Reclaim Unclaimed Non-financial Assets

| Holder Entity | Governing law | Mandate to Reclaim | Procedure to reclaim |
|---------------|--|--------------------|----------------------|
| TFS | The Forest Act | No mandate | No Procedure |
| TAWA | Wildlife Conservation Act | No mandate | No Procedure |
| TPF | The Police and Auxiliary Service Act | Mandate available | Procedure Available |
| TANAPA | National Parks Act and Wildlife Conservation Act | No mandate | No Procedure |

Source: Auditors' analysis 2020

It is evident from the Table 4.7 that with exception of TPF, other visited holder entities namely TAWA, TANAPA and TFS have no mandate in their governing laws to allow individuals to reclaim unclaimed non-financial assets. As such it not legally justified for TAWA, TANAPA and TFS to formulate procedures for reclaiming unclaimed non-financial assets by their owners as they lack that mandate.

In general, the noted anomalies were mainly attributed to inability of MoFP to set out uniform procedures for disposition of unclaimed assets/abandoned properties. It was further caused by non-existence of body/institutions full mandate to take charge of properties and vested with powers to dispose and set out procedure for individuals to reclaim their properties which have been declared as abandoned. As a result, holder entities have reported undocumented claims from previous owners/beneficiaries or administrator of estate who want to reclaim already disposed unclaimed assets. In some cases, the audit noted that those who had acquired the unclaimed assets in public auction failed to transfer ownership of the acquired properties because holder entities were not bonafide owners.

CHAPTER FIVE

AUDIT CONCLUSION

5.1 Introduction

This chapter presents conclusion of the audit based on the audit objective and specific objectives provided in Chapter One of this Report. The conclusion is categorized into two main parts, namely, overall conclusion and specific audit conclusions. These are detailed hereunder: -

5.2 Overall Conclusion

The Audit Team noted efforts made by MoFP and BoT in enhancing management of both financial and non-financial unclaimed assets. These efforts included, issuance of circular letters to commercial banks and mobile network operators to ensure remittance of unclaimed financial assets and coming up with a draft amendment of the BAFIA to ensure among other things disposition of the remitted amount. Similarly, there were noted efforts employed by BoT in examination of dormant accounts as well as ensuring Electronic Money Issuers remit unclaimed customers' balances pending in their electronic accounts consecutively for five years.

However, the audit team noted some challenges as explained in the findings chapters such as ineffective identification, registration, remittance and disposition of unclaimed financial assets. For instance, BoT did not conduct verification of remitted unclaimed financial assets from commercial banks and mobile network operators something which could have increased remittance of unclaimed financial assets. Similarly, the Bank failed to detect and sanction commercial banks and mobile network operators who were violating the BAFIA, 2006 regarding management of unclaimed financial assets.

As a result, there has been a decreasing trend of remittance of the unclaimed financial assets by commercial banks from the calendar years 2016 - 2017 and 2018 - 2019. Likewise, MoFP did not conduct verification of unclaimed non-financial assets to government institutions with potential unclaimed properties. As a result, the unclaimed properties were disposed-off without being administered by the Ministry.

Overall, the noted anomalies which contributed to ineffective management of unclaimed assets in the country include; absence of adequate regulations guiding management of unclaimed assets, absence of functioning identification and registration procedures, inactive controls for management of unclaimed assets, and non-disposition of unclaimed financial assets. As a result, a significant amount of financial assets totalling TZS 12.6 billion have remained undisposed off at the BoT for a period of more than five (5) years from their first remittance in 2015. On the other hand, the identified unclaimed non-financial assets tend to suffer substantial impairment in the hands of holder entities, signifying a loss of government revenues due to reduced value.

5.3 Specific Audit Conclusion on Unclaimed Financial Assets

5.3.1 Inadequate Identification of Unclaimed Financial Assets Pending with Commercial Banks

Based on our audit findings, we conclude that the identification of unclaimed financial assets pending with commercial banks and electronic money issuers is inadequate. BoT issued circular letters to the holder entities obliging them to identify and remit unclaimed assets. However, the Bank was unable to confirm the actual amount of the unclaimed assets that were to be identified and check for any discrepancy between the identified and remitted amount. This is mainly attributed to its failure to conduct on-site examination to particularly ascertain that the amount identified as unclaimed assets correct. BoT factored this to be a result of risk based onsite examination in which unclaimed assets was not among the risk areas.

5.3.2 BoT's Non-issuance of Guidelines for Identification of Unclaimed Financial Assets

As an oversight body, BoT was expected to issue directives or guidelines for identification of unclaimed financial assets. Based on our audit, we found neither the said directives nor guidelines. Instead, BoT directed its efforts on compelling commercial banks and electronic money issuers to deposit the amount of abandoned properties. While this is good, BoT is equally expected to exert efforts on issuing guidelines on management of unclaimed assets. Such guidelines to encompass the entire process from identification to disposition and how individuals can institute claims of their assets declared to be abandoned. The guidelines and directives could potentially

address the noted malpractices by holder entities such as, change of aging and dormancy period.

5.3.3 Inadequate On-site Examination on Dormant Accounts

Based on the audit findings, it can be concluded that BoT did not adequately conduct onsite examination of dormant accounts to ensure potential unclaimed financial assets in the commercial banks are properly recorded for future remittance. Very few on-site examinations covered dormant accounts. For example, from the financial years 2015/16 to 2019/20, only four (4) out of 99 conducted on-site examinations assessed dormant accounts. This is equivalent to 4.04% of the planned on-site examinations. This inadequacy was attributed to lack of effective strategies and priorities on assessment of dormant accounts during onsite examination. As a result, BoT lack reliable statistics and updated information on the potential of unclaimed financial assets existing at the commercial banks and electronic money issuers.

5.3.4 Non-Verification of Unclaimed Financial Assets from Mobile Network Operators

We conclude that BoT did not adequately verify remittances from MNOs in order to assess whether the remittances were free of errors. This was mainly attributed to desk review/examination conducted on each remittance as opposed to on-site. This poses a risk of loss of potential revenue that could be obtained if on-site examinations were conducted.

5.3.5 Ineffective Disposition of Unclaimed Financial Assets

Disposition of unclaimed financial assets pending with the Banks presented the legal challenge between BoT and MoFP on which institution has the mandate to deal with such properties. From our audit findings, neither BoT nor MoFP undertake to dispose such properties owing to lack of legal mandate. BoT articulates that the amount is kept at the Bank under custody or in trust of MoFP while MoFP maintained that there is no law mandating it to dispose-off the amount. As a result, the potentials from unclaimed assets remained untapped because the two institutions lacked the mandate to dispose-off the unclaimed financial assets.

Five (5) years have passed since MoFP sought advice from BoT on disposition of unclaimed properties. BoT's response was that, such properties be disposed-off using the provisions of Public Trustee (Powers and functions) Act. Since 2015, MoFP has not taken action to assess and confirm validity of BoT's advice or institute an alternative approach to deal with such properties. As a result, unclaimed financial assets have remained unused/idle with unrealized potentials.

5.3.6 Inadequate Procedures for Owners to Reclaim Unclaimed Financial Assets

The law related to unclaimed financial assets does not give original owners of abandoned properties the opportunity to reclaim their properties. This law requires such assets to be deposited to BoT. However, the law is silence on whether such unclaimed financial assets, once in custody at BoT, are confiscated and becomes government properties or can be reclaimed by their original owners.

The absence of procedure for individuals to reclaim their assets is considered as deprivation of individuals' right to own properties, hence a constitutional infringement. However, it is important to note the on-going efforts to review BAFIA, 2006 in which BoT introduced, among other things, some procedures for individuals to reclaim their properties having been declared abandoned.

5.4 Specific Audit Conclusion on Non-Financial Unclaimed Assets

Based on the audit findings, five (5) main audit conclusions were drawn in relation to the management of unclaimed non-financial assets at MoFP and the visited holder entities. These are provided hereunder:

5.4.1 Inadequate Mechanisms for Identification and Registration of Unclaimed Non-Financial Assets in the Country

An assessment of the mechanism for identification and registration of non-financial unclaimed assets at MoFP and all visited holder entities suggests that the existing mechanism is inadequate and not functioning well. This is attributed to inability of MoFP to designate procedures for identification of unclaimed assets for holder entities to adopt. Identification procedures are

crucial in the management of abandoned assets as they will enable holder entities to identify causes and number of the abandoned assets acquired systematically.

It was also noted that GAMD did not determine and designate identification procedures for unclaimed assets and disseminate the same to the visited holder entities for implementation. As a result, each individual holder entity designed and used its own procedures. Consequently, there were confusion regarding identification of the unclaimed non-financial assets. In some cases, they were mixed together with confiscated assets in the register or general ledger.

Furthermore, some details of the unclaimed non-financial assets were missing in the register. In some of the visited TPF stations, contrary to the Clause 304 of PGO, some details (such as value of the abandoned/ found properties) were not evidenced in the Report Book and Found Property Register. This underscores the importance of MoFP as an oversight body to designate and strengthen procedures for identification, acquisition and disposal of unclaimed assets.

5.4.2 MoFP's Non-issuance of Guidelines for Identification of Unclaimed Non-Financial Assets

MoFP as an oversight organ to all holder entities of unclaimed non-financial assets, was expected to issue directives or guidelines for management of unclaimed assets from identification through disposition level+. However, this oversight role has not been effectively implemented. Instead, MoFP issued the guidelines for management of government assets without accompanying procedures. Therefore, the guidelines failed to appropriately provide guidance regarding on disposition of the abandoned assets by holder entities and procedures for individuals to reclaim the abandoned assets. As a result, there are various malpractices including missing records, missing unclaimed assets, and failure to dispose the unclaimed assets.

5.4.3 Absence of Procedures for Registration of Unclaimed Non-Financial Assets.

Despite having a specific department dealing with government assets (that is, GAMD), MoFP does not have common and unified procedure for registration of unclaimed non-financial assets to be followed by holder entities. As a result, each individual holder entity developed its own independent procedures for registration of the unclaimed non-financial assets. However, the Audit Team noted that some holder entities were not even able to adhere to their own developed registration procedures. This was evidenced at TPF where it did not adhere to adopted PGO which requires all details (including value) of the abandoned assets to be registered.

5.3.4 Inadequate Controls for Management of Unclaimed Non-Financial Assets

MoFP through GAMD was expected to ensure that there is effective management of unclaimed non-financial assets vested in a specific government institution. Based on the audit findings, we conclude that the controls were ineffective due to the following observations:

- a) The guideline for management of government assets is ineffective as it missed out key aspects of unclaimed assets, including but not limited to, the procedures for both identification of abandoned properties by holder entities and returning of unclaimed assets to their previous owners;
- b) Plans for onsite verification of unclaimed non-financial assets being inadequate. MoFP planned various onsite verification of government assets, however, the said plans had no specific items of unclaimed assets to be verified. This makes the control of conducting onsite verification ineffective as it fails to achieve the intended objective ; and
- c) Inadequate reports on status of unclaimed non-financial assets. The requirement to report on the extent of unclaimed assets by holder entities was found to be inadequate and not optimal as expected. Also, onsite verification reported by RSV failed to indicate actions

taken against any malpractices including failure by holder entities to record the extent of unclaimed assets.

5.3.5 Inadequate Verification of Unclaimed Non-Financial Assets

Based on our audit, we conclude that MoFP did not conduct adequate verification of unclaimed non-financial assets in the country. For instance, as of June 2020, the Ministry was able to conduct an audit for the assessment of unclaimed assets within TPF only. Other government institutions with potential unclaimed non-financial assets such as TAWA, TFS, and TANAPA were not examined at all. Absence of plans for verification of unclaimed assets, putting more efforts on overseeing disposal of government assets, and the notion that every institution has its own laws and regulations for disposing-off abandoned properties contributes to the noted inadequate verification of unclaimed non-financial assets by MoFP.

5.3.6 MoFP Inappropriate Supervision in Disposition of Unclaimed Non-Financial Assets

Supervision of MoFP in disposition of unclaimed non-financial assets was found to be inadequate. This is mainly due to failure by RSV to supervise each public auction conducted in their area of operations. Whilst RSV blamed the holder entities for not appropriately and timely informing MoFP on the date and time schedules of conducting public auction so that they can attend, holder entities claimed that RSV are usually invited but do not attend. These explanations provide evidence that involvement of the Ministry (through RSV) in the public auction is minimal. Also, based on our audit, we conclude that there were inadequate procedures for owners to reclaim back the unclaimed assets and therefore deprived their right of property ownership as enshrined in the Constitution.

CHAPTER SIX

AUDIT RECOMMENDATIONS

6.1 Introduction

The audit findings and conclusions pointed-out weaknesses on the effectiveness of management of both unclaimed financial and non-financial assets. Thus, as per audit objectives presented in Chapter One, three major areas require improvements. These are identification and registration of unclaimed assets, controls for management of unclaimed assets, and appropriate disposal mechanisms for both unclaimed financial and non-financial assets.

The National Audit Office believes that the recommendations that have been given in this Report need to be fully implemented so as to improve the overall management of unclaimed assets held in the financial institutions, government institutions and other non-financial institutions with potentials for unclaimed financial assets. The recommendations will also ensure that MoFP and BoT effectively perform their oversight functions regarding the management of unclaimed assets in the country.

6.2 Specific Recommendations on Unclaimed Financial Assets

6.2.1 To Improve Identification and Registration of Unclaimed Financial Assets

BoT is recommended to:

- (i) Formulate guidelines and directives for identification and registration of unclaimed financial assets from financial institutions;
- (ii) Develop guideline for operationalization of the legislation for unclaimed financial assets. The guidelines should include but not limited to reporting timelines, roles of holders, filing of reports to the Authority, powers of authority to enforce compliance and consequences of non-compliance; and

- (iii) Review the appropriateness of the existing 15 years' dormancy period for unclaimed financial assets from commercial banks to assess whether this time frame can be reduced within the commercial banks. The review should also focus on ensuring that potential abandoned properties are identified and registered by holder entities.

6.2.2 To Improve Controls in Management of Unclaimed Financial Assets

BoT is recommended to:

- (i) Develop and implement strategies to ensure dormant accounts available at commercial banks and mobile network operators are adequately examined during onsite examination. The strategies should ensure identification of malpractices in the dormant accounts;
- (ii) Conduct verification of remitted unclaimed financial assets to both commercial banks and electronic money issuers. The verifications should enhance determination of whether the amount remittance made was the actual one; ; and
- (iii) Institute appropriate sanctions to non-compliant commercial banks and electronic money operators as provided in the applicable laws, regulations, directives, or guidelines on the management of unclaimed financial assets.

6.2.3 To Improve Disposal of Unclaimed Financial Assets

BoT is recommended to:

- (i) Establish a mechanism that would enhance effective disposal of remitted unclaimed financials assets from both commercial banks and mobile network operators. The mechanisms should identify who is the right owner and user of abandoned properties disposed-off; and
- (ii) Establish procedures in which the initial owner of abandoned properties transferred to BoT or any other government

institution can reclaim their right of ownership in case they want to do so. The procedures should facilitate and ensure individuals or persons are not deprived of their constitutional right to own properties.

6.3 Specific Recommendations on Unclaimed Non-Financial Assets

6.3.1 To Improve Identification and Registration of Unclaimed Non-financial Assets.

MoFP through GAMD is recommended to:

- (i) Develop and implement harmonized procedures for identification and registration of unclaimed non-financial assets that should be adhered and implemented by all holder entities in the country. The uniformity in identification and registration of unclaimed non-financial assets by all holder entities shall enhance easy tracking of the same by MoFP; and
- (ii) Update the existing Government Assets Management Information Systems to ensure the Regional Stock Verifiers regularly reports on acquisition and disposal of abandoned properties by holder entities;

6.3.2 To Improve Controls in Management of Unclaimed Non-Financial Assets

MoFP through GAMD is recommended to:

- (i) Establish a robust unclaimed non-financial assets management system to holding entities in the country. The system should enhance identification, registrations, remittances and disposition of unclaimed non-financial assets;
- (ii) Develop strategies and plans for verification of abandoned/ found properties to all government entities with potential unclaimed non-financial assets in order to track records

relating to their management by holder entities from acquisition to disposal level;

- (iii) Ensure RSV establish and implement risks based on-site verification plans to holder entities. The developed plans should facilitate tracking of the available unclaimed non-financial assets within holder entities on regular basis;
- (iv) Develop guidelines for operationalization of the legislation for unclaimed non-financial assets. The guidelines should include but not limited to reporting timelines, roles of holders, filing of reports to the Authority, powers of authority to enforce compliance and consequences of noncompliance; and
- (v) Institute appropriate sanctions to non-compliant holder entities as provided in the applicable laws, regulations, directives, or guidelines on the management of unclaimed non-financial assets.

6.3.3 To Improve Disposal of Unclaimed Non-Financial Assets

MoFP is recommended to:

- (i) Develop mechanism that ensures proper disposal of unclaimed non-financial assets held by various entities in accordance with relevant disposal procedures; and
- (ii) Develop uniform procedures for individuals to reclaim their previously owned unclaimed non-financial assets.

REFERENCES

1. Republic of Australia: *“Banking Laws Amendment (Unclaimed Money) Bill, 2015”*.
2. Republic of Kenya: *“Unclaimed Financial Assets Act, 2011”*.
3. United Republic of Tanzania: *“The Ministry of Finance and Planning Medium Term Strategic Plan, 2017/18-2021/22”*.
4. United Republic of Tanzania: *“Capital Market and Securities Authority, Companies Registration Guideline, 2015”*.
5. United Republic of Tanzania: *“The Ministry of Finance and Planning Organization Structure, 2018”*.
6. United Republic of Tanzania: *“Public Audit Act, 2008”*.
7. United Republic of Tanzania: *“Public Finance Act, 2001”*.
8. United Republic of Tanzania: *“Banking and Financial Institutions Act No. 52006”*.
9. United Republic of Tanzania: *“Bank of Tanzania Act No 4, 2006”*.
10. United Republic of Tanzania: *“National Payment Systems Act, Act No. 4, 2015 and its Regulation of 2015”*.
11. United Republic of Tanzania: *“Public Service Social Security Fund Act No. 2, 2018”*.
12. United Republic of Tanzania: *“The Land Act [CAP 113 RE. 2019]*
13. United Republic of Tanzania: *“The Administrator General (Powers and Functions) Act [CAP 27 RE 2002]”*.
14. United Republic of Tanzania: *“Public Trustees (Powers and Functions) [CAP 31 RE 2002]”*
15. United Republic of Tanzania: *“Police General Orders (PGO) of 2006”*.

16. United Republic of Tanzania:” *The Public Assets Management Guideline, 2019*”.
17. United Republic of Tanzania: “*The Constitution of the United Republic of Tanzania of 1977 (as amended from time to time)*”.
18. *Republic of United Kingdom: “Dormant Bank and Building Society Act, 2008*”.
19. Gideon Nzioki; Unclaimed Financial Assets Presentation, 21st June 2018
20. Unclaimed Property Assets Register (K)) Ltd, Ministry of Finance, Kenya; The task force on Unclaimed Financial Assets, Nov 2008

APPENDICES

Appendix One: Responses from the Audited Entities

This part covers the responses from the Ministry of Finance and Planning and Bank of Tanzania. The responses are categorized into two categories i.e. general comments and specific comments for each issued audit recommendations. This is as detailed in part (a) and (b) below:

(a) General Comments: The Ministry of Finance and Planning

| |
|---|
| <p>The Ministry of Finance and Planning through the Government Assets Management Division appreciated the work done by the Controller and Auditor General. The results in the report which were accompanied by CAG recommendations upon implementation.</p> <p>Will improve the way we also handle these unclaimed non-financial assets and in the coming future the uniform procedure on identification, maintenance, registration, reporting and disposal of unclaimed non-financial assets will be outlined and directed in the developed Guideline as per your recommendations.</p> |
|---|

Specific Comments on the Issued Audit Recommendations

| S/NO | RECOMMENDATIONS TO THE MINISTRY OF FINANCE AND PLANNING | COMMENTS FROM THE MINISTRY OF FINANCE AND PLANNING | PLANNED ACTIONS | IMPLEMENTATION TIMELINES |
|------|--|---|---|---|
| 1. | Develop and implement harmonized procedures for identification and registration of unclaimed non-finance assets that should be adhered and implemented by all holder entities in the country. The uniformity in identification and registration of unclaimed non-finance assets by all holder entities shall enhance easy tracking of the same by MoFP | The Ministry agrees with the auditor's observation to develop and implement harmonized procedures for identification and registration of unclaimed non-finance assets to easy tracking of the same The procedure was highly impaired by the notion that every institution has its own laws and | The ministry will engage into development and issue of guideline for management/identification of unclaimed assets which will cut across the government institutions with potential unclaimed assets. | Since the action requires funds/budget, the implementation will be under the 2022/2023 budget of which the fund will be allocated |

| S/NO | RECOMMENDATIONS TO THE MINISTRY OF FINANCE AND PLANNING | COMMENTS FROM THE MINISTRY OF FINANCE AND PLANNING | PLANNED ACTIONS | IMPLEMENTATION TIMELINES |
|------|--|--|--|---|
| | | regulations for administering unclaimed assets. | | |
| 2. | Update the existing Government Assets Management Information Systems to ensure the Regional Stock verifiers regularly reports on acquisition and disposal of abandoned properties by holder entities | The ministry gave the room for review of the existing Government Assets Management Information Systems (GAMIS) for this reason the Ministry concur with the auditor's observations and recommendations | The Government Asset Management Information System (GAMIS) will be reviewed and updated to ensure RSV's regularly reports on acquisition and disposal of Abandoned properties which are found in their areas of jurisdiction | GAMIS will be updated 2021/22 and finalized on 2022/23 |
| 3. | Establish a robust unclaimed non-financial assets management system to holding entities in the county. The system should enhance identification, registrations, | The Ministry concur with the auditor's observations and recommendations. | The developed guideline on (1) above will be enriched with the guide to enhance identification, registration remittances and disposition | The guideline will be developed within the 2022/23 budget allocation. |

| S/NO | RECOMMENDATIONS TO THE MINISTRY OF FINANCE AND PLANNING | COMMENTS FROM THE MINISTRY OF FINANCE AND PLANNING | PLANNED ACTIONS | IMPLEMENTATION TIMELINES |
|------|--|---|--|--|
| | remittances and disposition of unclaimed non-financial assets | | of unclaimed non- financial assets. | |
| 4. | Develop strategies and plans for verification of abandoned/found properties to all government entities with potential unclaimed non-financial assets in order to track records relating to their management by holder entities from acquisition to disposal level. | The Ministry concur with the auditor's observation and recommendations. | The developed guideline on (1) above will be enriched with the guide to enhance identification, registration remittances and disposition of unclaimed non- financial assets. | The guideline will be developed within the 2022/23 budget allocation |
| 5. | Ensure Regional Stock Verifiers (RSV) establish and implement risks based on- site verification plans to holder entities. The developed plans should facilitate tracking of the available unclaimed non-financial assets within holder entities on a regular basis | Agreed with recommendation of audit | RSV plans for 2021/22 will ensure the activity for on-site verification and tracking of unclaimed non-financial assets are included and implemented. | During the 2021/22 budget allocation |
| 6. | Develop guidelines for operationalization of the legislation for unclaimed non-financial assets. The guidelines should include but | The Ministry agreed with the auditor's | The developed guideline will also include unclaimed financial assets and will include roles of holders and | 2022/23 budget will be set aside to develop and |

| S/NO | RECOMMENDATIONS TO THE MINISTRY OF FINANCE AND PLANNING | COMMENTS FROM THE MINISTRY OF FINANCE AND PLANNING | PLANNED ACTIONS | IMPLEMENTATION TIMELINES |
|------|---|---|--|---|
| | not limited to reporting timelines, roles of holders, filing of reports to the Authority, powers of authority to enforce compliance and consequences of noncompliance. | observations and recommendations. | powers of authority to enforce compliance and consequences of noncompliance. | operationalize the guidelines |
| 7. | Institute appropriate sanctions to non-compliant holder entities as provided in the applicable laws, regulations, directives, or guidelines on the management of unclaimed non-financial assets | The Ministry agreed with the auditor's observation and recommendation | The applicable laws, regulations and directives on the management of unclaimed non-financial assets will be reviewed to institute appropriate sanctions to non-compliant of these laws and regulations | During the 2021/22 budget allocation |
| 8. | Develop mechanism that ensures proper disposal of unclaimed non-financial assets held by various entities in accordance with relevant disposal procedures. | The Ministry agreed with the auditor's observation and recommendation | The guideline will put in place the mechanism that will ensure proper disposal of unclaimed non-financial assets | Financial year 2022/23 budget will be allocated funds for this activity |
| 9. | Develop uniform procedures for individuals to reclaim their previously owned unclaimed non-financial assets | The Ministry agreed with the auditor's | The uniform directive regarding the procedures for individuals to reclaim their previously owned | During the 2021/22 budget allocation |

| S/NO | RECOMMENDATIONS TO THE MINISTRY OF FINANCE AND PLANNING | COMMENTS FROM THE MINISTRY OF FINANCE AND PLANNING | PLANNED ACTIONS | IMPLEMENTATION TIMELINES |
|------|---|--|---|--------------------------|
| | | observation and recommendation | unclaimed non-financial assets will be instituted | |

(b) General Comments: Responses from the Bank of Tanzania (BOT)

The principal functions of the Bank of Tanzania (BOT) have been stipulated under Section 5 of the Bank of Tanzania Act, 2006, which include regulating and supervising banks and financial institutions. The objectives of regulating and supervising banks have been covered under Section 5 of the Banking and Financial Institutions Act, 2006, which are to maintain the stability, safety and soundness of the financial system and to reduce the risk of loss to depositors.

The way the report has been presented including the language used in presenting observations may look like management of abandoned properties (unclaimed assets) from banks and financial institutions was one of the principal functions of the Bank of Tanzania. While in fact, BOT as the regulator of banks and financial institutions, using offsite surveillance and onsite examinations, had the responsibility of assessing whether banks and financial institutions comply with the legal and regulatory requirements, including that of remitting abandoned properties. There is a number of legal and regulatory requirements that banks have to comply and BOT may not be able to assess each and every aspect of compliance due to resource limitation.

Because of that, risk based approach is used to ensure priority is given to banks with the highest risk and extensive review is done to areas indicating highest risk. For example, the banking sector had dormant accounts amounting to TZS 492 billion and gross loans amounting to TZS 20,000 billion as at 31st December 2020. This means dormant accounts were only 2.46% of the gross loans, which suggests that much effort should be put on gross loans. Without doing this, much efforts would have been applied to low risk banks and areas, which would be prone to systemic risks and collapse of the financial system as whole.

However, BOT acknowledges that the legal framework for remittance and claiming of abandoned properties arising from banks and financial institutions was unsatisfactory. This was because reporting of abandoned properties by banks and financial institutions and the process for claiming abandoned properties (unclaimed assets) from BOT after remittance were not clear. BOT has therefore improved some noted weaknesses by issuing a Circular number FA.178/451/01/11 dated 5th March 2021 to all banks and financial institutions to give effect to the purposes of Section 47 of the Banking and Financial Institutions Act, 2006. On the other hand, BOT will continue to monitor compliance of banks with the existing legal and regulatory requirements.

Specific Comments on the Issued Audit Recommendations

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|---|---|---|--------------------------|
| 1. | Formulate guidelines and directives for identification and registration of unclaimed financial assets from financial institutions | The Bank will formulate comprehensive guidelines for supervision of unclaimed financial assets after review of BAFIA 2006 | Using the powers, BOT has issued a Circular directing banks to to make a comprehensive assessment of the status of the abandoned property as defined in the Act and submit the report to the Bank of Tanzania not later than 31st March 2021. | 2021/2022 |
| 2. | Review the appropriateness of the existing 15 years' dormancy period for unclaimed financial assets from commercial banks to assess whether this time frame can be reduced within the commercial banks. The review should also focus on ensuring that potential abandoned properties are identified and registered by holder entities | 15 years' period for abandoned properties in banks was covered in the BAFIA and therefore changes requires revision of the Act. 15 years' timeframe set by the BAFIA may be revised after consultation with various stakeholders. | BOT (DLS in collaboration with DFSS) will assess the appropriateness of the 15 years' dormancy period after consultation with other stakeholders including banks and financial institutions. | 2021/2022 |

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|---|---|--|--------------------------|
| 3. | Develop and implement strategies to ensure dormant accounts available at commercial banks and mobile network operators are adequately examined during onsite examination. The strategies should ensure identification of malpractices in the dormant accounts | The examination procedures of banks gives some weights in examining dormant accounts as tailored in the procedures and excel templates. Those procedures will be adopted in the examination of mobile money issuers. It should be agreed that onsite conducted by BOT is risk based based on Risk Management Frameworks. This means more resources are allocated to areas where risk is high or significant. However, the planning of onsite will be improved to include assessment of significance of dormant accounts and therefore scope of activities with regard to dormant will be tailored according to the level of risk. | BOT will continue to review dormant accounts with a view to ascertain whether banks properly remit all abandoned properties in form of dormant accounts during planned onsite examinations. In addition, BOT will be selecting samples of banks and conduct targeted onsite examinations, specifically to assess correctness of remitted abandoned properties. | Continuous |
| 4. | Conduct on-site examination regularly to enhance | Onsite examination is part of the regulatory oversight | BOT will continue to conduct onsite examination regularly | Ongoing activities |

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|--|--|--|--------------------------|
| | verification of remitted and potential unclaimed financial assets from financial institutions | activities conducted using a standardized Risk Based Framework and onsite plans. The Bank shall put an emphasis on verification of remitted abandoned property by expanded procedures available in the working paper that address the identified concerns. | considering the risk profile of the banks. Through annual reports on abandoned properties that will be submitted by banks, BOT will assess the need for targeted examinations and conduct examinations when necessary. | |
| 5 | Conduct verification of remitted unclaimed financial assets to both commercial banks and electronic money issuers. The verifications should enhance determination of whether the amount remittance made was the actual one | The current legal framework requires banks to individually review and determine the existence of unclaimed assets and surrender the same to BOT. However, verification regarding the presence or absence of other abandoned properties in the bank is normally done during | As explained above, BOT will continue to enforce compliance of the existing legislation to ensure and regulations, circulars and directives thereof. The bank will assess the need for conducting targeted examinations where necessary. | Continuous |

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|---|---|--|--------------------------|
| 6. | Institute appropriate sanctions to non-compliant commercial banks and electronic money operators as provided in the applicable laws, regulations, directives, or guidelines on the management of unclaimed financial assets | The NPS Act 2015 section 43(1) and 43(3) provides avenue to sanctions any person who fail to submit returns TZS 10 million per day for the entire period reports remains un-submitted. BOT has been instituting regulatory sanctions in line with the requirements of the Banking and Financial Institutions Act, 2006, whenever banks failed to comply with the legal and regulatory requirements. It should be noted that sanctioning banks begins with identifying non- | In addition, BOT has initiated steps for reviewing the BAFIA 2006 in order to address legal and regulatory gaps on supervision of unclaimed financial assets including verification of remitted unclaimed financial assets whereas necessary. Electronic Money Issuers (EMIs) shall be sanctioned once it is apparent that they have failed to comply with regulatory requirement particularly failure to submit abandoned unclaimed financial assets BOT will continue to conduct onsite examinations of banks and determine whether banks comply with the legal and regulatory requirements. In addition, BOT will use periodic reports to determine whether comply with the requirements. All non-compliant banks will be sanctioned appropriately. | Ongoing activities |

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|--|--|--|--------------------------|
| 7. | Establish a mechanism that would enhance effective disposal of remitted unclaimed financials assets from both commercial banks and mobile network operators. The mechanisms should identify who is the right owner and user of abandoned properties disposed-off | <p>compliance. Through onsite examinations and periodic reports, BOT will determine whether there are non-compliance and institute appropriate sanctions.</p> <p>The Unique Identifier Number help to identify trace the right owner and user of abandoned property during disposition. This is for the case of mobile e-wallets.</p> <p>It may be noted banks and financial institutions are obliged to comply with Anti Money Laundering laws and regulations, which among others require comprehensive Know Your Customer (KYC) review before onboarding their customers including depositors.</p> <p>The Bank as the regulator of banks and financial institutions has been mandated to ensure KYC</p> | <p>BOT will enhance the database/register of all depositors whose accounts have been classified as abandoned property and remitted to the Bank, showing key KYC information. The information will be used for identification of legal owners once claimed.</p> | Continuous |

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|--|--|--|--------------------------|
| | | <p>compliance by banks and financial institutions through full and targeted onsite examination and offsite reviews.</p> <p>Therefore, the Bank will ensure banks and financial institutions before remittance of abandoned property provide comprehensive KYC information of owners of abandoned properties, which will be used to create a register/ clear database of legal owners of abandoned properties which will reduce the risk of fraud arising from processing claims from illegal owners.</p> | | |
| 8. | Establish procedures in which the initial owner of abandoned properties transferred to BOT or any other government institution can reclaim their right of ownership in case they want to do so. The procedures | Under the current arrangement, each customer is assigned a Unique Identification Number which enable tracing the right owner of the fund even if the simcard is swapped and issued to another person. | Establish minimum criteria to be considered for customers to claims fund held in dormant wallet status before they are remitted to BOT | Dec 2022 |
| | | Customers be informed of their Unique Identification Numbers | | |

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|--|---|---|--------------------------|
| | should facilitate and ensure individuals or persons are not deprived of their constitutional right to own properties | <p>The industry practice, any amount which is dormant but has not reached five years status can be claimed by the beneficiary from the respective Electronic Money Issuer. Once the fund is remitted to the Bank, there are no guidance on how to dispose the received fund as this is not the within the BOT Mandate.</p> <p>It may be noted banks and financial institutions are obliged to comply with Anti Money Laundering laws and regulations, which among others require comprehensive Know Your Customer (KYC) review before onboarding their customers including depositors.</p> <p>The Bank as the regulator of banks and financial institutions has been mandated to ensure KYC</p> | <p>as reference during the claiming process;</p> <p>Followup with the Ministry of Finance to expedite issuance of guidance to dispose financial assets.</p> <p>In addition, BOT has initiated steps for reviewing the BAFIA 2006 in order to address legal and regulatory gaps on supervision of unclaimed financial assets including procedures for reclaiming abandoned property.</p> | |

| S/No. | Recommendations to Bank of Tanzania | Comments from Bank of Tanzania | Planned actions | Implementation Timelines |
|-------|-------------------------------------|--|-----------------|--------------------------|
| | | <p>compliance by banks and financial institutions through full and targeted onsite examination and offsite reviews.</p> <p>Therefore, the Bank will ensure banks and financial institutions before remittance of abandoned property provide comprehensive KYC information of owners of abandoned properties, which will be used to create a register/ clear database of legal owners of abandoned properties which will reduce the risk of fraud arising from processing claims from illegal owners.</p> | | |

Appendix Two: Main Audit Questions and Sub-questions

| | |
|---------------------------|---|
| Audit Question 1 : | To what extent unclaimed assets are being effectively managed? |
| Sub-Audit Question 1.1: | Does BoT ensure Commercial Banks and Mobile Network Operators remit unclaimed financial assets? |
| Sub-Audit Question 1.2: | To what extent has GAMD managed to conduct verification of unclaimed non-financial assets from public entities? |
| Sub-Audit Question 1.3: | To what extent remittances from unclaimed financial assets have been increasing annually? |
| Sub-Audit Question 1.4: | To what extent the identified and reported unclaimed assets have been disposed-off? |
| Audit Question 2: | Are mechanisms for identifying unclaimed assets functioning well? |
| Sub-Audit Question 2.1: | Are established procedures for identification of unclaimed assets in place and functioning well? |
| Sub-Audit Question 2.2: | Do the Holding Entities identify the unclaimed assets in their respective Institutions? |
| Sub-Audit Question 2.3: | Are Directives or Guidelines issued by MoFP (GAMD and BoT) to holders of unclaimed assets to appropriately identify the unclaimed assets? |
| Audit Question 3: | Have all unclaimed assets been registered? |
| Sub-Audit Question 3.1: | Has the MoFP (GAMD and BoT) established registration procedures for unclaimed assets? |
| Sub-Audit Question 3.2: | Are there established registration systems for unclaimed assets? |
| Sub-Audit Question 3.3: | Have the Holding Entities adequately registered unclaimed assets in their institutions? |
| Audit Question 4: | Are controls over effective management of unclaimed financial assets adequate and functioning well? |
| Sub-Audit Question 4.1: | Do Holding Entities regularly remit unclaimed financial assets in their respective areas of operations? |
| Sub-Audit Question 4.2: | Does BoT adequately conduct on-site examination/verification to ensure Holders of financial assets comply with remittance requirements of unclaimed financial assets in their institutions? |
| Sub-Audit Question 4.3: | Are the established procedures which require unclaimed financial assets to be remitted to BoT being adhered to? |
| Sub-Audit Question 4.4: | Does BoT impose sanctions or penalties to institutions for failure to comply with remittance requirements of unclaimed assets? |

| | |
|--------------------------|--|
| Audit Question 5: | Are controls over effective management of unclaimed non-financial assets adequate and functioning well? |
| Sub-Audit Question 5.1: | Does GAMD issue guidelines and directives for effective controls over unclaimed non-financial assets? |
| Sub-Audit Question 5.2: | Has GAMD developed plans for verification of unclaimed non-financial assets in various government institutions? |
| Sub-Audit Question 5.3: | Does GAMD carry-out verification of unclaimed assets to Holders Entities in the country? |
| Sub-Audit Question 5.4: | Does GAMD periodically prepare reports on the status of unclaimed non-financial assets in the country? |
| Audit Question 6: | Is the disposal of unclaimed assets being done appropriately? |
| Sub-Audit Question 6.1: | Does MoFP (BoT) effectively use/dispose-off unclaimed assets remitted by Commercial Banks and Mobile Network Operators in the country? |
| Sub-Audit Question 6.2: | Does MoFP (GAMD) oversee the disposal of unclaimed non-financial assets to holder institutions? |
| Sub-Audit Question 6.3: | Has MoFP (GAMD and BoT) established procedures on how the previous owners should reclaim the already remitted/registered unclaimed assets? |

Appendix Three: Selected Unclaimed Assets to be Covered and Reason for Selecting Them

This part provides for types of unclaimed assets covered in the report as well as the reasons for selecting them.

| Categories of Unclaimed Assets | Description | Risk for loss of potential Revenue (High/Medium/Low) | Selected (Yes/No) |
|--|---|--|-------------------|
| Unclaimed funds from commercial banks (i.e. Abandoned customers property, Unclaimed Interest on Government Stocks and Dormant Government Accounts from Government Projects Accounts) | <p>Have higher risks due to the fact that commercial banks operations have huge customer base. That means the higher the customers' base, the higher the risks of presence of customers' dormant accounts that shall later result into abandoned property.</p> <p>Up to June, 2020, TZS 2.5 billion has been remitted to BoT as abandoned customers' property despite BoT not conducting verification of remitted amount by commercial banks.</p> | High | Yes |
| Unclaimed Customers Balances from Mobile Network Operators | <p>Have higher risks due to higher customer base using electronic payment systems. BoT has also not conducted onsite verification/examination on remitted unclaimed customers' balances by Mobile Network Operators.</p> <p>Up to June, 2020 TZS. 9.6 billion had been remitted to BoT by Mobile Network Operators as unclaimed customers balances from electronic account despite verification being conducted by BoT.</p> | High | Yes |

| Categories of Unclaimed Assets | Description | Risk for loss of potential Revenue (High/Medium/Low) | Selected (Yes/No) |
|--|---|--|-------------------|
| Unclaimed Pensions Benefits | <p>Majority of members are employees of either government or private institutions.</p> <p>However, there are reported cases of dormant accounts which are existing in those pension fund which falls under the category of unclaimed financial assets, of which so far they have not been reported to responsible entities (SSRA).</p> <p>CAG Financial Report for the year 2014/15 reported cases of dormant account in pension funds for non-contributory scheme which covers retirees whose terminal benefits are paid from consolidated funds by Treasury. According to this report, in 2014/15, a total of 6465 out of 50196 accounts worth TZS 8.5 billion were noted to be dormant for a period ranging from 2 to 3 years.</p> | Medium | Yes |
| Unclaimed Life Insurance Claims | <p>No legal obligation requiring insurance companies to declare and reports on the unclaimed life insurance. Therefore, it's value is still unknown.</p> <p>It is still immaterial since up to 2019/20 it is estimated that less than 1% of Tanzanians have life insurance.</p> | Low | No |
| Unclaimed Dividends from Companies listed in Dar es Salaam Stock Exchange Market | <p>No legal obligation requiring insurance companies to account for unclaimed dividends in the government.</p> <p>However, they had been directed by CMSA to open a reserve accounts in order to deposits the unclaimed dividends awaiting for further government instructions.</p> | Medium | No |
| Non-financial unclaimed/Found Properties (i.e. Motor vehicles, Motorcycles and other items) | MoFP has already established unclaimed property amounting to TZS 5.5 billion. This is very significant amount which if audited would add | High | Yes |

| Categories of Unclaimed Assets | Description | Risk for loss of potential Revenue (High/Medium/Low) | Selected (Yes/No) |
|---|--|--|-------------------|
| under custodian of Tanzania Police Force, TANAPA, TAWA and TFS. | value to the increase of government revenue as a new source of revenue. | | |
| Abandoned Landed Property | Over recent years, the government has made more intervention to improve issuance of titles deeds. There is low possibility for having abandoned land in the country. | Low | No |

Source: Auditors' Analysis, 2020

Appendix Four: Documents Reviewed

This part provides the list of key documents that were reviewed by the Audit Team and the reasons for their review

| Category of the Documents | Title of the Documents | Reasons for Reviewing |
|---------------------------|---|---|
| Reports | <ul style="list-style-type: none"> • Audited Financial Reports of BoT for the Financial Years 2015/16 - 2018/19 • Onsite and Offsite Examination reports on performance of Commercial Banks and Mobile Networks Operators • Audited Financial Reports of MoFP for the financial years 2015/16 - 2018/19 • Financial reports on the balances of abandoned property under Commercial Banks and Mobile Network operators • MoFP verification reports on unclaimed non-financial assets in the government institutions • Assets registers of found property under the Tanzania Police Force • Found property disposal reports under the Ministry of Home Affairs | To examine the performance of MoFP (GAMD and BoT) on the management of unclaimed assets in the financial sectors and government institutions in the country |
| Annual Action Plan | <p>Annual action plans for conducting onsite and offsite examination in the banking and Financial Institutions.</p> <p>MoFP actions plans for conducting verification on unclaimed non-financial assets</p> | To assess what were planned to be implemented annually in connection with examination of unclaimed financial and non-financial assets. |
| Strategic Plans | Strategic Plans of both MoFP and BoT for the period of 2015/2016 - 2019/2020 | To assess activities planned to be conducted for the respective year in the area of unclaimed assets in the financial sector and government institutions. |
| Monitoring Reports | Monitoring and Supervision Reports of BoT to Commercial | To assess the effectiveness of the supervision and |

| | | |
|--|---|--|
| | Banks and other Financial Institutions. MoFP Verifications Reports on non-financial assets to Government Institutions. | monitoring conducted by MoFP (GAMD and BoT) in the Commercial Banks, other financial institutions and Government Institutions. |
|--|---|--|

Source: Auditors' Analysis, (2020)

Appendix Five: Officials Interviewed

This part provides details of the interviewed officials and the reasons for selecting them for the interview(s).

| Institution Covered | Title of Official Interviewed | Reasons for Interviewing |
|---------------------|--|---|
| MoFP | Commissioner - Financial Sector Development Division | To examine the extent to which MoFP is overseeing the financial sector and government institutions in managing the unclaimed financial assets in the country. |
| | Assistant Commissioner - Financial Policies Section | |
| | Assistant Commissioner - Microfinance Section | |
| | Director - Government Assets Management Division | To assess extent of executed controls on the management of unclaimed non-financial assets. |
| | Assistant Director - Assets Management Systems Section | |
| | Principal Stock Verifier | |
| | Senior Stock Verifier | |
| | Regional Stock Verifiers | |
| BoT | Director of Finance | To assess extent of collected unclaimed financial assets in banking and financial institutions |
| | Director of Financial Sector Supervision | To assess extent of supervision of banking and other financial institutions in the country |
| | Director of National Payment Systems | To examine level of compliance of mobile network operators to account for and remit unclaimed customer balances available in the dormant customer's mobile lines. |
| | Director of Financial Markets | To assess extent to which the unclaimed interests on government bonds are managed in the financial markets |
| | Director of Legal Services | To assess extent of provision of legal opinion on having strong regulatory and institutions framework on management of unclaimed financial assets |
| | Manager-legal Services | |
| | Assistant Manager-Legal Services | |
| | Manager-National Payment Systems | To assess extent of enforcement of controls on managing |

| Institution Covered | Title of Official Interviewed | Reasons for Interviewing |
|--|--|--|
| | Assistant Manager- Oversight and Policy | unclaimed financial assets from both Commercial Banks and Mobile Network Operators |
| | Senior Principal Bank Officer | |
| | Assistant Manager- Policy and Financial Reports | |
| Tanzania Wildlife Management Authority (TAWA), | Conservation Commissioner | To assess extent of executing controls on the management of unclaimed non-financial assets |
| | Assistant Commissioner- Administration and Human Resources | |
| | Senior Assistant Commissioner-Ant-Pouching | |
| | Senior Conservation Officer | |
| Tanzania Police Force (TPF), | Regional Police Commander (RPC) | To assess extent of managing found properties in Police Stations under their jurisdiction |
| | Officer Commanding District(OCD) | |
| | District Traffic Officer (DTO) | To assess extent of executed controls over management of unclaimed found properties |
| | Officer Commanding Station(OCS) | |
| | Exhibit Keepers | |
| Tanzania Forestry Service Agency (TFS) | Deputy Commissioner- Market and Expenditures | To assess extent of Management of unclaimed non-financial assets resulted from forest conservation operations |
| | Chief Accountant | |
| | Zonal Managers | |
| | Strategies and Market Officers | |
| | District Forestry Conservator | |
| | Forestry Conservator | To assess extent of executed controls on the abandoned non-financial assets obtained from conservation activities. |
| | Assistant Forestry Conservator | |
| TANAPA | Deputy Commissioner- Corporate Services | To assess extent of managing unclaimed properties resulted from various conservation operations |
| | Chief Internal Auditor | To assess extent of executed controls on managing unclaimed |
| | Accountant | |

| Institution Covered | Title of Official Interviewed | Reasons for Interviewing |
|---------------------|--|--|
| | Assistant Conservation Commissioner-Law Enforcement and Strategic Securities | properties abandoned by origin owners. |
| | Conservation Officer-Intelligent and Securities | |

Source: *Auditors' Analysis (2020)*

Appendix Six: Remittance Details from Electronic Money Operators

| Name of Mobile Network Operator (Electronic Money Issuer) | Quarter of remittance | Date of remittance | Total remitted amount (TZS Million) |
|---|------------------------------|--------------------|-------------------------------------|
| M-Pesa Ltd | 3 rd Quarter-2019 | 16/10/2019 | 7,568.928 |
| | 1 st Quarter-2020 | 02/07/2020 | 618.958 |
| | 3 rd Quarter-2020 | 09/10/2020 | 817.633 |
| Tigo-Pesa Ltd | 3 rd Quarter-2019 | 11/10/2019 | 1,081.924 |
| | 2 nd Quarter-2020 | 14/07/2020 | 262.607 |
| | 3 rd Quarter-2020 | 15/10/2020 | 10.707 |
| Airtel Money (T) Ltd | 3 rd Quarter-2019 | 15/10/2019 | 726.189 |
| Ezy Pesa Ltd | 1 st Quarter 2020 | 01/06/2020 | 38.56 |
| Grand total | | | 11,125.506 |

Source: Reviewed Electronic Money Issuers (MNOs) Letters on Reporting and Remittance of Abandoned Property in the Trust/Electronic Money Accounts for 2019/20 - 2020/21