

THE UNITED REPUBLIC OF TANZANIA NATIONAL AUDIT OFFICE



# PERFORMANCE AUDIT REPORT ON THE MANAGEMENT OF PROPERTY INVESTMENT AS IMPLEMENTED BY PSSSF AND NSSF

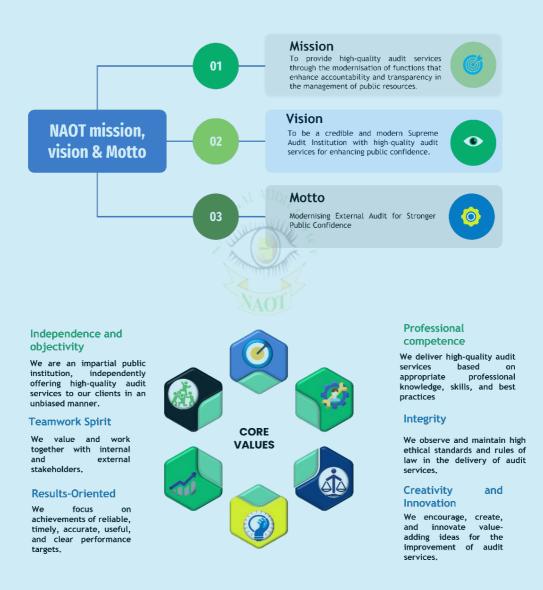


CONTROLLER AND AUDITOR GENERAL MARCH 2023



#### **About National Audit Office**

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the United Republic of Tanzania, 1977 and in Section 10 (1) of the Public Audit Act, Cap. 418.



#### PREFACE



Section 28 of the Public Audit Act, CAP 418 [R.E. 2021] gives mandate to the Controller and Auditor General to carry out Performance Audit (Value-for-Money Audit) to establish the economy, efficiency and effectiveness of any expenditure or use of resources in the Ministries, and Agencies Departments (MDAs), Local Government Authorities (LGAs) and Public Authorities and Other Bodies which involves enquiring, examining, investigating and

reporting, as deemed necessary under the circumstances.

I have the honour to submit to Her Excellency, the President of the United Republic of Tanzania, Hon. Dr. Samia Suluhu Hassan, and through her to the Parliament of the United Republic of Tanzania, the Performance Audit Report on the Management of Property Investments as Implemented by Social Security Funds (NSSF and PSSSF) under the Prime minister's Office Labour, Youth, Employment and Persons with Disability.

The report contains findings, conclusions, and recommendations that are directed to the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED), Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF).

The Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED), PSSSF and NSSF had the opportunity to scrutinize the factual contents of the report and comment on it. I wish to acknowledge that discussions with the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED), PSSSF and NSSF have been useful and constructive.

My Office will carry out a follow-up audit at an appropriate time regarding actions taken by the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED), PSSSF and NSSF in implementing the recommendations given in this report.

In completing the audit assignment, I subjected the draft report to a critical review of subject matter experts, namely Dr. Daniel Mbissio from Ardhi University and Dr. Felician Komu retired lecturer from Ardhi University who came up with useful inputs for the improvement of this report.

The report was prepared by Mr. Pendael Ulanga (Team Leader), Mr. Antony Washoto and Mr. Jonas Lufunga (Team Members) under the supervision and guidance of Ms. Mariam F. Chikwindo (Chief External Auditor), Mr. James G. Pilly (Assistant Auditor General) and Mr. George C. Haule (Deputy Auditor General).

I would like to thank my staff for their commitment in preparing this report. I also acknowledge the audited entities for their cooperation with my Office, which facilitated the timely completion of the audit.

Charles E. Kichere Controller and Auditor General United Republic of Tanzania March, 2023

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# LIST OF ABBREVIATIONS AND ACRONYMS

ВоТ	:	Bank of Tanzania
GIS	:	Geographical Information System
HVAC	:	Heating, Ventilation and Air Conditioning
ILO	:	International Labour Organisation
MEP	:	Mechanical, Electrical and Plumbing
MoU	:	Memorandum of Understanding
NSSF	:	National Social Security Fund
		Prime Minister's Office - Labour, Youth,
PMO-LYED	:	Employment and Persons with Disability
PMS	:	Property Management System
PSSSF	:	Public Service Social Security Fund
ROI	:	Return on Investment
SSRA	:	Social Security Regulatory Authority
TZS	:	Tanzania Shillings
URT	:	United Republic of Tanzania
NAO	:	National Audit Office
MDAs	:	Ministries, Department and Authorities
LGAs	:	Local Government authorities
USD	:	United States Dollar
LAPF	:	Local Authorities Pension Fund
GEPF	:	Government Employee Provident Fund
PPF	:	Public Pension Fund
PSPF	:	Public Service Pension Fund
IRR	:	Internal Rate of Return
REM	:	Real Estate management System
DSM	:	Dar es salaam
M&E	:	Monitoring and Evaluation

#### EXECUTIVE SUMMARY

#### Introduction

In Tanzania, there are two social security schemes offering retirement benefits which are the National Social Security Fund (NSSF) and the Public Services Social Security Fund (PSSSF). NSSF deals with employers and employees from private sectors including companies, non-governmental organizations and religious organizations, while PSSSF deals with public servants. Both schemes deal with the registration of members, collection of contributions, investments of the collected contributions and payment of benefits to members.

The Government has made efforts to create conducive investment environment in order to boost the country's economy. It was expected that, the investment and operating environment would provide a room for the economy to grow to an average of 7% per annum. Therefore, the average growth of annual investment income was expected to earn and continue to provide more returns to the Funds.

The Government is committed through PMO-LYED and the Bank of Tanzania to continue developing guidelines and providing strategic guidance on the investment practices aimed at ensuring the Stability and Sustainability of the Funds. Despite, the Government initiatives in guiding and monitoring the Social Security Funds in Tanzania Mainland, the Funds have encountered several challenges namely: lack of actuarial valuation, decrease in return on investments, presence of abandoned and/or incomplete projects, and non -operational investments. All these challenges reflect weaknesses in the management property investments.

These weaknesses, therefore, called for the need to conduct a performance audit on the management of property investments for the Social Security Funds (NSSF and PSSSF) with the main objective of assessing whether the Prime Minister's Office - Labour, Youth and Persons with Disability (PMO-LYED) through NSSF and PSSSF has efficiently and effectively managed the property investments.

The audit focused on planning, operation, maintenance and monitoring of the invested properties by NSSF and PSSSF. The Audit also focused on adequacy of monitoring and evaluation on the management of property investment done by the PMO-LYED jointly with the Bank of Tanzania (BoT). The audit covered the period from 2010/2011 to June 2022. This is the period whereby Social Security Funds invested large amount of Funds into real estates. The Audit also included the period which Social Security Funds were merged to form PSSSF.

The audit acknowledges the efforts made by PSSSF and NSSF for continuing managing and maintaining properties under their jurisdictions. Despite of the efforts made by the Funds; the audit noted various weaknesses which are summarised below.

#### Main Audit Findings

(a) Inadequate Management of Property Investments by both PSSSF and NSSF

# Existence of Property Investments with Unsatisfactory Conditions

The Audit noted presence of buildings with unsatisfactory conditions for both PSSSF and NSSF. For the case of NSSF, the noted defects included cracks on floor and walls, rotten ceiling boards, wall fungus and peelingoff of the wall paints, leakage from roofs and broken windows, stains on ceiling boards, defective toilet fittings, broken doors, vandalized or removed doors from buildings, floor wear and tear and rusting on the galvanized corrugated iron sheets. For PSSSF, the noted defects were cracks; peeling - off paints on the walls; roof leakages; floor wear and tear; rusting on the galvanized iron sheets, poor foul water system, lifts and electrical wiring. The audit also noted the presence of buildings with unsatisfactory conditions such as those under the Dege eco Village Project which were abandoned since 2015 and Kijichi Estate Projects Phase III respectively, abandoned in 2019.

Unsatisfactory conditions of the buildings were contributed by inadequate maintenance of the invested properties.

The buildings with unsatisfactory conditions led to low rates or absence of occupancy for the buildings. For instance, for the projects under NSSF, there was a decline in occupancy rate to 81% from 96% in the financial year 2017/18, and to 15% in the financial year 2021/22 for the Water

Front Tower building, while Julius Nyerere Pension Tower declined to 75% from 95% in the financial year 2017/18 and to 20% in the financial year 2021/22. On the other hand, the occupancy rate for the PSSSF buildings decreased from 28% in the financial year 2017/18 to 21% in the financial year 2021/22.

# Not All Property Investments were Making Profits

The audit noted that, not all property investments owned by NSSF were making profits. The review of Investment Appraisal Reports for the period from 2014 to 2016, indicated that, the total of TZS 323,566,201,314 was used for the identification and appraisal of 8 property investment projects but the buildings under such projects were not completed for the use as some were abandoned. The audit noted that, Geza satellite Town Project in Kigamboni District, Dege eco Villages and Mtoni Kijichi affordable houses were abandoned due to misunderstandings between stakeholders and Contractor on the payments and the scope of work. It was further pointed out by the NSSF officials that, the projects were suspended following government directives issued in May 2016, which required Pension Fund's to suspend development of commercial real estate projects.

Similarly, at PSSSF a total of TZS 3,305,397,599 was incurred for unsuccessful projects which included Ununio commercial and residential complexes in Dar es Salaam, Njedengwa residential apartment in Dodoma and Low-cost houses at Kiseke Mwanza Phase 2. The main reason for having unsuccessful projects was due to the issued government directives which required the Pension Funds to suspend the development of commercial real estate projects. These directives prevented the completion of the implemented projects within the planned time which consequently resulted to change of the focus on investments forcing the initiated projects to wait till further decisions to be made.

Moreover, NSSF did not reach the planned target Rate of Returns on Investment. For the past four financial years, the average Return on Investment for the real estate at NSSF stood at 1.83%. Furthermore, the Return on Investment for real estate reached the lowest value of 1.59% in the financial year 2021/22 from 1.70% in the financial year 2018/19. It was also noted that, the return on real estate did not even reach the absolute rate of return of at least 2.5%

This was caused by unsatisfactory conditions of the buildings due to inadequate maintenance; low occupancy rate; and inadequate record keeping for the investments made; and lack of review Rate of Return on Investment (ROI) and payback period.

# (b) Inadequate Planning for the Property Investments

# Execution of Property Investment Projects without Feasibility Study

The Audit noted that, both PSSSF and NSSF did not have adequate plans for their invested properties. For example, it was noted that both Funds executed property investment projects without feasibility studies. For the projects implemented by PSSSF, the audit noted that only 2 out of 34 invested properties, which is equivalent to 6%, were executed with feasibility studies. The buildings with feasibility studies include the Twin Towers Plot No. 120/121 and PPF Tower building, with feasibility studies conducted in March, 2020 and August, 1997 respectively. Generally, the audit revealed that, there were no feasibility studies conducted for the residential and office buildings and hotels built under the PSSSF prior to their investments. This implies that an average of 94% of the investments implemented under this Fund were executed without feasibility studies.

The Audit further noted that, nine invested real estate properties under NSSF were initiated without feasibility studies. Failure to conduct feasibility studies for the property investments means that the projects were executed without knowing the financial projections and establishing the payback period and return of investment that could be used as the basis for performance evaluation of the invested properties

# Service Charges to Facilitate Operations of the Invested Properties were not Adequately Collected and Utilized

The review of the Property Management Reports for the period from 2019/20 to 2021/22 indicated that, collection of service charges at NSSF was insufficient as it stood at TZS 353,386,033.36 while outstanding service charges and arrears were amounting to TZS 357,191,633.69.

Inadequate collection of service charges resulted in unavailability of some services. For instance, the audit noted inadequate provision of services and conduct of various maintenance works such as servicing and maintenance of lifts, generator, air conditioning and fire protection systems.

On the other hand, the review of the Property Management Reports of the financial year 2021/22 from PSSSF indicated that, the operating cost for the invested properties was higher compared to the collected service charges.

For instance, Golden Jubilee Tower collected TZS 196.73 million while its operating cost was TZS 226.97 million. Similarly, PSSSF's Twin Tower spent TZS 245.65 million to meet various property management expenses while its collections were only TZS 96.81 million. It was noted that, the decrease in the collections from the invested properties and increased operating cost of the properties were caused by inadequate collection of service charges and decline in rate of occupancy of the properties.

# (c) Inadequate Conduct of Maintenance for Property Investments

The Audit noted that, PSSSF had inadequate mechanisms to ensure adequate maintenance for the invested projects. Reviewed PSSSF's Corporate Plan of three financial years from 2019/20 to 2021/22, revealed that, the plans did not include maintenance of invested properties. Similarly, review of the Investment Plan of year 2022, indicated that the plans covered ongoing construction projects and not maintenance activities of invested properties.

On the other hand, the interviews held with NSSF Officials revealed that, NSSF had maintenance plan for the maintenance of the buildings, however, the plan lacked a long-term component to accommodate all buildings.

Furthermore, the audit noted that, NSSF set a budget for repair and renewal of buildings, but the set budget was not sufficient to cover all buildings which required maintenance. As a result, other buildings took a long period to be maintained which resulted to more wear and tear and huge maintenance cost. For instance, Water Front building was planned for the major repair in the financial year 2019/20 with a budget of TZS 2,150 million which was almost 88% of the whole budget set for the maintenance activities for the year.

It was further noted that, despite setting budget for maintenance activities, their implementation was not adequately done. For instance, during the site visits at the Water Front building on 5<sup>th</sup> October 2022, the Audit Team noted that no maintenance had been done despite having the budget of TZS 2,150 million for its maintenance in the financial year 2019/20.

#### (d) Inadequate Operations of the Invested Properties

The Audit noted several issues at PSSSF and NSSF that reflect operational inefficiencies in managing the property investments:

# Investment Properties Did Not Generate Intended Revenues

For both Funds, the audit noted underperformance on revenue collection in the property investments as compared to revenues collected from other investments. The review of the Performance Reports for the period 2018 to 2022 and financial statements for the period 2018 to 2021 from PSSSF indicated that, property investments collected less revenues as compared to revenues collected in financial market. The average revenues collected from property investment was 18% while revenues collected from the financial market was 67% making a difference of 49%.

For the case of NSSF, the audit noted that, Kinyerezi and Kijichi Affordable house projects had no revenues collected for the financial years 2019/20 and 2020/21. Likewise, the sales for houses and plots projects had unsatisfactory collections as they generated loses to the Fund.

The unsatisfactory performance on revenues collection was mainly caused by inadequate internal controls for revenues collection and inadequate planning for operationalisation of the invested properties.

# Failure to ensure Invested Properties are Managed by Independent Property Managers

The review of Property Managers Files and the List of Property Investment of 2021/22 from NSSF revealed that, 8 out of 46 invested properties, equivalent to 17%, were not managed by Independent Property Managers. This was noted to be caused by the failure of NSSF to adhere to the given requirements despite being well informed about them. This was contrary to Section 13(i) and 15(i) of the Social Security Schemes Investment Guidelines of 2015, as revised in 2021 respectively, which was issued by the Bank of Tanzania. The absence of Property Managers to some of the invested buildings implies that, NSSF was not getting updates on the conditions of the buildings because managers would submit progress reports to NSSF every quarter to provide them with all necessary information about the invested properties.

The Audit noted inadequate number of Property Managers which resulted to inadequate supervision of the buildings. In response to this, NSSF pointed out that, such properties were rented to single tenant as it is not worthy to be managed by the Property Management Agent. However, this was the violation of Social Security Schemes Investment Guidelines of 2015 and 2021, which requires all investment properties to be managed by Independent Property Managers.

# Inadequate Implementation of Monitoring Activities for the Invested Properties

The Audit noted that, PMO-LYED did not adequately implement the planned activities for monitoring of PSSSF and NSSF activities. It was noted that, for the financial year 2019/20, PMO-LYED in collaboration with BoT managed to conduct inspection and examination of property investment to both PSSSF and NSSF. For the financial year 2020/21, the inspection and examination of property investment was conducted to PSSSF only. In the financial year 2021/22, no inspection and examination were conducted. Furthermore, PMO-LYED did not conduct supervision on investments as required for the period under review from the financial fear 2019/20 to 2021/22.

The reason provided for the failure to conduct inspections and examinations of property investments was that, PMO-LYED started the functions and roles of monitoring PSSSF and NSSF in the financial year 2019/20 following the amendment of the Social Security Act (Miscellaneous amendments No. 6 of 2019) which placed the functions and roles of the defunct Social Security Regulatory Authority (SSRA) to the Ministry.

Moreover, while functions and roles were placed under the Division of Social Protection of PMO-LYED, they were not accompanied by finance and human resources, a condition that caused the implementation of tasks associated with the transferred functions and roles to be a challenge.

Inadequate implementation of the planned monitoring and evaluation of the property investments led to deviation from the laid guidelines, investment policies and regulations and consequently caused the Funds to be invested in economically unviable investments such as Dege ECO Village Project and Kijichi affordable houses under NSSF and low- cost houses project under PSSSF.

Furthermore, the review of the Implementation Reports for the financial years 2019/20 to 2021/22 revealed that, PMO-LYED did not make adequate follow up on the recommendations that were issued to NSSF during the inspections to ensure that NSSF has adequately implemented the given recommendations. The inadequate follow up on the given recommendations implies that PMO-LYED was not informed of the improvements made to address the noted weaknesses as required.

#### General Audit Conclusion

Based on the noted findings, the audit acknowledged efforts made by PMO-LYED through PSSSF and NSSF towards the improvement on the Management of property investments. However, more interventions are still needed to ensure effective management of property investments.

Despite the existing efforts, the audit noted a number of weaknesses which lead to the conclusion that the PMO-LYED through PSSSF and NSSF has not adequately managed the execution of property investment activities to ensure the attainment of the intended goals of the Funds, which is to strengthen economic and social wellbeing and remove distress that would otherwise be caused by the stoppages or substantial reduction of earnings. This is attributed to persistence of unsatisfactory conditions in the invested properties, which generate financial losses for both PSSSF and NSSF.

These conditions are mainly caused by inadequate planning for property investments; inadequate maintenance to the investment properties; failure to adequately operate the investment properties; and ineffective monitoring.

#### Audit Recommendations

The main audit recommendations issued to the Prime Minister's Office -Labour, Youth, Employment and Persons with Disability, Public Service Social Security Fund, and National Social Security Fund are presented below:

#### Recommendations Related to the Planning of the Property Investments

The Managements of the Public Service Social Security Fund, and the National Social Security Fund are urged to:

- 1. Conduct and review Feasibility Studies for the property investments prior to execution of any property investment in order to establish investments baseline in relation to the payback period, and rate of return on investment;
- 2. Strengthen the funding mechanisms in place to ensure that expenditures for property investment do not exceed the collected service charges; and
- 3. Prepare and implement plans/strategies to ensure that all houses and plots, under low-cost housing projects generate revenues and collected revenues from property investments are spent in viable investments.

# Recommendations Related to the Execution of Maintenance for the Property Investment

The Managements of PSSSF and NSSF are urged to:

1. Prepare and implement Maintenance Plan for the Property Investments. The Maintenance Plan should include short and longterm plan of maintenance of each investment property.

#### Recommendations Related to Operations of the Property Investments

The Managements of PSSSF and NSSF are urged to:

- 1. Strengthen and Upgrade Real Estate Management System for effective administration and management of all Property Investments. The System should capture all necessary information of property investment which should include but not limited to: initial investment cost, year of acquisition/construction, year of occupancy, lettable space, occupied space, payback period, rate on return, returns on investment per each property, number of tenants, collected service charges, number of defaulters, outstanding rents, name of property managers, payment to Property Managers, Property Managers Contracts and all necessary information for easy management of the invested properties;
- Strengthen revenues collection system(s) for effective collection of revenues from rent/property investments. The system should also be automated to simplify issuance of invoices to tenants and prompt tenants alert on payment dates in order to improve return on property investments; and
- 3. Strengthen the strategies to improve performance in managing occupancy rates in respect to real estate properties in order to have sufficient returns from real estate investments.

# Recommendations Related to Monitoring of the Performance of the established Property Investments

The Management of the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability is urged to:

- 1. Strengthen its monitoring systems to ensure that the invested properties are regularly supervised, inspected and reviewed; and provision of feedback to implementers is done regularly, and follow-ups on the implementation of the recommended remedial actions are done accordingly; and
- 2. Assess and enhance the capacity of its staff under the Social Security Division to effectively monitor the performance of properties invested by PSSSF and NSSF.



#### CHAPTER ONE

#### INTRODUCTION

#### 1.1 Background

Social security means any kind of collective measures or activities designed to ensure that members of society meet their basic needs and are protected from the contingencies to enable them to maintain a standard of living consistent with social norms<sup>1</sup>. Also, according to International Labour Organization (ILO) Social Security is defined as "The protection that a society provides to individuals and households to ensure access to health care and guarantee income security, particularly in case of old age, unemployment, sickness, invalidity, work injury, maternity or loss of breadwinner".

Social security schemes are schemes established for the purpose of providing social benefits to members of the community, or of sections of the community.

Pension Scheme is aimed at enabling people to live a respectable life in which they can meet their basic needs even in the event of social and economic disasters that lead to reduction or cessation of income. Such disasters could be death or disability. Social protection also addresses reduced income that may result from retirement, maternity, or sickness.

Currently, in Tanzania there are two social security schemes offering retirement benefits which are National Social Security Fund (NSSF) and Public Services Social Security Fund (PSSSF). NSSF deals with employers and employees from private sectors including companies, nongovernmental organizations and religious organizations, while PSSSF deals with public servants. Both schemes involve registration of members, collection of contributions, investing the collected contributions and payment of benefits to members.

<sup>&</sup>lt;sup>1</sup> National Security Policy of Tanzania, 2003

Investment of Social Security Funds is a major function of social security institutions. Thus, sustainability of the Funds and improvement of benefits depend on investment income. It also depends on the Government efforts to create conducive investment environment.

The Government has made efforts on creating conducive investment environment in order to boost the country's economy. The expected investment and operating Environment would provide a room for economic to grow to an average of 7% per annum. The average growth of annual investment income is expected to enhance returns to the Funds.

The Government is also committed to create job so as to increase contribution to the Social Security Funds, for example between 2016/17 and 2018/19, 1,167,988 jobs were. This boosted the contributions collected by Social Security Funds<sup>2</sup>. Section 4.3.7 and 5.5.4 of the National Five-Year Development Plan (2016/17-2020/21) shows that the Government is committed through PMO-LYED and the Bank of Tanzania to continue developing guidelines and providing strategic guidance on the investment practices aimed at ensuring the Funds have Stability and Sustainability.

#### 1.2 Motivation for the Audit

This Audit was motivated by the following factors:

#### a) Absence of Actuarial Valuation for PSSSF

Actuarial valuations are necessary to assess long-term sustainability of a defined benefit pension plan and serve as a decision-making tool. According to CAG's General Report on public authorities and other bodies of 2019, the actuarial valuation reports of merged Pension Funds (PSPF, PPF, LAPF and GEPF) reflected actuarial deficits and low funding levels. Compared to other merged Funds, the funding level of PSPF (10.5%) was the lowest. However, since establishment of PSSSF in 2018 up to November 2019 the fund had not carried out actuarial valuation to assess its short, medium and long-term financial positions.

<sup>&</sup>lt;sup>2</sup> National Five-Year Development Plan 2021/22-2025/26

#### b) Decrease in Returns on Investments

The financial performance of Social Security Funds for the last two years (2017/18-2018/19) shows decreasing trend in returns on investments consecutively. During the period of 11 months from merging up to  $30^{th}$  June, 2019, PSSSF returns on investments decreased to 429.90 billion from TZS 947.49 billion of previous periods, registering a decrease of 517.59 billion (55%)<sup>3</sup>.

#### c) Presence of Abandoned and/or Incomplete Projects

Some of investment projects were not completed due to various reasons including poor management of money, corruption and theft. For instance, Annual reports and minutes indicated that TZS 179 billion was lost while implementing Dege Eco Village project due to theft and corruption<sup>4</sup>.

#### d) Non - Operational Investments

During planning for the investments, need assessments were not conducted effectively to make sure that the investments serve the purpose expected so as to avoid the misuse of capital from social security funds. For instance, it was reported that the management of NSSF decided to turn the Mtoni Kijichi properties into student's hostels instead of renting the apartments to intended people. This was reported to be caused by inadequate market demand study<sup>5</sup>.

Based on the above problem indicators and challenges, the Controller and Auditor General decided to carry-out a performance audit on the Management of Property Investments as Implemented by PSSSF and NSSF.

<sup>&</sup>lt;sup>3</sup> CAG general report on public authority and other bodies of 2019

<sup>&</sup>lt;sup>4</sup> https://www.wavuti.com/2016/04/ufisadi-katika-ujenzi-wa-dege-eco.html

# 1.3 Design of the Audit

This part explains about the main audit objective, specific audit objectives, scope of the audit, sampling, methods for data collection and analysis, and assessment criteria.

### 1.3.1 Overall Objective

The main objective of the Audit was to assess whether the Prime Minister's Office - Labour Youth, Employment and Persons with Disability (PMO-LYED) through National Social Security Fund (NSSF) and Public Service Social Security Fund (PSSSF) efficiently and effectively managed their property investments.

Specifically, the audit focused on assessing whether:

- (a) NSSF and PSSSF effectively managed their property investments;
- (b) NSSF and PSSSF adequately conducted planning for investment in the property;
- (c) NSSF and PSSSF efficiently conducted investment property operations;
- (d) NSSF and PSSSF effectively conducted maintenance of property investment; and
- (e) PMO-LYED effectively conducted monitoring and evaluation on the management of property investments.

#### 1.3.2 Scope of the Audit

The main audited entity was the Prime Minister's Office - Labour, Youth, Employment, and Persons with Disability (PMO-LYED) through Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF). PMO- LYED is responsible for supervising the performance of all Social Security Funds, protecting and safeguarding the interests of members, monitoring and regularly reviewing the performance of the social security sector. NSSF and PSSSF are responsible for registering members, collection of members' contributions, prudently invest member's moneys and pay stipulated benefits to qualifying members.

On planning for the investment of properties, the audit assessed the adequacy of pre-feasibility and feasibility studies, sufficiency of budget to fund the investment properties, property management and operations, and occupancy rate set aside, adequacy of rate of returns and realistic set payback period.

Likewise, on investment property operation; issues such as system for revenues collection from property investments, supervision, rent collection, monitoring and disposal of investment were also assessed.

Under maintenance of property investment, the audit assessed the mechanism of operation and maintenance, investment property maintenance activities, procurement of maintenance services, inventory and condition surveys prior to maintenance activities.

In assessing the adequacy of monitoring and evaluation of the management of property investment, the Audit Team assessed the adequacy of monitoring and evaluation plans, adequacy of conducted M&E activities, reporting and follow-up on implementation of issued recommendations from monitoring and evaluation.

The audit mainly focused on property investments, namely commercial buildings, residential houses, plots and a bridge under NSSF and PSSSF. Specifically, the audit assessed the planning, maintenance and monitoring and evaluation of the property management.

The audit covered the whole period of which the property investments were done, this period was from financial year 2010/2011 to June, 2022. This is the period where Social Security Funds invested large amount of Funds into real estate. The Audit also included the period which Social Security Funds were merged to form PSSSF. This is the period when NSSF entered into Memorandum of Understanding with PSSSF to exchange members.

#### 1.3.3 Assessment Criteria

The assessment criteria were drawn from various sources which gave respective audited entity (ies) mandate and guidance to perform their functions. The sources of criteria include; Legislations, Guidelines, Manuals, Policies and Strategic plans of respective Social Security Funds. The criteria are described below:

#### Existence of Problem for Property Investment by NSSF and PSSSF

The Public Asset Management Guidelines of 2019, require every Accounting Officer to ensure that maintenance plan of an asset is prepared and adhered to. The objective of the maintenance plan is to ensure that assets remain useful for the intended purposes, service delivery and economically utilized to maximize benefits to the organization.

Likewise, Section 9(1) of the Social Security Schemes Investment Guidelines of 2015, requires the Board of Trustees of every scheme to ensure that any investment different from Treasury instruments have returns which are over and above returns on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity.

Section 18. (1) of the Budget Act of 2015, also requires accounting officers to ensure that plans and budgets for public entities are prepared as per Plan and Budget Guidelines; and resources are properly managed and safeguarded; and arrangements for collection of revenues from the public are conducive to its collection.

#### Planning for Property Investments

Part 2.3.1 of PSSSF Investment Policy of 2021, requires the management to conduct feasibility study to analyse for positive cash flows before investing. Similarly, NSSF's planning and Investment Departmental Manual (2016), requires Principal Investment Officer to carry out feasibility studies on investment projects.

Likewise, the Chapter 4, Part 4.2, the Budget preparation and management of the Accounting Procedure Manual, 2021 requires government institutions (PSSSF and NSSF) to forecast and prepare budgets to commit to a future aggregate level of expenditure to meet targets in the intended objectives and future aggregate level of expenditure to meet targets in the intended objectives.

Part 2.12.4 of PSSSF Investment Policy 2021 requires the Fund to invest in real estate properties with the objective of generating income from rents and building a long-term asset base of the Fund. Part 17 of NSSF Planning and Investment Departmental Manual also requires NSSF to undertake timely review of rents rates of Fund's properties.

Moreover, Section 9(1) of the Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure that, any investment different from Treasury instruments shall have return which is over and above return on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity.

#### **Operation of Property Investments**

Section 9(1) of The Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure that any investment different from Treasury instruments shall have return which is over and above return on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity.

Likewise, Part 10.17 to 10.18 of the Accounting Procedure Manual (2021), for Investment property, requires public entities (PSSSF and NSSF) to measure and recognize investment property initially at its cost, including transaction costs. In addition, the Manual provides that an investment property should be eliminated from the statement of financial position (Derecognized) on disposal and also management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Chapter 2, Part 2.1 of Accounting Procedure Manual (2021), also requires government institutions to keep systematic, easily accessible accounting and documentary records as evidence of past transactions and current financial status, so that detailed transactions can be identified and traced and all aggregates can be conveniently broken down into their constituent parts.

#### Maintenance of Property Investment

Cap 4, Section 4.2 of the Budget preparation and management of the Accounting Procedure Manual, 2021 requires government institutions including PSSSF and NSSF to forecast and prepare budgets to commit to a future aggregate level of expenditure to meet target intended objectives.

Section 2 of the Public Procurement Regulations of 2013, also requires all procurements of good and services including the maintenance services undertaken by a procuring entity, except where it is provided otherwise, to abide to procurement Act, 2011 in the whole process of acquiring the goods and services.

Moreover, the NSSF's Corporate Plan 2020-2025, Corporate Objective No. F of increasing investment revenue requires NSSF to undertake repair and renovation of investment properties.

# Monitoring and Evaluation of the Management of Property Investments by PMO-YLED

Objective D of PMO-LYED's Strategic Plan 2021, requires PMO-LYED to conduct inspections to mandatory Social Schemes (Funds).

Part 4.1 of PMO-LYED functions also requires the Ministry to develop and implement strategies for expansion of social security services. In addition, Section 78 (5) (1) (a), (c) and (f) of Social Security Act R.E 2019 requires the Ministry to supervise the performance of all Social Security Funds, to conduct inspection, examination, monitoring and regular reviews of the performance of social security sector.

# 1.4 Sampling, Methods for Data Collection and Analysis

Different methods were used for sampling, data collection and analysis. Below are detailed explanations for sampling techniques, methods of data collection and data analysis:

#### 1.4.1 Sampling Techniques

Sampling of property investments focused on real estate and infrastructure. The audit assessed all aspects/categories of property investments namely plots, buildings (both commercial and residential buildings); and bridges.

Since the investments on real estate by social security funds were not done in all 26 regions in Tanzania Mainland, purposively, the audit team used high number of property investments in a particular region as factor for selection of regions to be visited as indicated in *Appendix 2a*. From that analysis (*Appendix 2b*) audit team ranked six regions (from 1-6) with high number of property investments namely Pwani, Dar es Salaam, Mwanza, Lindi, Arusha and Dodoma,

From those six regions, audit team purposively selected four regions that were visited. Criteria used in selection of these four regions was the availability of buildings (Commercial buildings, residential houses and offices) and plots under both PSSSF and NSSF. Therefore, four selected regions visited during the audit were Dar es Salaam, Dodoma, Mwanza and Arusha as shown in **Table 1.1**.

Region	Commercial Building Investment		Residential Building Investment		Office Building Investment		Plot Investment		Farm Investment		Bridge Investment		Selection
	NSSF	PSSSF	NSSF	PSSSF	NSSF	PSSSF	NSSF	PSSSF	NSSF	PSSSF	NSSF	PSSSF	
Dar-es- salaam	V	V	V	V	V	V	V	V			V	x	Selected
Arusha	V	V	V	V	V		V	V			Х	Х	Selected
Dodoma	V	V	V	V	V		V	V			Х	Х	Selected
Mwanza	V	V	V		V		V	V	V		Х	Х	Selected

#### Table 1. 1: Availability of Buildings and Plots in the Selected Region

Sources: Auditors' Analysis and Investments data base

Key: ∫ = Available

X= Not available

Similarly, with respect to property investments types, the Audit Team also considered the presence of at least 1 commercial building(s) including offices, at least 1 residential building and more than 5 land plots (*refer to appendix 2a*). Dar es Salaam also had additional criteria because of presence of Kigamboni Bridge with toll gate. Therefore, in each selected region, the Audit Team visited at least; 1 commercial building, 3 Plots, 1 residential building and 1 office building. For Dar es Salaam Region Kigamboni Bridge was selected.

# 1.4.2 Methods for Data Collections

Three different methods were used for data collection namely; interviews, documents review and physical observations. Detailed information for each method used are presented hereunder.

# **Document Review**

The Audit Team reviewed documents from the Prime Minister's Office -Labour, Youth, Employment, and Persons with Disability (PMO-LYED), NSSF and PSSSF to obtain comprehensive, relevant and reliable information on the performance of the Ministry, NSSF and PSSSF on the management of property investments in the country.

The reviewed documents from the audited entities were those falling within the period under the financial year 2011/12 to 2021/22. The reviewed documents included; Planning, Performance, Progress and Monitoring and Evaluation Reports. **Appendix 3** shows various documents that were reviewed during the audit.

#### Interviews

Interviews were conducted with the selected officials from NSSF, PMO-LYED and PSSSF to gain insights into and clarification on the information regarding practices and challenges in the management of property investments. The interviewed officials were from the levels of both the Management and the Zonal Offices in the selected regions to obtain relevant information. The interviewed Official at PMO-LYED include Assistance Director of Social Protection Division, and for NSSF and PSSSF includes the Real Estate Managers, Investment Managers and Zonal Managers. **Appendix 4** shows the details of individuals that were interviewed and entities they worked with during the audit.

#### Physical Observations

The audit team visited the selected investments developed by NSSF and PSSSF, and assessed their operations and conditions. Through site visits, the Audit Team took notes, pictures and conducted interviews with officials responsible for managing investments.

The Audit Team in the selected regions visited at least 1 Commercial Building (s) including offices, at least 1 Residential house(s) and 3 Plots. The Audit Team also carried out observations of the conditions of properties.

#### (a) Methods for Data Analysis

The Audit Team used different techniques to analyse qualitative and Quantitative data. These methods are detailed hereunder:

- i. Analysis of Qualitative Data
  - Content analysis technique was used to analyse qualitative data by identifying different concepts and facts extracted from interviews or document reviews and categories them based on its assertion;
  - The extracted concepts or facts were presented in tables or explained by establishing relationship between different variables;
  - The recurring concepts or facts were quantified depending on the nature of data it portrays; and
  - The quantified information (concepts/facts) were analysed through spread-sheets to explain or establish the relationship between different variables.

# ii. Analysis of Quantitative Data

Quantitative data were presented in Excel-sheets, whereas relevant variables were analysed for the purpose of addressing audit objectives. Therefore, audit team processed data and analysed them through various techniques, whereby;

- The tabulated data were statistically analysed for example through normal distribution and presented in figures, graphs and tables depending on the nature of data; and
- Other quantitative data with single occurrence were presented as they were in the reports by explaining the facts they assert.

# 1.5 Data Validation

The Prime Minister's Office - Labour, Youth, Employment and Person with Disability (PMO-LYED), NSSF and PSSSF were given the opportunity to go through the draft report and comment on the information and figures presented. The Ministry, NSSF and PSSSF confirmed on the accuracy of the information and figures presented in this audit report (refer to **Appendix 1 (a)** to **(c)**. The information was also cross-checked and discussed with experts in the field of the investment management in order to confirm the validity of the information and facts presented in the audit report.

# 1.6 Standards Used for the Audit

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require that the audit is planned and performed in order to obtain sufficient and appropriate evidence which provide a reasonable basis for the findings and conclusions based on the audit objectives.

# 1.7 Structure of the Report

The remaining parts of this Audit Report are presented as follows:

Charter Tur	
Chapter Two	Provides the description of the audited area various actors and processes involved in the management of the Property Investment.
Chapter Three	Presents findings of the audit related to Management of Investment Properties by PSSSF
Chapter Four	Presents findings of the audit related to Management of Investment Properties by NSSF
Chapter Five	Provides overall and specific conclusions of the audit based on the main audit objective and specific audit objectives.
	An Mr.
Chapter Six	Provides recommendations that are directed to the Prime Minister's Office - Labour, Youth, Employement and Persons with Disability in order to improve management of Property Investment

# CHAPTER TWO

#### SYSTEM DESCRIPTION FOR THE MANAGEMENT OF PROPERTY INVESTMENTS IMPLEMENTED BY THE SOCIAL SECURITY FUNDS

#### 2.1 Introduction

This chapter presents description of the system for management of property investments as operated by the Social Security Funds i.e NSSF and PSSSF. It covers investment policies, legal framework and procedures governing the management of investments by social security funds. The Chapter further prescibes the roles and responsibilities of the key players and processes in relation to the management of property investments implemented by the NSSF and PSSSF.

#### 2.2 Policies Governing Investments in Social Security Funds

#### 2.2.1 NSSF Investment Policy (Revised 2020)

This policy is confined to providing guidance for best practices in line with the legal and regulatory requirements regarding management of property investments. Also, it provides high level statements regarding investment management practices.

The NSSF Investment Policy of 2020 provides guidance to the Board of Trustees, Management and Investment officers to undertake investment appraisals and decisions in line with the best practices. Specifically, the policy aims at;

- a) Safeguarding and protecting the interests of the members of the schemes.
- b) Ensuring that there is sufficient liquidity to meet short- and long-term maturing obligations.
- c) Ensuring sound governance structure, which is essential for effective investment of Social Security Funds.
- d) Ensuring high level of integrity and professionalism in the administration of the investment schemes and accountability of those with such responsibilities; and
- e) Prescribing limits for investments in various asset categories to foster risk diversification and limit excessive concentration of risk.

## 2.2.2 PSSSF Investment Policy 2021

The general objective of this Policy is to guide the Board and the Management of the Fund to undertake investment decisions in-line with the best practices. Specifically, this policy aims at:

- a) Safeguarding and protecting the interest of the members of the schemes by directing investments in safe and high yielding investment opportunities without compromising diversification and social economic utility criteria;
- b) Ensuring that there is sufficient liquidity to meet maturing obligations;
- c) Ensuring sound governance structure, which is essential for the effective investment of social security funds. The governance structure ensures an appropriate division of operational and oversight responsibilities, and the suitability and accountability of those with such responsibilities;
- d) Ensuring a high level of integrity and professionalism in the governance and administration of the investments of Scheme; and
- e) Prescribing limits for investments in various asset categories to foster risk diversification and limit excessive concentration of risk.

### 2.3 Legal Framework Governing Social Security Funds

#### 2.3.1 The Public Service Social Security Fund Act, No.2 of 2018

This Act provides the establishment of the Public Service Social Security Scheme. It states the objectives of the fund which is to ensure that every person who is an employee in the Public Service receives his/her retirement pension benefits as and when due. It requires to assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age; and establish a uniform set of rules, regulations and standards for the administration and payments of retirement pensions and other benefits for the Public Service.

With regard to Investment, Sub - section 53(1) of the Act requires the Board of Trustee to invest money from the Fund in any viable economic venture it considers appropriate.

Likewise, section 48(c) stipulates that, the bank of Tanzania has the power to inspect and examine scheme, manager, administer and custodian on all financial matters.

## 2.3.2 National Social Security Fund Act, Revised 2018

This Act provides for the establishment of a National Social Security Fund. It also prescribes the management and admiration of the Fund. It provides guidance on registration of members and collection of contributions to the Funds. It further states the classes of benefits payable to the registered members which are retirement pension; invalidity pension; survivor's pension; funeral grants; maternity benefit; unemployment benefit; and health insurance benefit.

With regard to investments, the Act requires the Board of trustee to abide with the guidelines issued by the Bank of Tanzania in investing monies from the Fund in any viable economic venture it considers appropriate.

## 2.4 Guidelines and Manual Governing Investments in the Social Security Funds

The list of guidelines and manuals governing Investment activities as implemented by Social Security Funds are as detailed below:

# 2.4.1 The Social Security Schemes Investment Guidelines, 2015 and 2021

The main objective of these guidelines is to set up principles regarding formulation of investment policies and procedures for management of investments. It also provides guidance to the Boards of Trustees of the schemes to undertake investment decisions in line with the best practices and provisions of the Act. It further provides thresholds for various investment categories.

Specifically, the 2015 Guidelines aim at:

- a) Prescribing limits for investments in various asset categories to foster risk diversification and limit excessive concentration of risk;
- b) Safeguarding and protecting the interests of the members of the schemes by directing investments in safe and high yielding

investment opportunities without compromising diversification and social economic utility criteria;

- c) Ensuring that there is sufficient liquidity to meet maturing obligations;
- d) Ensuring sound governance structure, which is essential for the effective investment of social security funds. The governance structure ensures an appropriate division of operational and oversight responsibilities, and the suitability and accountability of those with such responsibilities; and
- e) Ensuring a high level of integrity and professionalism in the governance and administration of the investments of social security schemes.

## 2.4.2 NSSF Investment Manual of 2016

This manual has been prepared in accordance with the requirements of NSSF Investment Policy of 2015.

This Manual aimed at providing guidelines and procedures to be followed during investment identification, appraisal, approval, implementation, monitoring and evaluation, and disposal; facilitating consistency on appraising procedures and reporting; and facilitating adherence on the Fund's Strategic Asset Allocation Limits and benchmarks during the appraisal process.

- 2.5 Roles and Responsibilities of Key Players in the Management of Investments
- 2.5.1 The Prime Minister's Office Labour, Youth, Employment and Persons with Disability

The Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED), through Social Protection Division is vested with the responsibility to supervise, regulate and create an enabling environment and building blocks for the development of the Social Protection and the provision of social insurance and social assistance services to employees and general public at large.

Section 5 (1) of the Social Security Act (Miscellaneous amendments No. 6 of 2019) gives mandate to the PMO-LYED in relation to the supervision of the Social Security Sector and, it includes inter alia the following: -

- (a) To conduct inspection and examination with or without prior notice on managers, custodians, or funds, premises equipment, machinery, records, of the managers, custodians, administrators or a scheme;
- (b) To register and supervise all schemes, managers, custodians and administrators;
- (c) To protect and safeguard the interests of members;
- (d) To Monitor and review regularly the performance of the social security sector;
- (e) To handle disputes and complaints relating to social security; and
- (f) To conduct programmes for public awareness, sensitization on Social security.

### 2.5.2 The Bank of Tanzania

The Bank of Tanzania has a responsibility of guiding the Boards of Trustees of the Funds to undertake investment decisions in line with the best practices and provisions of the Act. Specifically, the Bank of Tanzania is responsible for:

- a) Prescribing limits for investments in various asset categories to foster risk diversification and limit excessive concentration of risk;
- Safeguarding and protecting the interest of the members of the schemes by directing investments in safe and high yielding investment opportunities without compromising diversification and social economic utility criteria;
- c) Ensuring that there is sufficient liquidity to meet maturing obligations;

- d) Ensuring sound governance structure, which is essential for the effective investment of social security funds. The governance structure ensures an appropriate division of operational and oversight responsibilities, and the suitability and accountability of those with such responsibilities; and
- e) Ensuring a high level of integrity and professionalism in the governance and administration of the investments of social security schemes.

#### 2.5.3 The Public Services Social Security Fund (PSSSF)

The Public Service Social Security Fund is a social security scheme established by Public Service Social Security Act of 2018. The Fund was formed to cater for employees from the public sector and specified corporations. The main functions of the fund include:

- a) Registering members and employers who are by law required to contribute to the Fund;
- b) Collecting and safeguarding members' contributions through keeping and maintaining up to date books of accounts and records;
- c) Investing members' deposits in secure and optimum return yielding investments; and
- d) Paying out benefits to qualified members.

#### 2.5.4 The National Social Security Fund (NSSF)

The National Social Security Fund (NSSF) is a social security scheme established by the National Social Security Act Cap 50 R.E 2018. The Fund was formed to cater for employees from the public sectors and specified corporations. The main functions of the fund include:

- (a) Registration of members;
- (b)Collection of members' contributions;
- (c) Investing the collected contribution from members; and
- (d)Paying benefits to members.

## 2.5.5 Private Sectors

Section 15 of the Social Security Schemes Investment Guidelines, 2021 recognises the investment in properties to include properties constructed or acquired for the purpose of leasing to prospective tenants and/or for sale provided that:

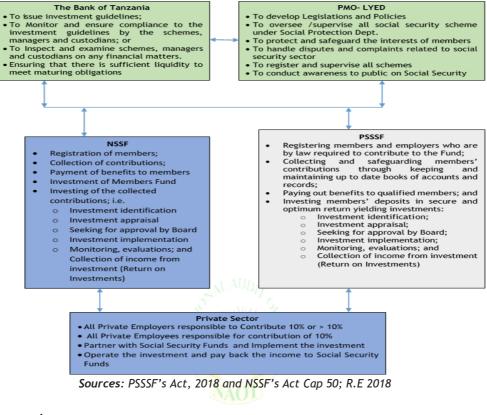
- (a) All investment properties shall be managed by independent property managers; and
- (b) Development or construction of properties shall be undertaken by independent third parties registered by relevant authorities.

Therefore, private sectors have following roles and responsibilities:

- Partner with Social Security Funds and Implement the investment.
- Operate the investment and pay back the income to Social Security Funds.

More information is detailed in *Figure 2.1*;

## Figure 2. 1: Key Relationships between Key Stake holders Responsible for Social Security Funds



Legend:

: To and from interruptions and reporting

2.6 Classification and Processes for Managing Social Security Funds Investments

## 2.6.1 Classification of Investments Implemented by Social Security Funds

Based on review of various documents from NSSF and PSSSF, there are two types of investments implemented by the said social security funds. This classification is based on the nature and maturity of the investments.

#### Short-term Investments

In this type, investments are attributed with maturity of twelve months or less. Therefore, both NSSF and PSSSF are implementing the following categories of investment:

- a) Treasury bills
- b) Fixed deposits
- c) Call account

#### Long-term Investment

In this type investment are characterised by maturity of more than twelve months. Again, both NSSF and PSSSF are implementing the following categories of investment:

- a) Treasury bonds
- b) Equity investment
- c) Loans
- d) Corporate bonds
- e) Collective investment scheme
- f) Real estate investment
- g) Infrastructure investment

Based on the explanation above, the property investments fall into long term investment which include real estate, infrastructure and plot.

In implementing above mentioned investments, both NSSF and PSSSF have developed investment manuals which provide guidance on management of investments. General manuals aimed at providing guidelines and procedures to be followed during investment namely; identification, appraisal, approval, implementation, monitoring and evaluation as further detailed in the process for managing investment below.

# 2.6.2 Processes for Managing Investments by Social Security Funds

Based on NSSF and PSSSF investment manual, general investment management procedures cover five stages to be followed when social security funds make an investment. These stages have to be followed for all types of investment to be implemented. These stages are explained below:

## a) Identification of Investment

This stage involves identification of the investment. It is done annually by the Directorate of Investment and Planning through conducting opportunity study. The study aimed to identify investment opportunity and recommend to the management if it is commercially viable.

## b) Project Appraisal

In this stage Investment Officer conducts market and financial analysis of the investment project. The analyses cover demand and supply model as well as cost and benefit analysis of the investment under appraisal. Also risk assessment of the investment is done in order to identify risk factors associated with the investment and mitigation measures are suggested.

### c) Approval for the Investment by the Management

Once the above analysis is conducted properly, Investment proposal is submitted to the management for review and approval if it satisfies requirements of investment policy and manual. Thereafter, management seeks approval from the Board of Trustee.

### d) Implementation of the Approved Investment

After the approval by the Board, the proposed investment project is ready to be implemented. This stage involves disbursement of funds and commencement of actual works such as civil and building works for the case of construction projects.

## e) Monitoring and Evaluating the Investment Implementation

In the course of implementing investment projects, Investment Officer on a monthly and quarterly basis monitors progress of its execution by conducting site inspections. Also, Investment Officer is required to prepare project financing reports and monthly progress reports.

Furthermore, the monitoring and evaluation and actuarial analysis are conducted at this stage to provide assurance of ongoing concerns of the Funds and liability as well as sustainability of the funds and its investments.

Section 39(8) of the Social Security (Regulatory Authority) Act, Cap 135 as amended by the Act No 6 of 2019, provides that the PMO-LYED and BoT have supervisory role of conducting the monitoring and evaluation of investment management of the Funds, examining if the investments are in accordance with the investment policies and regulations so as to make sure that investments made are in best interest of the Fund Members.

Paradigm presentation of Investment management process is indicated in the Figure 2.2.

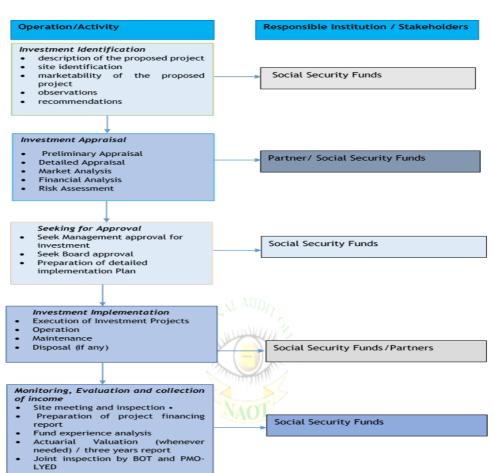


Figure 2. 2: Investment management process

Source: The PSSSF Act; R.E 2018 and NSSF Act of 1997

**Appendix 5** gives a detailed process to be followed when investing in the real estate.

### 2.7 Financial and Human Resources Arrangements for Funds Operations

#### 2.7.1 Financial Resources Arrangements

Both PSSSF and NSSF set aside budgets for payment of benefits, investment, monitoring and inspection for investment projects to ensure targeted performances are attained. During the financial years 2017/18 to 2020/21 both funds allocated significant amount of monies to facilitate

these activities as indicated in **Tables 2.1** and **2.2** for the NSSF and PSSS budget respectively to facilitate their operations.

Final	Activity	Budget	Total
Year		(Billion TZS)	(Billion
			TZS)
2017/18	Benefit Payment	286.44	1,080.88
	Operating expenses budget	100.81	
	Capital budget (Fixed assets)	12.12	
	Capital budget (Financial	146.42	
	instruments and Projects)		
	Investment in Treasury Security	535.10	
2018/19	Benefit Payment	450.00	1,223.86
	Operating expenses budget	113.78	
	Capital budget (Fixed assets)	6.78	
	Capital budget (Financial	225.77	
	instruments and Projects)		
	Investment in Treasury Security	427.64	
2019/20	Benefit Payment	450.00	1,509.72
	Operating expenses budget	134.52	
	Capital budget (Fixed assets)	8.22	
	Capital budget (Finan <mark>ci</mark> al	298.27	
	instruments and Projects)		
	Investment in Treasury Security	618.70	
2020/21	Benefit Payment	506.72	
	Operating expenses budget	178.06	1,642.63
	Capital budget (Fixed assets)	7.58	
	Capital budget (Financial	716.83	
	instruments and Projects)		
	Investment in Treasury Security	233.43	

Table 2. 1: NSSF's Annual Budgets 2017/18 - 2020/21

Source: NSSF Annual Plan (2016/17-2020/21)

Likewise, the Budget for PSSSF from 2018/19 to 2020/21 is as presented in Table 2.2.

Period	Activity	Dudget	Total (TTC)
Period	Activity	Budget	Total (TZS)
		(TZS) Billion	Billion
1 <sup>st</sup> August, 2018-	Benefit payments	1,817.59	2,190.32
30 <sup>th</sup> June, 2019	Administrative Budget	86.90	
	Property Investments	212.95	
	Development Budget	3.01	
	Corporate Taxes	50.00	
	SSRA Levy	6.00	
	Investment Management cost	13.85	
2019/20	Benefit payments	1,076.24	
	Monthly pension	569.75	2 204 00
	Administrative Budget	74.42	2,301.09
	Investments	399.87	
	Capital Expenditure	1.62	
	Corporate Taxes	169.01	
	Investment Management cost	10.18	
2020/21	Benefit payments	1,398.44	
	Administrative Budget	51.59	
	Investments	219.87	
	Capital Expenditure	0.55	1,750.30
	Corporate Taxes < 🔶	71.72	
	Project Management	0.46	
	Investment Management cost	7.67	

Table 2. 2: PSSSF Annual Budgets for the Financial Years 2018/19-2020/21

Source: PSSSF's Annual Budgets for Financial Years 2016/17-2020/21

#### 2.7.2 Human Resources Arrangements

For the period under review, staffing level at NSSF is as detailed in **Table 2.3** below.

Financial Year	Required No of Staff	Available	Shortage no of Staff				
2017/18	1698	1381	317				
2018/19	1381	1064	349				
2019/20	1474	1032	349				
2020/21	1605	1125	470				
2021/22	1708	1135	573				

Table 2. 3: Allocated Staff at NSSF from the Financial Year 2017/18 to 2021/22

Source: NSSF's Service Scheme (IKAMA) or Staffing level

On the other hand, the PSSSF's Service Scheme / Staffing level was not approved since its establishment (2017/18 to 2021/22). After approval of organisation structure in 2022, PSSSF developed a proposal for human resources as of 2022/23. Table 2.4 below shows the status of human resources establishment.

Divisions/Units	Current	Propo	sed
	Establishment	Establish	nment
		Min	Max
Director General		1	1
Operations Directorate	91	60	65
Finance Directorate	AOD 39	33	35
Planning, Investment and Projects	32	29	32
Directorate			
Human Resource Management and	45	35	40
Administration Directorate			
ICT Directorate	25	23	26
Legal Services Directorate	17	8	10
Internal Audit Directorate	15	10	13
Procurement Management Unit	11	11	14
Actuarial Services, Statistics and	6	7	8
Risk Management Unit			
Public Relations and Members	7	6	9
Education Unit			
Zone Offices	380	447	464
Zanzibar Office	7	6	6
Total	676	676	723

 Table 2. 4: Proposed Human Resources Establishment as of August 2022

Source: PSSSF's Proposed Scheme of Service, 2022

## CHAPTER THREE

### FINDINGS ON THE MANAGEMENT OF PROPERTY INVESTMENTS BY PSSSF

### 3.1 Introduction

This chapter presents findings on the extent to which the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED) through Public Service Social Security Funds (PSSSF), has effectively managed Property Investment Implemented by PSSSF.

Specifically, the findings address management of property investments by PSSSF in relation to the specific audit objectives described in section 1.3.1 of this Report. Below are the detailed findings:

### 3.2 Inadequate Management of Property Investments by PSSSF

Section 18(1) of the Budget Act 2015 requires accounting officers to ensure that: plans and budget of public entities are prepared as per Plans and Budget Guidelines; resources are properly managed and safeguarded; and arrangements for collection of revenues from the public are conducive enough to enable achievement of the set collection targets.

Section 14 of Asset Management Guidelines, 2019 requires every Accounting Officer to ensure that maintenance plan of an asset is prepared and adhered to. The objective of the maintenance plan is to ensure that assets remain useful for the intended purposes, facilitate service delivery and are economically utilized to maximize benefits to the organization.

The audit noted that, PSSSF did not adequately manage the property investments under its areas of jurisdiction. The noted weaknesses were related to unsatisfactory conditions and high operating costs of property investments. These are elaborated in the following sections:

### 3.2.1 Existence of Property Investments with Unsatisfactory Conditions

Site verification and review of various reports<sup>6</sup> indicated presence of buildings whose physical conditions were unsatisfactory. The reports indicated various defects which include: cracks, peeling of paints on the walls, roof leakage, indented floor, rusting of galvanised iron sheets, poor foul water systems which were found not to have capacity to drain waste water, poor condition of lifts and poor electrical wiring (i.e., Mechanical Electrical; and Plumbing) as indicated in **Table 3.1**.

Region	Name of the Building	Defects					
	and Location		Peeling Off Paints On Walls and Structures	Roof Leakage	Floor Wear and Tear	Rusting on G.I.S	Poor Foul Water
Dar es	Garden Avenue	×	No. V	x	$\checkmark$	х	Х
Salaam	Quality Plaza	Х	N N	х	х	Х	$\checkmark$
	Buyuni Low Cost Houses	V	LUD N	$\checkmark$	$\checkmark$		
	PSSSF Masaki Apartment (EX PSPF)	×	×	V	х	x	х
	PSSSF Mikocheni Apartment	×	×	V	х	x	х
Mtwara	Residential Building No.2	A.C	$\checkmark$	V		$\checkmark$	X
	Plot No. 1 Shipping Block	V	$\checkmark$	V			X
	Residential Building No.1	V	$\checkmark$	V		$\checkmark$	X
Arusha	Plot No. 455 Block 'Y' Arusha City	V	$\checkmark$	V		$\checkmark$	x
	PSSSF Kaloleni Estate	X	$\checkmark$	$\checkmark$			$\checkmark$

#### Table 3. 1: Defects Noted in Visited Buildings

**Source:** Properties Valuation Report of 2020-2022, Property Managers Reports 2021/22 and Estate Properties Comprehensive Reports of 2019/20-2021/22 and Site Verifications

**Key:**  $\sqrt{}$  = available, x = is not available.

<sup>&</sup>lt;sup>6</sup> Properties Valuation Report for the years 2020 to 2022, Property Managers Reports 2021/2022 and Estate Properties Comprehensive Reports of 2019/2020-2021/2022

**Table 3.1,** indicates various defects in buildings which were evaluated. The most noted defects were cracks on walls, peeling off paints on walls, roof leakage, floor wear and tear, and rusting on Galvanised Iron Sheet. Roof leakage and peeling off paints on walls and structures were on top of the list as these were found in almost all of the visited buildings with exception of three buildings where as poor water supply was the least dominant defect.

The site visits conducted on 4<sup>th</sup> October, 2022 in Dar es Salaam region observed defects on some of the buildings. Buildings with unsatisfactory conditions were Quality Plaza and Garden Avenue. The extent of unsatisfactory conditions is as shown in *Photos 3.1, 3.2* and *3.3*.



**Photo 3.1:** Building with Unsatisfactory Conditions at Garden Avenue under Renovation (Auditors' caption on 4<sup>th</sup> October 2022)



**Photo 3.2:** Peeling off Paints at Buyuni Low Cost House in Dar es Salaam Region (Auditors' Caption on 4<sup>th</sup> October 2022)



**Photo 3.3:** Quality Plaza's Suspended Ceiling in Unsatisfactory Conditions (caption on 4<sup>th</sup> October 2022)

Despite of the few noted renovation activities to address defects, the Audit noted that, unsatisfactory conditions of the buildings which were mainly contributed by the inadequate maintenance plans (as will further be explained in **Section 3.2.2**) which led to inadequate maintenance of the buildings.

Another noted factor for the unsatisfactory conditions of the buildings was aging of buildings. For instance, through the review of Aging Analysis Report of 2021/22, it was found that the ages of the buildings ranged from 11 to 27 years. When the building is more aged, it is likely to be more dilapidated especially when it is not undergoing routine maintenance. The aging analysis of building is as presented in **Figure 3.1** and **Appendix 6**.



#### Figure 3. 1: Extent of Aging of Buildings under PSSSF as of 2022

Source: Aging of Buildings' Analysis as of 2022

From **Figure 3.1**, it can be seen that, the age of buildings ranged from 11 to 27 years. The aging of building contributed significantly to the existing unsatisfactory conditions of the buildings.

Unsatisfactory conditions of the buildings led to low rate of occupancy, of particular buildings which resulted to low rate of return from 28% in the financial year 2017/18 to 21% in financial year 2021/22 as further indicated in **Section 3.4.3** of this report.

### 3.2.2 Not All Property Investments under PSSSF are Making Profits

Section 9(1) of the Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure that any investment different from Treasury instruments to has return which is over and above on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity.

However, the audit noted non-performance investments and low rates of return for some of the investments implemented by PSSSF as explained below:

#### (a) Noted Suspended Investments Projects

The Audit noted that, prior to establishment of PSSSF, the former Funds proposed various investment projects which were later suspended. However, some of these projects have never been executed for various reasons, these projects include; the Ununio commercial and residential complex in Dar es Salaam, Njedengwa residential apartment in Dodoma and Low-cost houses at Kiseke Mwanza Phase 2. These projects are as detailed in **Table 3.2**:

Investment Project and planned start date	Initial Cost (TZS)	Stage	Reason for not executing by PSSSF	Status as of June 2022
Ununio Commercial and Residential Complex (2011)	3,256,613,599.00	Tender document stage (consultanc y payments)	Stopped by Government directive.	Not implemented
Njedengwa Residential Apartment	48,784,000.00	Initial Design Stage (payment were made)	Stopped by Government directive.	Not implemented
Total	3,305,397,599			

Table 3.2: Suspended Projects under PSSSF

Source: Project files and Interviews from PSSSF Officials, 2022

It can be seen that TZS 3,305,397,599 were incurred for two investment projects that did not take off. Interviews with officials from PSSSF indicated that, this was due to government directives; however, the Audit Team was not availed with the documents showing such directives to confirm their claim.

## (b) Inadequacy Returns from the Investments Properties

Review of Performance Reports and Financial Statements of financial years 2019/2020 to 2021/2022 indicated that, the actual collection of revenues from real estates against the target stood at 87% in 2018/19 and increase to 104% in 2021/22. Further details are as presented in **Figure 3.2**.

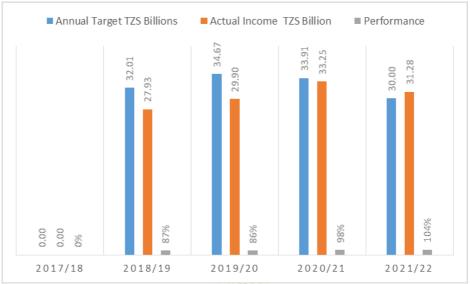


Figure 3. 2: Performance of Real Estate Against Target

Source: Investments Performance Reports and Financial Statements from 2019/20 - 2021/22 and 8<sup>th</sup> PSSSF's Board Minutes Meeting of 2019/20-2021/22

It can be seen that, the revenues generally increased from TZS 27.93 billion in 2018/19 to TZS 31.28 billion in the financial year 2021/22. This is equivalent to the increase in achieved target from 87% to 104%. However, there is a decrease of set targeted revenue from TZS 34.66 Billion in the financial year 2019/20 to TZS 30.00 Billion in the financial year 2021/22.

Review of Minutes of PSSSF's Board Meeting, which was held on 12<sup>th</sup> March 2019 in Dodoma indicated that, commercial buildings in Dar es Salaam, Arusha, Dodoma, Mtwara and Mwanza had an average of rent income of 64.3% as average revenue from rent collection.

The Board Meeting Minutes also indicated that rent collection in the financial year 2018/2019 for Dar es Salaam, Arusha and Dodoma was TZS 20.05 billion out of TZS 51.46 billion equivalent to 39%, which was the targeted amount.

Also, review of 8<sup>th</sup> Ordinary Meeting of Investment Committee of the Board held on 11<sup>th</sup> August 2020 indicated that, the Real Estate annual target for the financial year 2019/20 was TZS 31.43 billion while as of June 2020, the total rent collection was TZS 22.13 billion equivalent to 70% of the targeted amount.

The reasons for PSSSF to have low return for some of the Property Investments was the unsatisfactory conditions of buildings which was caused by inadequate maintenance (as explained in **Section 3.4.1** of this report); and shift of the government to Dodoma; and outstanding rent from tenants due to inadequate rent collection mechanisms.

Another reason for the noted underperformance of the investments under the PSSSF was inadequate record keeping for the investments. This is because PSSSF had insufficient information on property investments and specifically for the real estate (buildings and plots). This was evidenced through insufficient provision of information that was requested by auditors regarding initial cost, payback period, rate of return and return on investment of respective property investment under their jurisdiction.

For instance, the Minutes of the Board Meeting of 12<sup>th</sup> March 2019 indicated that, plots that were owned by PSPF were sold and amount of TZS 830.32 million was collected which was equivalent to 44% of the initial income. However, PSSSF had neither database nor report on information of the transferred fixed assets from the Former Social Security Funds.

It was also noted that PSSSF's combined property investments as a single portfolio. Due to this, PSSSF could not assess the performance and return on investments of each invested property with respect to their feasibility studies.

Interviews held with PSSSF Officials indicated that, inadequate record keeping for the invested properties was caused by ineffective of PSSSF's Property Investment System.

It was also noted that, in the financial year 2021/22 PSSSF established the Real Estate Management System (REMS). However, it was found that, the REMS did not capture all information of property investments specifically for the buildings and infrastructures.

The Audit conducted verification on functionality of the Real Estate Management System and noted that, the system did not capture all information about the properties. The uncaptured information included: initial cost or investment of the property, fair value of property, baseline information, defaulters of rent, payback period, return on investment, rate of return and status of properties in general (see Figure 3.4 below).

Figure 3.4: Excerpt from Real Estate Management System as on 5<sup>th</sup> September 2022



Source: Real Estate Management System, Depiction of September 2022

As it can be seen in **Figure 3.4** above, the system registered 29 buildings, 579 low cost houses, 2639 plots and 1005 active leases country wide. However, the system did not capture all information. For instance,

information on the number of defaulters and outstanding amounts were not captured.

Interviews held with PSSSF indicated that the system was developed in 2021, and initial information on the construction cost, payback period and internal rate of return (IRR) were not uploaded in the new system because the same was not used for day to day management of real estates.

Furthermore, it was noted that, PSSSF lacked database of Properties transferred from former Social Security Funds. It was expected that, PSSSF would provide information on how properties were transferred from the former Social Security Funds prior or during merging to PSSSF. Unfortunately, PSSSF could not avail to auditors the requested database.

Moreover, PSSSF officials responded that, the transferred assets from merged Funds to PSSSF was as per Section 84 of PSSSF Act, 2018. In addition, they explained that, the process of transfer of assets was overseen by the Ministry of Finance and the regulator (BOT and SSRA), all opening balances (including investment properties) were based on audited accounts of the former Funds and Database of all inherited property investments are maintained in the Fund's Navision System.

Generally, inadequate management of property investment by PSSSF as explained in Section 3.2.1 and 3.2.2 of this report was attributed to:

- (a) Inadequate of planning;
- (b) Failure to adequately operate the property investments;
- (c) Inadequate maintenance of property investments; and
- (d) Ineffective monitoring of property investments.

These factors are further explained below:

### 3.3 Inadequate Planning for Property Investments

According to section 2.6.1 of PSSSF investment Policy, 2021 effective planning for investment in real estate properties should include technical feasibility, commercial profitability, financial viability and social economic desirability of the investments, safety, yield, liquidity, socio-economic utility and diversification to ensure nominal value of the invested capital.

It also requires consideration of positive rate of returns, maintaining the value of member's funds, and contributing to national economic development and investment for the purpose of minimising risk.

However, the Audit noted that PSSSF had inadequate planning for its investments in real estate properties as indicated by various weaknesses presented in the following subsection of the report.

## 3.3.1. Inadequate Feasibility Studies for Real Estate Investments

Section 53 (1) - (2) of Public Service Social Security Fund Act, 2018 require the Board to invest monies of the Fund, in any viable economic and commercial venture it considers appropriate, and the investment shall be done based on its financial and economic viability.

Similarly, Part 2.3.1 of PSSSF Investment Policy, 2020 requires the management to conduct feasibility study to analyse for positive cash flows before investing.

Section 2.3.1 of Guidelines for Project Planning and Negotiations for Raising loans, issuing Guarantees and Receiving Grants, 2020 require the implementing agency to ensure that the feasibility study report or project proposal is detailed, robust, and realistic and portrays a true picture of project viability.

Furthermore, the feasibility study and project proposal are required to contain all necessary information to enable an informed decision. Both reports shall among other things, include: (i) Rationale of the project; (ii) Estimated project costs; (iii) Resources required in terms of personnel and technology; (iv) Environmental and social impact assessments where applicable; (v) Project potential risks and mitigation mechanism; (vi) Tentative implementation plan; (vii) Project sustainability plan; (viii) Monitoring and evaluation framework including logical framework where applicable; and (ix) Compensation/resettlement mechanism where applicable.

However, the audit noted that PSSSF did not adequately conduct feasibility studies before embarking to properties investments, as explained below:

## (a) 94% of Investments in Real Estate Properties Under PSSSF Lacked Feasibility Studies

Interview and review of Feasibility Study Reports noted that, PSSSF conducted Feasibility Studies for only 2 out of 34 invested properties which is equivalent to 6%. This means that 94% of investment properties under PSSSF were executed without feasibility studies.

Similarly, through review of proposals and concept notes, it was revealed that 2 properties out of 34 had concept notes for investing in real estate as shown in **Table 3.3**.

SN	Category of Properties Investment	Total properties invested	Properties invested after feasibility study	Project invested without feasibility studies	% of project invested with feasibility study (A)	% of project invested without Feasibility study
1.	Commercial and Office Buildings	16	2	14	13	87
2.	Residential Buildings	18	NA01	18	0	100
Tota	al	34	2	32	6	94

Table 3. 3: Invested Properties with Feasibility Studies and Concept Notes

Source: PSSSF Reports before Investment of Real Estate Properties 2009-2017

It can be seen from **Table 3.3** that, only 2 out of 16 commercial buildings in real estate properties had feasibility studies equivalent to 13%. These buildings with feasibility studies were the Twin Towers Plot No.120/121, Sokoine Drive of March, 2020 and PPF Tower of August, 1997. There were no feasibility studies conducted for residential and office buildings and hotels prior to their investments.

## (b) 79% of Real Estate Investment Properties under PSSSF Lacked Project Proposals

Review of submitted project proposals revealed that seven properties out of 34 had project proposals for investing in real estate as shown on **Table 3.4**.

Category of Properties Investment	Total properties invested	Properties invested after conduct of Project proposal	% project invested after conduct of project proposal	% of project invested without Project proposal
Commercial Buildings (Office and hotel Buildings)	16	7	44	56
Residential Buildings	18	0	0	100%
Total	34	7	21	79

 Table 3. 4: Status of Properties with Project Proposal

Source: PSSSF Planning Investment Reports of Real Estate 2009-2017

From **Table 3.4** only 7 out of 16 commercial properties which is equivalent to 44% had project proposals prior to their investments. For the case of residential buildings project proposals were not prepared at all. On average, 79% of properties were invested without project proposals.

Investing in properties prior to feasibility study or preparation of project proposal was caused by lack of BOT Investment Policy and Guidelines during the time these building properties were constructed. It was noted that, the policy was developed later in 2015. This was evidenced by the interviews held with PSSSF Officials.

To a large extent, lack of feasibility studies contributed to inadequate forecast of return on investments and payback period of invested properties.

# (c) Feasibility Study Reports and Project Proposals Missed Some key Information

Review of project proposals and Feasibility Study Reports from the year 2009 to 2017 revealed that, the reports were not adequately prepared as they missed basic details including: cost estimates; preliminary designs; environmental and social impact assessments; soil investigations/geotechnical investigations; assurance of market of invested properties; financing plan; and economic and social justification. **Appendix 8** show the missing information for the submitted feasibility study reports from 2009 to 2017 and concept notes from PSSSF.

It was also noted that these reports were not prepared by consultants or experts in the cognate area of investments because none of the reviewed reports indicated the name, signature or stamp of the person who prepared the documents. Failure to engage consultant in conducting feasibility studies was verified through the interviews with PSSSF officials who admitted that the Organisation did not involve experts to conduct the feasibility studies and prepare projects proposals.

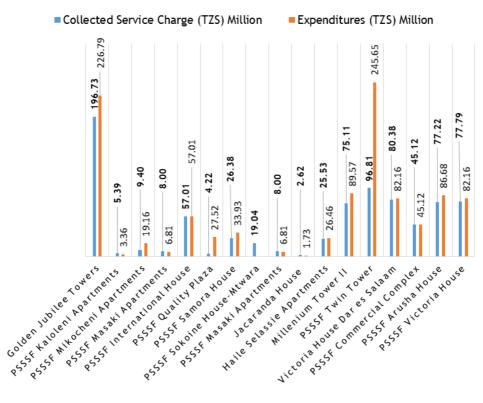
### 3.3.2 Over Expenditure of the Collected Service Charges to Operate Investment Properties

Section 3.16.2 (vi) of Draft PSSSF Real Estate Management Manual, 2022 requires that, in an event where the service charge is insufficient to cover building operation expenses, the Fund may support operational expenses under the following conditions; i) There must be a review of all building operation expenses and ii) Special directive from Fund to employ a certain service provider.

Section 3.16.1 also indicates expenses that were covered by service charges which include: power supply, minor repairs, cleanness and garbage collection provided that their payments shall not exceed the term of this agreement. In addition, the Section stipulates that Property Managers shall be fully responsible for employment and remuneration of their office administrative staff such as secretaries, cashiers and messengers.

Review of Property Management Reports for the financial year 2021/22, indicated that, the operational cost for investment properties were higher compared to the collected service charges, as **Figure 3.5** indicates.





Source: Fourth Quarter Property Management Report of the financial year ended June 2021/22

As it can be seen from **Figure 3.5**, Golden Jubilee Tower spent TZS 226.79 million out of the collected TZS 196.73 million while PSSSF's Twin Tower spent TZS 245.65 million out of collected TZS 96.81 million for property management expenses.

Despite having operational costs that exceeded the collected service charges, the Audit found that, the Fund did not issue any special directives to provide additional money from the Fund to cover for the deficits. Also, there was no approval from the Fund to employ a certain service provider. These decisions were avoided to prevent use of more money from the collected service charges. The audit noted that, higher operating cost of properties was caused by inadequate collection of service charges and declining rate of occupancy. Another reason is outstanding service charges receivable to invested properties as audit noted arrears of service charges amounting to TZS 357,191,633.69.

## 3.3.3 Low Occupancy Rates for Commercial Buildings

Section 2.12.4 of PSSSF investment policy of 2021, requires the Fund to invest in real estate properties with the objective of generating income from rents.

Also, section 3.8 (v) of PSSSF Real Estate Management Manual Version 2: 2022 instructs that, rent market survey should be conducted yearly or any time in between as deemed appropriate by the Fund's Management. During the exercise, the Estates Officer shall consider the following: Economic indicators, upgrades and updates, interest rates, accessibility, planning and zoning regulations, neighbourhood and location, comparable, amenities and complexity.

Review of Minutes of the 10<sup>th</sup> Ordinary Meeting of PSSSF Investment Committee of the Board of Trustee held on 16<sup>th</sup> February, 2021 indicated anticipated status of occupancy rate. It was noted that the occupancy rate as of 31<sup>st</sup> December, 2020 with regard to residential properties stood at 96%. Only 3 out of 21 residential properties had occupancy rates below 90% notably PSSSF Kaloleni Flats (80%), PSSF Oloirien Estate 75% and Haile Selassie apartment (67%).

Moreover, the review of PSSSF Investment Performance Reports of different periods within financial years 2020/21 and 2021/22 indicated that the occupancy rates for residential buildings ranged from 93% to 97% as shown in Table 3.5.

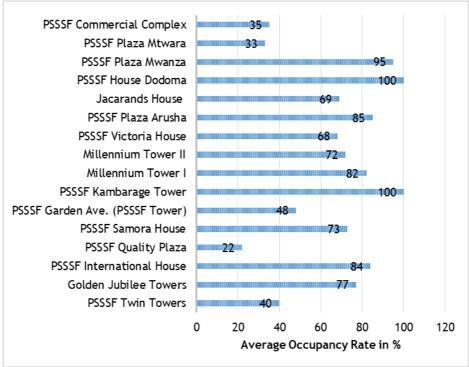
Table 3. 5: Occupancy Rate for Residential Buildings for the Period
from 2018/19 to June, 2022

Duran autor		0/	~ "				
Property		% Of UCCI	upancy Rate	e for Fir	iancial re	ar	Average
Invested	2018/19	Sept	Sept	Dec,	March,	June,	occupancy
		2020	2021	2021	2022	2022	rate
Residential Buildings	93	93	97	94	94	96	94.8

Source: PSSSF Investment Performance Report of the Invested Properties

**Table 3.5** above shows the promising average occupancy rate of residential properties which stood at 94.8. Residential buildings had a gap of 5.2% to reach a set target of 100% occupancy rate.

However, review of PSSSF Comprehensive Report of Real Estate Investment properties of January, 2019 and Performance Reports of Investments for the period of September, 2020 to June 2022, indicated that five out of 16 commercial buildings had occupancy rate of below 50%.



# Figure 3. 6: Occupancy Rate of Commercial Buildings from January, 2019 to June, 2022

Source: PSSSF Investment Performance from January, 2019 up to June 2022

**Figure 3.6** indicates that, the occupancy rate from the financial year 2019/2020 to 2021/2022 ranged between 22% and 100% against target of 95%. It can be seen from the Figure that only 2 out of 16 commercial buildings which is equivalent to 13% had occupancy rates of 100% and one out of 15 equivalent to 6% have occupancy rate above 90%. **Table 3.5** further indicates that, 5 out of 16 equivalents to 31% had occupancy rate of below 50%.

The reasons for the commercial building to have low occupancy rates include:

- (a) Inadequate Maintenance and Repair of the Buildings: Through reviews of Annual Budgets from the financial year 2018/19 to 2021/22 the audit noted that, PSSSF did not adequately plan for maintenance of the buildings (as explained in Section 3.4.1 of this report). For instance, PSSSF did not set sufficient budgets for maintenance and repair of buildings. Due to this reason, buildings were not timely maintained causing them to be in poor conditions as further shown in Section 3.2.1 of this report.
- (b) Inadequate Rent Market Survey: Despite the requirement to conduct rent market survey each year, it was noted that, PSSF conducted only one marketing strategy and survey for Sam Nujoma Building. As a result, PSSSF lacked information on tenants' satisfactions and shortcomings of the invested buildings.
- (c) Shifting of Some Tenants from Dar es Salaam to Dodoma: Most of the commercial buildings which were rented by the Government offices currently have low occupancy since most of them especially ministries and its agencies have shifted to Dodoma.
- (d) Long Period of Undertaking Renovation of Buildings: It was noted that renovation activity for Quality Plaza building took long to be completed. The renovation started on 8th June, 2020 but up to October, 2022 when physical verification was conducted, the building renovation was not completed. The same situation was noted for the Gold Crest Hotel whereby its renovation took 67 months.

Low occupancy rates, resulted into low return on investments (as explained in **Section 3.2.2** of this report) and prolonged payback period.

## 3.3.4 Inadequate Planning for Return on Investment for the Properties

Section 9(1) of the Social Security Schemes Investment Guidelines, 2021 requires the Board of Trustees of every scheme to ensure that any investment other than Treasury instruments shall have return which is over and above return on Government Securities of a similar maturity at the time of investing.

The review of Annual Investment Performance Reports for the period from 2019/2020 to 2021/22, noted that, PSSSF had insufficient plans. Such plans did not ensure adequate return on investments from properties. This was because, PSSSF did not adequately analyse return on investments; and lacked baseline information for the return on investments as further explained below:

# (a) PSSSF Did Not Adequately Analyse Return on Investments for Real Estates

Through review of Annual Performance Reports form the financial years 2019/20 to 2021/22, the audit noted that, with the exception of Annual Performance report of 2021/22, other reports did not include analysis of returns on investments. This implies that, PSSSF did not measure the performance of real estate investments. As a result, PSSSF was not adequately informed on this critical aspect for the proper management of properties.

With regards to the Annual Performance Report of 2021/22 which indicated 3% of returns on investments for real estates, the audit noted that, the report lacked baseline details such as payback period and rate of return for each invested property.

## (b) Baseline Information on Return of Investment was Included in only one Investment Property

Review of two availed Feasibility Studies reports for the Twin Towers Plot No.120/121, Sokoine Drive of March, 2020 and Feasibility Study report for PPF Tower of August, 1997, noted that, only PPF Tower's Feasibility Study Report had baseline information on return of investment. The PPF Tower

Feasibility Study report indicated a payback period of 8 years, rate of return of 11.98% and Economic Rate of Return of 12.66%.

Missing baseline information was caused by inadequate Terms of References given to the consultants which did not include the analysis of baseline on return of the investments.

Absence of baseline information implies that, the property investments under PSSSF were made in ad hoc manner and without establishment of investment baselines.

The effect of the failure to plan for the return on investments of properties is that, the cost incurred during investment could be higher than the expected returns on investment.

### 3.4 Inadequate Maintenance for Property Investments

Section 4.1 of the Real Estate Manual states that once buildings and infrastructure are in place, in order to enhance their longevity, they are invariably required to be maintained or renovated from time to time. Buildings and infrastructures are susceptible to vagaries of nature as well as wear and tear resulting from natural causes, their use or vandalism. Their depreciation rate is greatly reduced if maintained and repaired regularly and timely.

Through reviews of Investment Performance Reports from financial years 2018/19 to 2021/2022, the Audit noted that, PSSSF did not adequately conduct maintenance of invested properties due to the following noted factors:

## 3.4.1 Inadequate Mechanisms to Ensure Adequate Maintenance for Investment Properties

Section 4.5.2 (iv), (v) and (ix) of PSSSF draft of the Real Estate Management Manual, 2022 requires the Property Manager to prepare the service and maintenance schedules which should be submitted to Fund's estate officer for adherence. In addition, the Estate Unit is required to conduct inspection and monitoring in quarterly basis to check among other

things if the Property Managers comply with the service and maintenance schedules.

The Audit noted that, PSSSF had inadequate mechanisms in place to ensure adequate maintenance of the investment properties.

Through Interviews held with PSSSF officials, it was noted that, PSSSF did not have the specified maintenance plan for property investments including commercial, residential, offices and apartment under their jurisdiction. The audit further revealed that, PSSSF considered corporate Annual Plans as maintenance plans because maintenance activities were included.

However, the review of PSSSF's Corporate Plan of three financial years from 2019/20 to 2021/22, noted that, the plans did not include maintenance of investment properties.

As a result, buildings were inadequately maintained due to inadequate planning for maintenance works. This led to more wear and tear of buildings as shown in **Section 3.2.1** of this report.

This resulted, into accumulation of maintenance works and untimely completion of the implemented maintenance works as further explained below.

### (a) Accumulation of Maintenance Works

Review of PSSSF Projects Implementation Summary Reports for the financial years 2019/20 to 2020/21 indicated a number of renovation and minor maintenance projects for the properties as shown in **Table 3.6** below.

Table 3. 6: Maintenance of the Investment Properties Conducted in the
Financial Years 2019/20 to 2021/22

Name of	Activity	Contract Sum	Contract	Contrac
Property/ty	Executed		Signing date	t Period
pe of works				(days)
Renovation	Electrical Work	287,596,208	April,2020	49
of Quality	Lift Work	362,282,659	May,2020	168
Plaza	Civil and Building	450,000,000	February,	180
Building	Work		2021	
	Ceiling and	83,595,920	May, 2022	31
	Signage			
	HVAC contract	1,386,481,238	19 <sup>th</sup>	180
			September,	
			2020	
PSSSF Tower	Supply, install,	1,485,878,432.00	27 <sup>th</sup> August,	70
Parking	Testing and		2020	
Arcade	commissioning of			
Decer	air Conditioners	4 404 433 537 05	Eth M. DODO	400
PSSSF	Painting and	1,101,133,527.95	5 <sup>th</sup> May, 2020	180
Oloirien	decoration,	Juliu Car		
Estate Arusha	Aluminum works to windows,			
Alusiia	tilling works,			
	plumbing works,			
	repair of	NAOT		
	entrance gates.			
	Carpentry and			
	joinery works.			
PSSSF Gold	Painting and	722,237,054.00	4 <sup>th</sup> October,	180
Crest Hotel	decoration,		2019	
and Plaza	Tilling works,			
Mwanza	ceiling works,			
	Carpentry and			
	Joinery works.			
	Contract			
	No.PA.155/2018-			
	2019/HQ/W/13-			
	Lot 1	4/0 700 0/0	a a th	
PSSSF Masaki	Demolition works,	160,739,060	11 <sup>th</sup> May,	84
Apartments	painting works,		2020	
	boundary wall			
	and gate, plumbing works			

Name of	Activity Executed	Contract Sum	Contract	Contrac t Period
Property/ty pe of works	Executed		Signing date	(days)
	and electrical works			
Millennium Towers- Seashell Hotel	Supply. Install, Testing and Commission of air Conditioners	173,862,568.80	21 <sup>st</sup> June, 2020	41
PSSSF Twin Tower	Supply, Installation, Testing and Commissioning of 33KV metering Unit.	57,094,300.00	29 <sup>th</sup> May, 2020	60
PSSSF Haile Selassie	Supply and installation of pre-paid meter	13,839,984.00	11 <sup>th</sup> May, 2020	14
PSSSF Victoria House	Proposed painting works all internally common area and partly external area	31,798,404.00	20 <sup>th</sup> August, 2020	15
PSSSF Kaloleni in Arusha	Re-roofing and plumbing works	182,312,035.00	24 <sup>th</sup> January, 2020	56
Total Cost TZS	of Renovation in	6,498,851,391		

Source: Projects Implementation Summary Report for the Period Ended December, 2020

It can be seen from **Table 3.6** that, from the financial year 2019/20 to 2020/21 the total of TZS. 6,498,851,391 was contracted for renovation activities of investment properties.

It was noted that, accumulation of renovation activities was caused by failure to frequently conduct maintenance of the buildings before the financial year 2019/20. However, there were no information availed to auditors regarding to when the properties were put into use and when maintenance/renovation commenced. However, according to availed documents, most of the maintenance activities commenced on 2020/2021

as shown in **Table 3.7** below. This was evidenced through interviews held with PSSSF Officials.

Buildings	
Last Time	Remark
renovation	
Conducted to the	
Building	
No information	This was the contract date for
	renovation
Renovation on	Renovation stated since April,
progress	2020 to date
4 <sup>th</sup> October, 2019	This was the contract date for
	renovation
20 <sup>th</sup> August, 2020	This was the contract date for
	renovation
24 <sup>th</sup> January, 2020	This was the contract date for
A strength of	renovation
11 <sup>th</sup> May, 2020	This was the contract date for
2 m ( ) K 2	renovation
29 <sup>th</sup> May, 2020	This was the contract date for
	renovation
11 <sup>th</sup> May, 2020	This was the contract date for
CAUL	renovation
27 <sup>th</sup> August, 2020	This was the contract date for
	renovation
5 <sup>th</sup> May, 2020	This was the contract date for
	renovation
	Last Time renovation Conducted to the Building No information Renovation on progress 4 <sup>th</sup> October, 2019 20 <sup>th</sup> August, 2020 24 <sup>th</sup> January, 2020 11 <sup>th</sup> May, 2020 29 <sup>th</sup> May, 2020 21 <sup>th</sup> May, 2020

Table 3. 7: Status of the Conducted Maintenance for the InvestmentBuildings

Source: Projects Implementation Summary Report for the Period Ended December, 2020

#### (b) Untimely Completion of Implemented Maintenance Works

The site visits conducted revealed untimely completion of maintenance activities for the buildings. It was noted that renovation activity for Quality Plaza building in Dar es Salaam Region started on 8<sup>th</sup> June, 2020 but up to October, 2022 when physical verification was conducted the renovation had not been completed, more than 600 days against the contracted 180 days. The audit observed that, the ceiling work was not yet started despite being scheduled to take place during May, 2022. (Refer to **Photo 3.4** below)



**Photo 3.4:** Ceiling not yet completed at Quality Plaza Building Despite being Scheduled for in May.2022 (Auditors' caption of 4<sup>th</sup> October 2022)

The delays in completing of renovation works affects return on investment in two ways, extended vacancy and hence lack of rental income and stretched payback period. For instance, the Quality Plaza building the rate of occupancy has been low for a long period, declining from 28% in the financial year 2017/18 to 21% in the financial year 2021/22.

## 3.4.2 Ineffective Procurement Proceedings for the Property Renovation and Maintenance Contracts

Regulation 2 of Public Procurement Regulations, 2013 requires all public officers including Accounting Officers and members of Tender Boards when undertaking or approving procurement, to be guided by the following basic considerations: (a) the need for economy and efficiency in the use of public funds in the implementation of projects, including the provision of related goods and services; (b) the best interests of a public body in giving all eligible tenderers equal opportunities to compete in providing goods or executing works or providing services; (c) encouragement of national manufacturing, contracting and service industries; (d) the importance of integrity, accountability, fairness and transparency in the procurement process.

The audit noted the following shortcoming on the procurement processes for renovation projects:

## (a) Renovation Projects with Contracts Sum above 1 billion were Implemented without being Vetted by the Attorney General

Sub-regulation 59. (1) of Public Procurement Regulations, 2013 (as amended in 2016) requires any formal contract arising out of the acceptance of tender whose value is fifty million shillings or more shall be vetted by the Attorney-General before the contract is signed by the parties. (2) Subject to sub-regulation (1), a contract whose value is 1 billion shillings and above, which is not vetted by the Attorney General shall be void.

However, through review of renovation projects files for the financial years 2020/21 to 2021/22, the Audit noted that, the contracts for renovation of properties which had a Contract Sum above TZS 1 billion were signed without being vetted by the Attorney General as indicated in **Table 3.8**.

Name of Properties	Date for Signing	Contract Sum
	of Contract	(TZS)
Renovation of Quality Plaza Building	September, 2020	1,386,481,238
(HVAC WORKS)		
Proposed Renovation work at PSSSF	February, 2022	1,101,133,527
Oloirien Estate in Arusha		
Supplying, installation, testing and		2,249,500,000
commissioning of the Security system at		
Golden Jubilee Tower		
Supply, install, testing and commissioning	August, 2020	1,485,787,432.00
of Air Conditions at PSSSF Tower and		
Parking Arcade Dar es Salaam		
Total		6,222,902,198

Table 3. 8: Renovation Contracts with Contract Sum of Above 50 MillionImplemented without being Vetted by the Attorney General

Source: Renovation/maintenance Contract Documents, Financial year 2020/2022

It can be seen from **Table 3.8** that, renovation and maintenance contracts amounting to TZS 6,222,902,198.00 were not vetted by the Attorney General prior to signing of Contract. This implies that, the signed maintenance contracts above TZS 1 Billion without being vetted by the Attorney General were null and void as they were contrary to Sub-Regulation 59(1)-(2) of Public Procurement Regulations of 2013.

## 3.4.3 Conducted Maintenance Activities and Post Maintenance Value of Properties not Adequately Recorded

Section 4.7 of PSSSF Draft of Real Estate Management Manual, 2022 requires each Property Manager or Estate Officer to have a Register which should contain current value of the building including all additions or alterations made during the year and all services and installations made.

It also requires a property manager to make a record of each required repair on a Work Order Form; this record should include a clear description of the problem; the date and time of the inspection or receipt of occupant's complaint; and the action taken to correct the problem with date and time of completion.

Review of property Manager's Reports from 2019/2020 to 2021/2022, revealed that, the reports did not include the established value of building after maintenance. Also, verification for maintenance works done were not evidenced by specified Work Order Form which could describe the reported problem, date and time of the inspection and the action taken to correct the problem with date and time of completion.

It was noted that, this was caused by inadequate supervision and enforcement of PSSSF directives to the Property Managers and Estate Officers to ensure that they make record on value of buildings soon after maintenance in every year.

Failure to establish value of the building after maintenance projects could result in failure to get value of property after maintenance.

#### 3.5 Inadequate Operations of the Invested Properties

According to Social Security Investment Guidelines, 2015, the Board of Trustee is required to safeguard and protect the interest of the members of the schemes by directing investments in safe and high yielding investment opportunities without compromising diversification and social economic utility criteria.

The Audit noted several issues that reflects the operational inefficiencies in managing the property investments as explained below.

#### 3.5.1 Ineffective Systems for Revenues Collection from Investment Properties

Section 2.2 of the Accounting Procedure Manual requires the Accounting Officer to ensure effective implementation of financial and accounting activities whose main objective is to achieve proper control and management of public finances. Section 2.1 of the same document, requires government institutions to keep systematic and easily accessible accounting and documentary records as evidence of the past transactions and current financial status, so that detailed transactions can be identified and traced and all aggregates can be conveniently broken down into their constituent parts.

Also, Section 7 of the PSSSF'S Customer Charter for Service Standards (list number 24), requires PSSSF to issue invoices for rent to tenants before the  $1^{st}$  day of billed month.

Efforts were done to improve systems for collection of rent through introduction of Real Estate Management System in year 2021, which enables tenants to receive invoices using GePG control numbers; and introduction of Navision System which is used to ensure proper record keeping and control of data on rent collection and receivables. Also, the Fund Started the engagement of court brokers to undertake evictions of rent defaulters and enforce rent collection. However, some weaknesses were still noted.

Through review of various documents<sup>7</sup> weaknesses in the internal controls of revenues collection from the investment properties were noted. The noted weaknesses include; lack of consistent reconciliations for the service charges account; delays on payment of invoices from tenants after being issued with invoices, inadequate review and signing of contract, inadequate follow up of the defaulters; and inadequate monitoring of tenancy agreements before expiration of tenancy period. **Table 3.9** below

<sup>&</sup>lt;sup>7</sup> Revenue Bank Reconciliation Data for the period from 2018 to 2021; the Information System for Revenue Collection; Internal Audit Reports (2018-2021) and established internal control

shows the variation between the invoiced amounts to the collected amount.

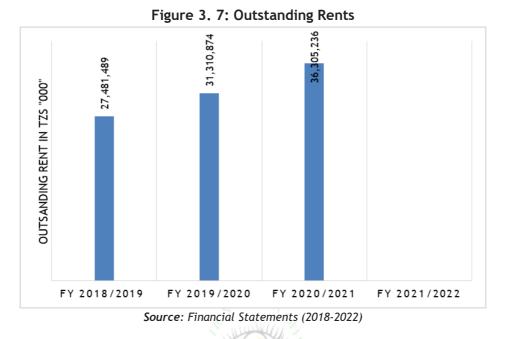
Financia l Year	Generated Invoice for Tenancy	Amount (TZS Bill Tenants Cash Received	ions) Variation between the invoiced amounts to the collected amount	Percentage of uncollected invoice
2018/19	121.78	27.93	93.84	77%
2019/20	478.10	29.90	448.19	93%
2020/21	76.71	33.25	43.45	56%

Table 3. 9: The Tenancy Financial Records

Source: PSSSF General Ledger 2018-2022, Financial Statement 2018-2022

**Table 3.9** above, shows that, the amounts generated from the invoices issued to tenants were not in full. The noted gaps ranged from 56% to 93%. The uncollected amount was noted to be higher in financial year 2019/20 as it stood at 93%. This was noted to be caused by delays in payment of the rent by tenants after being issued with invoices. This was also caused by non-reconciliation of invoices issued to tenants according to their outstanding debts as per their payment schedules.

Inadequate systems for revenues collection resulted into long outstanding rents. For instance, review of the invoices issued and actual collection of rents from the operations of the investment properties noted that, the trend for accrued rent payments is increasing from the financial year 2018/19 to 2020/21 as shown in **Figure 3.7** below this signifies an increase of the uncollected revenue each year.



**Figure 3.7** above shows that the outstanding rents increased from TZS 27.4 billion in year 2018/19 to TZS 36.3 billion in year 2020/21. The increase in the outstanding rents was mainly caused by lack of close follow ups to the rent defaulters and unresolved conflicts between the tenants and the landlord.

The increase in the outstanding rents reduced the revenues collected (as further explained in **Section 3.5.2** of this report) which also may affect the liquidity of the Fund on meeting its obligations as well reduce the ability of the Fund to invest in more profitable investments.

#### 3.5.2 Inadequate Generation of Revenues from Investment Properties

Section 9(1) of the Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure that any investment different from Treasury instruments have return which is over and above return on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity.

The review of the Revenue Budgets and Revenue Report for the financial years 2018/19 to 2020/21 revealed underperformance on revenues collection in property investment as compared to revenues collected from other investments.

This was also evidenced through the review of performance reports of 2018-2022 and Financial Statements of 2018-2021. Based on these reviews it was noted that, property investment collected less revenues as compared to revenues collected in money market. The average revenues collected from property investment was 18% of the total revenues while revenues collected from money market was 67% of total revenue making a difference of 49% (refer to **Figure 3.8**).



Figure 3. 8: The percentage of Revenue Collected from Various Types of Investments

Source: Auditors' Analysis on Revenue Collected from Various Investment (2022)

Further analysis was done for the period from the financial year 2018/10 to 2020/21 and it was noted that, property investment had the lowest average return on investment of 2.66% as compared to 2.67% of Equity (investment in shares) and 9.28% of Money Market as shown in **Figure 3.9**.

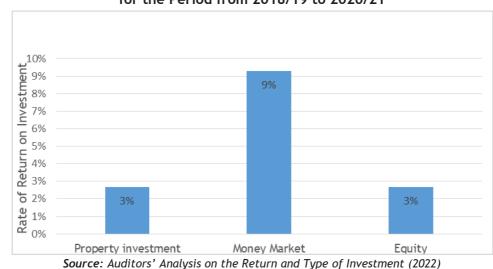


Figure 3. 9: Average Return on Investment of the Types of Investment for the Period from 2018/19 to 2020/21

Figure 3.9 above shows that the Property Investment has 3% on the ROI when compared to the 9% ROI earned in Money Market. .

Financial and Annual Investment Reports from the financial year 2018/19 to 2020/21 indicated that, the collected revenues under category of property investment showed an increment. Audit further noted that, from the financial year 2018/19 to 2020/21 collected revenues increased from TZS 28 billion to TZS 33 billion.

However, audit noted additional cost of investment to property investment for the same period from the financial years 2018/19 to 2020/21 which was TZS 1,110 billion to TZS 1,167 billion respectively as shown in **Figure 3.10**.

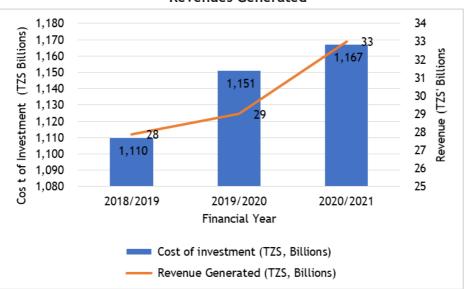


Figure 3.10: Relationship between the Cost of Investment and Revenues Generated

Source: Auditors' Analysis on Cost of Investment and Revenue Generated (2022)

From **Figure 3.10**, it can be seen that, the cost of investment was higher than the revenue generated overtime. For instance, the cost of investment increased from TZS 1,110 billion in the financial year 2018/19 to TZS 1,167 Billion in the financial year 2020/21 while the revenues generated slightly increased from TZS 28 billion in the financial year 2018/2019 to TZS 33 billion in the financial year 2020/21.

#### 3.5.3 Ineffective Monitoring and Supervision of Investment Properties

Section 5 (2) (i), Part II of The Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure at a minimum, the investment policies include procedures for monitoring and evaluation of investments.

However, Audit noted that, PSSSF lack Monitoring Framework and Plans which could have indicated key performance indicators for monitoring of the invested properties.

Audit noted that, after disbanding of SSRA, PSSSF did nothing to ensure Monitoring Framework and Plans are developed.

Audit further noted that, PSSSF relied more on the Regional Managers to monitor the progress of invested properties in their respective regions. But audit noted weaknesses regarding action taken against those who fail to pay rents on time.

Inadequate conduct of monitoring implies that, PSSSF lack clear picture or knowledge on the status of invested properties under their jurisdictions. This was evidenced by the failure by PSSSF to substantiate the actual number of investments from former Social Security Funds.

#### 3.5.4 Unsold Investment Properties

Section 25 (4) of Social Security (Regulatory Authority) Act, 2008 requires a scheme, manager or custodian to invest money in any viable venture and financial instruments as they may consider appropriate.

During audit it was noted that PSSSF through Ex-PSPF invested in constructing and sale of 666 low-cost houses. Such houses were to be sold with the condition that payments will be completed within 5-year period for the purposes of gaining profits from those properties. After review of Performance Reports 2020/21 and 2021/22, it was noted that, the houses were constructed in 2014 but until the period when this audit was conducted in year 2022 only 56 houses had been sold whilst 424 houses were under hire purchase and 186 houses were unsold.

In the year 2019 PSSSF reviewed the selling prices and strategies of the low-cost houses. The project was declared unsuccessful and it was proposed to rent the unsold houses. Details on the low-cost houses, location and number are shown in **Table 3.10** below.

Project Name	Total Units	Sold	Partially Sold	Unsold	% of unsol d
Buyuni - Dar es Salaam	491	44	345	102	20
Mawelewele - Iringa	25	3	16	6	24
Lukobe - Morogoro	25	4	20	1	4
Ibadakuli - Shinyanga	50	1	3	46	92
Usule - Tabora	25	0	0	25	100
Mangamba - Mtwara	50	4	40	6	12
Total number of Houses	666	56	424	186	
% to the total number of					
Houses	-	9	63	28	

Table 3. 10: Summary of Status of Sold Houses as of 31<sup>st</sup> March, 2022

Source: PSSSF Performance Report for Real Estate March (2022)

**Table 3.10** above, shows that, only 9% of the total low cost houses constructed were sold and fully paid for. The audit revealed that, 91% of the houses were still unsold and under hire purchase agreement; of which 28% were unsold and 63% under hire purchase arrangement. Therefore, for the period of 8 years only 9% of houses have been successfully sold.

Report on the PSSSF Proposal to review the selling prices and strategies for the low cost houses, of November, 2019 and interviews with PSSSF officials indicated that the inadequate disposing of the houses was caused by sethigh prices of the sales, lack of marketing strategies, location of the houses from the town area and vandalization of houses especially at Buyuni. All these factors were found to impede efforts to sell and rent the houses to potential tenants.

The inadequate disposal of the low-cost houses led to the failure to meet PSSSF objectives towards increasing revenues collection through implementation of viable property investments.

#### 3.5.5 Ineffective Review and Valuation of Property Investments

Section 21 of Social Security Schemes Investment Guidelines, 2015 requires Schemes to undertake valuation of its real properties by using professional Valuers registered by the National Council of Professional Surveyors at least every three years from 2016. Also, Public Asset Management Guidelines of 2019 restricts public institutions to carry out revaluation, instead they have to conduct review of the 'remaining useful life' in consultation with GAMD officials.

Furthermore, according to Notes of the financial statement for PSSSF (note (l)) the summary of accounting policies in compliance to the reporting standard IAS 40 of the Investment Property requires PSSSF to report the fair value of investment properties that reflect the current market prices at the reporting date of the financial year.

Review of the Investment Review and Valuation Reports from the financial year 2017/18 to 2021/22, noted that for the period under review the valuation on property investments was performed only once in year 2022 and it was performed by the registered Valuer.

Apart from valuation done by the Registered Valuer, PSSSF used to conduct its own valuation yearly using the in-house experts. This was done as a baseline for the valuation to be done by the Registered Valuer.

The audit noted that, failure to conduct valuation in every three years as required was caused by the failure to budget for this activity. Inadequate investment review and valuation may lead to under or over valuing of invested properties in financial statements.

## CHAPTER FOUR

## FINDINGS ON THE MANAGEMENT OF INVESTMENTS BY NSSF

## 4.1 Introduction

This chapter presents findings on the extent to which the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED) through National Social Security Fund (NSSF), effectively managed Property Investments.

The Chapter provide findings in relation to the specific audit objectives described in **Section 1.3.1** of this Report. Below are the detailed findings:

## 4.2 Inadequate Management of Property Investments by NSSF

Section 18(1) of the Budget Act 2015 requires accounting officers to ensure that: plans and budgets for the public entities are prepared as per Plan and Budget Guidelines; resources are properly managed and safeguarded; and arrangements for collection of revenues from the public are conducive enough to enhance collections.

Through the review of various documents and interview with officials from NSSF the audit noted that, NSSF did not adequately manage the property investments in its areas of jurisdiction. Various weaknesses were noted in relation to management of property investments by NSSF. The noted weaknesses were related to unsatisfactory conditions for some of invested NSSF's properties, and unprofitable operations of the property investments. These are elaborated below:

#### 4.2.1 Existence of Investment Properties with Unsatisfactory Conditions

Section 14 of Asset Management Guidelines, 2019 requires every Accounting Officer to ensuring that maintenance plan of an asset is prepared and adhered to. The objective of the maintenance plan is to ensure that assets remain useful for the intended purpose, service delivery and are economically utilised to maximise benefits to the organisation. Despite of effort made by NSSF to have maintenance plans and schedule for invested real estates (Buildings) to renovate, dispose, demolish and let the properties. However, review of Valuation Reports of 2021 and 2022, indicated presence of buildings with unsatisfactory conditions as detailed in *Appendix 7*. The noted defects included; cracks on floor and walls, rotten ceiling boards, fungus on walls and wall paints peeling off, leakage roof and broken windows, stains on ceiling boards, defective toilet fittings, broken doors, and vandalised or removed doors from buildings. The report also indicated defects including floor wear and tear and rusting of galvanised corrugated iron sheets.

Apart from review of the Valuation Reports, the defections mentioned above were observed during the site vist conducted between 5<sup>th</sup> and 7<sup>th</sup> October, 2022 in Dar es Salaam and Arusha regions. Buildings which were found to be in worse condition included Water Front House and Akiba House (Mwalimu Nyerere Pension Tower) in Dar es Salaam Region, and Block FF Old Moshi Road, Sakina Area in Arusha. Up to the time of site visits the buildings were found to be in unsatisfactory conditions as shown in **Photos 4.1** to **4.4**.



**Photo 4.1:** Waterfront Tower's Rotten suspended ceilings and HVAC (Auditor's caption on 05<sup>th</sup> October 2022)



**Photo 4.2:** Julius Nyerere Pension Tower's broken windows, door (Auditors' caption on 05<sup>th</sup> October 2022)



**Photo 4.3:** Stolen HVAC and Electrical fittings of Julius Nyerere Pension Tower (Akiba House) in Dar es Salaam (auditors' caption on 5<sup>th</sup> October 2022)



**Photo 4.4:** Plot No 39 block FF Old Moshi Road, Stained Ceiling Sakina area Arusha (Auditors' caption on 7<sup>th</sup> October 2022)

However, during the finalization of this audit, NSSF officials pointed out that, Dar es Salaam Institute of Technology (DIT) has shown an interest to purchase the Julius Nyerere Pension Tower. Furthermore, through the review of letter No. NSSF/HQ/P.14/222/31 dated November 24<sup>th</sup>, 2022 NSSF it was noted that, NSSF received a request from the tenant who wanted to renovate the Water Front Tower building.

Moreover, the review of Maintenance Contracts of the financial year 2022/ 2023 and maintenance report of September 2022 indicated that, 22 out of 49 buildings were planned for the maintenance. It was further noted that, among the 22 buildings which were planned for the maintenance, 10 were completed while 11 were still under construction. This implies that, 55% of the buildings under NSSF were not planned for the maintenance.

Also, in Dar es Salaam the audit found tenants dwellings in unhealthy environment. For instance, Tabata Phase II Flats had an over flowing of foul water due to inadequate design of sewerage system with regard to the actual number of users or occupants as shown in **Photo 4.3**. It was also observed to have low capacity to accommodate all users.



**Photo 4.5:** Over flooding of waste water at Tabata Flats Residential Phase II (auditors' caption on 5<sup>th</sup> October 2022)

NSSF acknowledged on observation of sewage problem and pointed out effort made to ensure that, the waste water is well disposed by provision of thorough study and design to daylight for both storm and foul water sewage system. This could improve the lives of people as well as their health.

The report also indicated presence of project buildings in unsatisfactory condition which were stalled since 2015 such as Dege eco Village and Kijichi Estate Projects (Phase III) (*See Photos 4.6 and 4.7*). However, the site visit conducted by auditors on October 5<sup>th</sup>, 2022 revealed that, there were no contractor's staff no employee in the site. Unsatisfactory conditions of the Dege Eco Village is as shown in **photo 4.1 to 4.2**.



Photo 4.6: Stalled Dege Eco Village Project with poor conditions. The buildings

were stalled since 2015 (Auditors' caption 5<sup>th</sup> October 2022)



**Photo 4.7**: Stalled Mtoni Kijichi Phase III Estate Project with poor conditions. The buildings were stalled since 2016 (Auditors' caption 5<sup>th</sup> October 2022)

The Audit further noted that, the administration block of Dege eco Village was complete but it was vandalized with the damaged items including electrical appliances/ fixtures, ceiling, HVACs and plumbing fittings. With regard to this NSSF responded that, after the project was suspended in March 2016, it was left under the Contractor's security and vandalism occurred during that period.

NSSF further pointed out that, in 2019, they engaged a security company (SUMA JKT) to ensure the security of the properties. However, at the time of site visit conducted on 5<sup>th</sup> November, 2022, there were no security officials found in the site.

Moreover, it was noted that, Dege eco Village was already advertised for auction and disposition because it would be difficult to develop the stalled Dege eco Village due to higher expected construction cost when resumed.

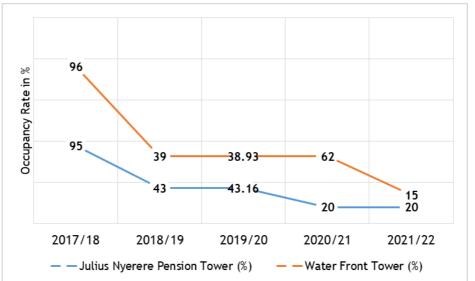
NSSF Officials further responded that, the construction of Kijichi Estate was suspended in 2019 to allow conduct of value for money audit by PPRA which was completed in year 2021. It was further noted that, during the finalization of the audit, the construction had resumed and the project is expected to be completed by June, 2024.

Interviews held with NSSF Officials revealed that, the unsatisfactory conditions of the buildings except for the stalled projects was contributed by lack of maintenance budget up to the financial year 2019/2020 and

insufficient implementation of maintenance activities (as further explained in **Sections 4.3.2** and **section 4.4** respectively of this report).

Buildings with unsatisfactory conditions had low rate of occupancy or were not occupied at all. For instance, Water Front and Akiba buildings were found to be vacant (void) during site visit conducted on 05<sup>th</sup> October 2022. Low occupancy of these buildings resulted in further decline of occupancy rate by 81% from 96% in the financial year 2017/18 to 15% in the financial year 2021/22 for Water Front Tower while for the Julius Nyerere Pension Tower occupancy declined by 75% from 95% in the financial year 2017/18 to 20% in the financial year 2021/22 as further indicated in **Figure 4.1**.

Figure 4.1: Declined Occupancy Rate of Julius Nyerere Pension and Water Front Towers



Source: Water Front and Julius Nyerere Pension Power Occupancy Rate (2017/18 - 2021/22)

# 4.2.2 Not all Property Investments under NSSF were Yielding Expected Returns

Section 9(1) of the Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure that any investment different from Treasury instruments shall have return which is over and above return on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity.

However, audit noted that, not all property investments owned by NSSF were making profits due to noted weaknesses as detailed below:

#### (a) Non-Performing Property Investments

Review of Annual Reports of 2017/18 to 2021/2022 revealed that, there were unsuccessful projects to which the Fund had already injected significant sums of monies.

Moreover, review of Investment appraisals reports, 2014-2016 indicated that, the total of TZS 323,566,201,314 was used for identification and appraisal of 10 property investment projects but were not completed for the use as some were abandoned as shown in **Table 4.1**. This figure is considered as a loss because the buildings are incomplete and there is no return gained from them.

Project Name	Cost to Date (TZS)
Dege Eco Village	314,520,856,051
Machimba Estate Arusha	128,803,853
Sport Academy (Ex-Georgia)	457,911,503
Nairobi Embassy	854,275,503
Geza Satellite Town Project	1,050,666,285
Mwandinga Bus Stand	1,849,353,008
Appolo Project	4,204,335,111
Power Generation Project (Mkuranga District)	500,000,000
Total	323,566,201,314

Table 4. 1: Non-Performing Property Investment Projects

Source: Investment Plans and NAOT Report of 2018/19

As it can be seen from **Table 4.1** above that, NSSF spent TZS, 323,566,201,314.00 for projects which were suspended.

Other reasons for suspending these projects were:

i. *Failure of Contractors to Complete the Projects within Specified Time:* The Audit noted that, most of the projects were not completed within planned time which resulted to change of the focus in investments awaiting further decisions to be made. This was evidenced through review of Annual Investment Performance report of the financial year 2020/21 which indicated projects which were not completed on time and were suspended. These projects included: residential houses at Mtoni Kijichi phase III, Dungu and Toangoma, Construction of gravel roads at Mtoni Kijichi, Mzizima Towers, Mwanza Tourist Hotel, and 1.2 Km Road Project at Nyerere Bridge.

- *ii. Misunderstandings between Main Parties:* The audit noted that, Geza satellite Town Project in Kigamboni District, Dege eco Village Project and Mtoni Kijichi affordable houses were abandoned due to misunderstanding between stakeholders and Contractor on the payments and the scope of work. The Contractor abandoned the project since 2015.
- iii. Government Directives: NSSF Officials pointed out that, the project were suspended following government directives. Specifically, for Dege eco Village. They further responded that, after a thorough analysis on its magnitude and viability and given the current property market conditions, the Fund decided to sell the project after obtaining Government approval to do so.

#### (b) Low rate of Returns from the Property Investments

Section 7.2 iii (b) of NSSF Investment Policy, 2020, insists Investments of the Fund to generate real rate return of at least 2.5% per annum on the overall investment portfolio.

Review of the Annual Investment Performance Reports 2020/21, 2019/20 and 2018/19 indicated that, return on investment for real estate properties were below those of Government securities as shown on Table 4.2.

Financial	Total Investment of	Income from Real	Real Estate
Year	Real Estate	Estate	Return (%)
2021/22	783,850,538.00	3,119,092.88	1.59
2020/21	572,540,792.36	3,107,106.83	2.17
2019/20	582,532.73	10,872.88	1.87
2018/19	707,354.29	20,138.98	1.70
Average			1.83

Table 4. 2: Real Estate Returns for the Financial Year 2018/19-2021/22

Source: Annual Investment Performance Reports (2018/19 - 2021/22)

Table 4.2 shows the return on investment for the real estate with an average of return of 1.83% for the past four financial years. Further, the Return on Investment for real estate reached the lowest value of 1.59% in 2021/22 from 1.70% in the financial year 2018/19. It was also noted that, the return on real estate did not even reach to the absolute rate of return of at least 2.5% per annum on the overall investment portfolio as shown in Table 4.2.

In addition, the review of Annual Reports of from the financial year 2018/19 to 2021/22 revealed that, low rate of returns from the property investments were due to the fact that, the amount of fund invested in real estate by NSSF was below the set target as shown in **Table 4.3**.

			•
FY	Targeted Fund	Invested TZS Million	Investment against
	Planned to Invest		target (%)
	TZS Million		
2021/22	49,275.50	744.98	1.51
2020/21	29,254.12	3,854.81	13.18
2019/20	201,368.40	24,426.27	12.13
2018/19	333,049.00	19,055.50	5.72

Table 4.3 Amount of Funds Invested Against Target

Sources: Annual Investment Reports (2018/19 - 2021/22)

**Table 4.3** shows that, NSSF still under construction on real estate investments for the past four year. This is because, in the financial year 2021/22, NSSF managed to invest TZS 744.98 million which is equivalent to 1.51% against the planned target. This was the lowest achievement of NSSF for the real estate portfolio. The investment decreased against planned target from 13.18% in the financial year 2020/21 to 1.51% in the financial year 2021/22.

It was noted that, factors that contributed to inadequate return on investment included:

#### (i) Inadequate Record Keeping for Investment

Another reason for underperformances in return on investment was inadequate record keeping for the investments. NSSF lacked key information of investment properties specifically for the real estates. During audit NSSF officials did not avail information regarding initial cost, payback period, rate of return and return on investment of respective property investments under their jurisdiction to auditors for verification.

It was also noted that NSSF combined property investment as a single portfolio. Because of this, NSSF could not assess the performance and return on investment of each invested property on the basis of baselines set based on feasibility studies.

The reasons provided from the interviews held with NSSF Officials on inadequate record keeping for investment properties was that, NSSF did not have effective Property Management System for administration and capturing data for property investments.

The Annual Performance Report 2019/20 indicated that, from September, 2019/20 to 2020/21 NSSF started registering properties through developed Property Management System (PMS). The system was meant to smoothen payment for tenants' property tax bills to be processed and paid through the Government Electronic Payment Gateway through 'control numbers.

The review of Automation Status Report of Quarter Four for the financial year 2021/2022 indicated that, the NSSF management reviewed the system by improving the system to generate rent invoices, tenant's definition and withholding tax. These improvements were deployed on  $23^{rd}$  May, 2022.

However, the Audit conducted verification on functionality of PMS and noted that, the system did not capture all information regarding the properties. For instance, the system did not capture all tenants' information such as; location, region and invoices which were still done manually. The PMS was also not rolled out and launched up to the level of Property Managers for them to access the system and enter tenants' information.

Furthermore, it was noted that, PMS could not capture baseline information for investment properties such as initial cost or investment of the property, fair value of property, baseline and defaulters of rent. Also, the PSM could not capture payback period, return on investment, rate of return and status of properties in general.

Baseline information on invested properties could facilitate in measuring the performance of the invested property. As a result, NSSF did not measure the performance of invested properties (Real estate) for the past Five Years affecting determination of return on investment.

## (ii) Lack of Review of Return on Investment (ROI) and Payback Period

BoT Investment Guidelines 9(1) and (2) of the Social Security Schemes Investment Guidelines, 2015 and 2021 respectively require, the Board of Trustees of every scheme to ensure that any investment different from Treasury instruments shall have return which is over and above return on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity. Moreover, the Guidelines require a scheme intending to invest in assets with yields lower than those prescribed in the Guidelines shall seek prior approval of the Bank.

The review of the project files of the financial years 2020/21 and 2021/22 and interviews with NSSF officials revealed that feasibility studies for major investment projects were not conducted as indicated in *Appendix 8* (a) and (b). Therefore, there were no financial projections and forecasted return on investment as basis for performance evaluation of these investments.

Review of Second Quarter Report of 2020/21 indicated that NSSF did not review the Return on Investment (ROI) and Payback period despite several extension of time for completion of Construction of Mzizima Commercial Complex (DSM); Construction of Mwanza Tourist Hotel (Mwanza); 1.2 km extension of Ferry - Kibada Road (Nyerere Bridge); and completion of service works for Mtoni Kijichi Phase III, Dungu and Toangoma. However, NSSF officials responded that, review of Return on Investment and payback period for Mzizima and Mwanza Hotel could not be conducted because the projects were under construction stage while the assessment of return on investment and payback period depends on the final project costs.

This resulted into difficulties in assessing and evaluating performance of the invested properties.

## (iii) Low Occupancy Rates in the Fund's Investment Properties

Review of NSSF Annual Plan (2019/20 to 2021/22), showed that the occupancy rate was targeted to be 90% and 95% for all investment properties owned by the Fund.

However, review of report generated by the Property Management System (PMS) of June, 2021 revealed low occupancy rates in some of the invested properties. It was noted that the vacant spaces ranged from 31% to 100%. The highest vacant space was noted at Mwanza hotel which had 100%, followed by NSSF Water Front House and Julius Nyerere Pension Tower with vacant spaces of 91% and 80% respectively as shown in **Table 4.4**.

				-
Investment	Lettable	Leased	Vacant	Percent of
	Area	space	space	Vacant Space
Mwanza Hotel	1311	-	1311	100%
Mwalimu Nyerere Pension	7,728.22	1,508.81	6,197.67	80%
Tower				
NSSF Water Front House	11,465.51	1,083.05	10382.01	<b>9</b> 1%
MIKOCHENI APARTMENT	28	9	19	68%
BWMT Parking Arcade Office	613.40	367.40	246.00	40%
Space				
Benjamin William Mkapa	370	229	141	38%
Pensions Towers (Parking Slots)				
Kilimanjaro Commercial	12,949.29	7,913.89	5,035.40	39%
Complex				
NSSF Kagera Mafao House	1594.25	1,097.25	497	31%
NSSF Mafao House Shinyanga	4019	1697	2322	58%
NSSF Mafao House-Ilala	10,335	5743	4,592	44%

#### Table 4. 4: Low Occupancy Rates in the NSSF Buildings

Source: Property Management System (PMS) as at June, 2021

Further analysis of the occupancy rates indicated that for the past three years the overall average rate of occupancy declined from 68% in the financial year 2019/20 to 22% in the financial year 2020/2021 and then sharply increased to 80% in the financial year 2021/2022 as shown in **Figure 4.2**.

cupancy Rate Overall Average (%)	68		22	-80			57		
NSSF AKIBA HOUSE- KIBAHA	100			100			67		
Hifadhi EPZ - Godown	32	92					42		
Hifadhi EPZ - Office	64				85		- 33		
NSSF Akiba House - Songea	77		-19	0			56		
NSSF House - Mbozi	100			100			67		
NSSF Akiba House - Mbeva	100			100			67		
NSSF Mafao House - Niombe	25	- 90					39		
NSSF Akiba House - Iringa	100			96			66		
NSSF Tabora Old Building	100			100			67		
NSSF Akiba House - Tabora	98			100			66		
NSSF Akiba House - Dodoma	89			00			63		
NSSF Mafao House - Morogoro	46		79	00			42		
Kilimanjaro Commercial Complex	60		•••	0			44		
Moshi Commercial Complex	63		94	0			53		
NSSF Jacaranda Office Building	100						67		
NSSF Jacaranda Office Building NSSF Kaloleni Plaza - Arusha	56		73	100			43		
	65								
NSSF Mafao House - Arusha			-193	-			53		
NSSF Mafao House - Kigoma	78		-8	9			56		
NSSF Office Building - Bukoba	100			100			67		
NSSF MAFAO HOUSE -Kagera	15	69				42			
NSSF Mafao House - Kahama	56		99				52		
NSSF Mafao House - Shinyanga	-33	59		- 6	T I		53		
NSSF Old Office Building - Mwanza	100		00		100		100		
NSSF Mafao House - Mwanza	89		83		84		85	_	_
Mafao House - Ilala	-19	10 !					29	_	_
NSSF Water Front	-39		2			15	39	-	-
PARKING SLOTS	-33	- 61	_			23	- 39	-	-
NSSF PARKING TOWER	-88		-51		83		-74	-	-
BWM Pension Towers	72	-10	•		73		82		-
Social Security House	-77	-92			86		85		-
Mwalimu Nyerere Pensions Tower	43		-	20		20	28		_
	0% 10	6 20% 3	0% 40	0% 5	0% 60	<b>70</b> %	80%	90%	100
FY 2019/20	Y 2020		2021/			age in 9			

## Figure 4. 2: Comparison of occupancy rates for each Building from the *Financial Year* 2018/19 to 2021/22

Source: Auditors Analysis of Performance Reports (2022)

**Figure 4.2** above shows that, the occupancy rate for the buildings under NSSF ranged between 10% and 100% from the financial year 2018/19 to 2021/22. The minimum occupancy rate for the financial year 2021/22 was

noted from NSSF Water Front with occupancy rate of 15% followed by Mwalimu Nyerere Pension Tower with occupancy rate of 20%. This was because these buildings were under-maintenance as further explained in **Section 4.2. 1** of this report.

Generally, the inadequate management of property investment by NSSF as explained in Section 4.2.1 and 4.2.2 of this report was mainly caused by:

- (a) Inadequate planning;
- (b) Failure to adequately operate the property investment;
- (c) Inadequate maintenance for property investments; and
- (d) Ineffective monitoring.

These are further detailed below:

#### 4.3 Inadequate Planning for Property Investments

Section 6.2 of NSSF Investment Policy 2016 and its amendment of 2020 requires overriding investments principles to be technical feasibility, commercial profitability, financial viability and social economic desirability of the investments.

Section 2.10 to 2.12 of NSSF Investment Manual of 2016 requires investments in real estate to consider safety, yield, liquidity, socioeconomic utility and diversification to ensure that nominal value of the invested capital is covered, provide positive rate of return, maintain the value of member's fund, contribute to national economic development and promote investments for the purpose of minimising risk.

However, the Audit noted that, NSSF inadequately planed for its invested properties as indicated by the following noted weakness:

## 4.3.1 Execution of Property Investment Projects without Feasibility Study

According to NSSF Investment Manual of 2016, all categories of investments are supposed to be appraised for Technical Analysis, Market Analysis, Financial Analysis, Economic Analysis, Environment Impact

Assessment Report and Risk Assessment. In the end of the process feasibility report is supposed to be produced as a deliverable.

Section 5.1 of NSSF Investment Policy 2020, also requires an investment in any avenue to be subject to the overriding criteria of commercial profitability, technical feasibility, financial viability and socio-economic desirable.

However, review of Property Investment Files for the period from the financial year 2010/11 to 2021/22 revealed that, nine of the real estate investment properties were initiated without feasibility studies done as shown in *Appendix 8 (a)* and (b) and summarized in Table 4.5.

Project Name	Cost of Investment (TZS)
Mzizima Towers project	247,566,771,726
Satellite Village project at Dungu & Toangoma	170,678,582,398
2 KM Road project connecting Nyerere Bridge &	21,390,051,317
Ferry-Kibada Road.	
Affordable Housing project at Mtoni Kijichi Phase I	5,003,546,218
Affordable Housing project at Mtoni Kijichi Phase II	17,379,670,981
Dege Eco Village Project	1,300,000,000,000.00
Total (TZS)	1,762,018,622,640.00

Table 4. 5: Real Estate Projects Implemented without Feasibility Study

Source: Investment Project Files

From **Table 4.5**, it can be seen that, projects with the total of TZS 1,762,018,622,640.00 were executed without feasibility studies.

Failure to conduct feasibility Studies for the investment properties means financial projections were not known, there was no established payback period and return of investment that could be used as the basis for performance evaluation of the invested properties. However, there was no reasons provided on failure to conduct feasibility studies.

Absence of feasibility Studies led to difficulties in assessing performance of the projects. For example, the return on investment and payback periods have never been assessed and reviewed in some of the real estate projects such as Mtoni Kijichi Affordable Housing, Dungu and Toangoma.

### 4.3.2 Inadequate Collection of Service Charges to Facilitate Operations of Invested Properties

Section 2.8.2 of the NSSF Estate Management Manual, 2020 requires each investment property to operate service charge account which is to be kept in credit by collecting service charge from the tenants and be utilised for payment of operational expenses such as services, minor repairs and maintenance. Section 2.8.4 of NSSF Estate Management Manual, 2020 requires the Estate Department to monitor and supervise all activities payable by service charge account and the property manager or responsible estate office to prepare and submit monthly expenditure report.

Review of submitted Property Management Reports for the period from 2019/20 to 2021/22 noted that, collection of service charges was insufficient as detailed in *Appendix 9*. Insufficient collection of service charges which was TZS.353, 386,033.36 while outstanding service charge and arrears amounted to TZS 357,191,633.69.

In response to this NSSF urged that, before June 2020, the collection of service charges and its expenditures were done by NSSF. From June, 2020 to December 2020, property management firms took over and invoiced service charges, causing high arrears. Service charges were increased to cover building service costs and now cover electricity, water, garbage collection, and fumigation.

The Audit further showed that, Property Managers were not adequately reporting on the status of collected services charges. For instance, review of reports from property managers showed that, 9 out of 21 reports of property managers submitted did not include expenditure report on service charges collected.

Inadequate collection of service charges resulted in unavailability of some services. For instance, audit noted inadequate provision of services and maintenance which included: servicing and maintenance of lifts, servicing and maintenance of the generator, servicing and maintenance of air conditioning system and servicing and maintenance of fire protection systems. Others services include water supply and electrical bills, and repair and maintenance of the building. The service charges were noted to be insufficient to cover buildings services cost which led the Fund to further increase service charges and propose its approval and expenditures.

It was further noted that, inadequate servicing and maintenance of the buildings led to low occupancy rate as explained in **Section 4.3.3** below.

## 4.3.3 Underperformance of Occupancy Rates for Commercial Buildings

Review of Investment Performance Reports from the financial year 2017/18 to 2021/22 indicated that, by the average, occupancy rate for commercial buildings from the financial year 2017/18 to 2021/22 was 70.39 whereas for the residential buildings it was 91.49 as shown in **Table 4.6**.

## Table 4. 6: The Occupancy Rate of Invested Properties for the FinancialYear 2017/18 up to 2021/22

			. 1 ALTO.					
Property	% of Occ	% of Occupancy Rate for Financial Year						
Invested By:	June, 2018	June, 2019	June, 2020	June,2021	June, 2022	occupancy rate (%)		
Commercial and Office Buildings	65.43	77.54	60.55	78.03	84	70.39		
Residential Buildings	92.44	94.44	89.15	89.91	88	91.49		

Source: Investment Performance Report from the Financial Year 2017/18 to 2021/22

**Table 4.6** shows that, none of the two categories of buildings (i.e commercial and offices; and residential) had occupancy rate of 100%. The Table further shows that commercial buildings had occupancy rate ranging from 60.55% to 78.03 while the higher occupancy rate was noted for residential buildings which stood at 91.49% on average.

Low rate of occupancy resulted in low collection of rents and service charges which could be used for operating the buildings.

It was noted that, the occupancy rates in commercial buildings were affected by shift of the Government Agencies and Ministry Offices to Dodoma and unsatisfactory conditions of the buildings as explained in **Section 4.2.1** of this chapter.

## 4.4 Inadequate Maintenance for Invested Properties

Section 4.3.1 (b) of NSSF's Estate Management Manual of May 2020, requires Estate Department to be responsible for inspection of Investment Properties which has to be conducted quarterly for the purpose of getting wide understanding on condition of the real estate properties as part of information provision on defects and performance of property equipment.

Section 4.1 of NSSF Estate Management Manual states that, once buildings and infrastructure are in place, in order to enhance their longevity, they are invariably required to be maintained or rehabilitated from time to time. Buildings and infrastructure are susceptible to vagaries of nature as well as wear and tear resulting from natural causes, their use or vandalism. Their depreciation rate is greatly reduced if maintained and rehabilitated timely.

However, the audit noted that, NSSF did not adequately conduct maintenance of invested properties due to the following noted factors:

## 4.4.1 Inadequate Mechanisms to Ensure Adequate Maintenance of Investment Properties

The Public Asset Management Guidelines, 2019 require every Accounting Officer to ensure that maintenance plan of an asset is prepared and adhered to. The objective of the maintenance plan is to ensure that assets remain useful for the intended purpose, service delivery and economically utilized to maximize benefit to the organization.

The audit noted that NSSF had inadequate maintenance plans which covered some of the buildings under their jurisdiction, such as commercial, residential, offices, and apartments, but not all properties were included in the plans. They have 49 investment properties, but their maintenance schedule for the financial year 2020/21 to 2024/25 did not cover all of them. NSSF officials indicated during interviews that 35 out of the 49 investments were undergoing maintenance activities.

Further review of the availed Annual Budgets for the financial year from 2019/2020 to 2020/2021, indicated that, NSSF set budgets for the repair and renewal of the buildings as presented in **Figure 4.3**.

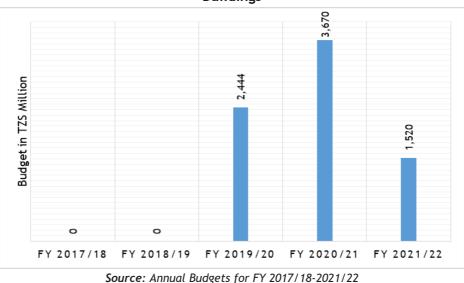


Figure 4. 3: The budgets set by NSSF for Repair and Renewal of Buildings

As it can be seen from **Figure 4.3**, in the financial years 2019/20, 2020/21 and 2021/22 the set amounts were TZS 2,444 million, TZS 3,670 million and TZS 1,520 million respectively for the maintenance of buildings. For the financial year 2017/18 and 2018/19 there were no budget set aside for the maintenance of buildings.

Furthermore, through review of Annual Budgets for the financial year 2019/2020- 2021/22, the Audit noted that the set budget was not sufficient to cover all buildings which required maintenance. As a result, other buildings took a long period to be maintained which resulted to more wear and tear and required huge amounts of funds for their maintenance. For instance, Water Front building was planned for the major repair in the financial year 2019/2020 with a budget of TZS 2,150 million which was almost 88% of the whole budget set for the maintenance activities for the year.

It was further noted that, despite setting budget for maintenance activities, their implementation was not adequately done. For instance, during the site visits at the Water Front building on 5<sup>th</sup> October 2022, the Team noted that no maintenance had been done despite having the budget of TZS 2,150 million for its maintenance in the financial year 2019/20.

This led to more wearing and tearing of properties which resulted to low rates on returns.

# 4.4.2 Inadequate Conditional Surveys Conducted Prior to Maintenance of Buildings

Section 6.2(1) of Estate Management Manual 2020 R.E 2022, stipulates that, among the obligations of Estate Department is to undertake inspection of the buildings in order to establish maintenance and repair requirements.

Through review of the availed reports for conditional surveys conducted in the financial year 2020/21, the audit noted that, conditional surveys were conducted for 14 out of 35 reported ongoing maintenance projects of property investments. This was equivalent to 29% of 35 ongoing maintenance projects. Interviews held with NSSF Officials responsible for real estate management revealed that, NSSF put low priorities in planning for major maintenance specifically budgeting and conducting conditional surveys were found to be conducted only in the financial year 2020/21.

Interview with NSSF officials, revealed that the survey and planning activities were not budgeted for due to major reforms of management and change of regime on investment focus. The maintenance schedule was prepared in the financial year 2020/21 and maintenance commenced in 2021/22. Low priority set by NSSF led to unsatisfactory conditions of real estate properties as detailed in **Section 4.2.1** of this report.

#### 4.5 Inadequate Operations of the Investment Properties

As stipulated in Social Security Investment Guidelines, 2015, the Boards of Trustee are required to safeguard and protect the interest of the members of the schemes by directing investments in safe and high yielding investment opportunities without compromising diversification and social economic utility criteria.

The review of various documents and interview with officials from NSSF indicated issues that reflect the operational inefficiencies in managing the property investments as explained below.

#### 4.5.1 Inadequate Internal Controls for Revenue Collection from Invested Properties

Section 2.2 of Accounting Procedure Manual requires, the accounting officer; to ensure effective implementation of the financial and accounting activities whose main objective is to achieve proper control and management of public finance.

The review of the Bank Reconciliations for collected revenues, Action Plans and NSSF's reports for the period under review of the financial year 2015/16 to 2021/22 indicated weaknesses in the internal controls for revenues collection from the investment properties. For instance, the audit noted inadequate monitoring of tenancy agreements as they were untimely renewed and inadequate follow up on the invested properties.

This was also revealed in the Property Managers Reports for the financial year 2017/18 to 2021/22 which showed existence of outstanding rent which implies inadequate follow ups of rents to the defaulting tenants. The report indicated outstanding rents with amounts which ranged from TZS 14 million in the financial year 2017/18 to TZS 36 million as shown in **Figure 4.4**.

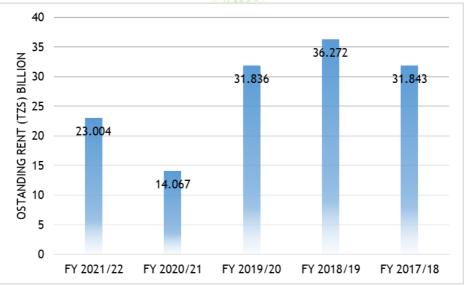


Figure 4. 4: Extent of Outstanding Rent for Past Five Financial Years

Source: Property Managers Report 2017/18-2021/22 and NSSF availed Information of the Financial Year 2017/18-2021/22

**Figure 4.4** indicated existence of outstanding rent which was fluctuating. For instance from the financial year 2017/18 to 2018/19 outstanding rents increased from TZS 31.843 billion to TZS 36.272; then decreased to TZS 31.836 in the financial year 2019/20 and to TZS 14.067 in the financial year 2020/21; but it increased again to TZS 23.004 in the financial year 2021.22.

Moreover, review of tenant's records and their rent payments revealed long outstanding rent receivables. For instance, at Mafao House in Arusha region only 10 out of 51 tenants paid their rent timely as per lease contracts while at Kaloleni Plaza, only 3 out of 19 tenants paid their rent timely as per their lease contracts.

Furthermore, it was noted that most of the tenants had outstanding rents of up to 26 months. For instance, the total outstanding rent as at September 2020 for Arusha, Dodoma, Mwanza, Tabora and Morogoro was TZS 2,774,079,123. **Table 4.7** shows summary of tenants and their outstanding rents for each region as at September, 2020.

Table 4. 7: Summary of Tenants and their Outstanding Rents as atSeptember, 2020

Region	No. of tenants	Outstanding Amount
Mwanza	19	1,497,690,400
Arusha	57	365,979,158
Tabora	19	277,050,221
Dodoma	8	188,807,656
Morogoro	6	207,200,588
Kigoma	6	80,653,000
Bukoba	6	156,698,100
Total	121	2,774,079,123

Source: ERP system (2020/21- 2021/2022)

It can be seen from **Table 4.7** that, the outstanding rent for the seven regions of Mwanza, Arusha, Tabora, Dodoma, Morogoro, Kigoma and Bukoba stood at TZS 2, 774,079,123. The Table further shows that, Mwanza had large amount of outstanding rent which stood at TZS 1,497,690,400 which is more than a half of all the outstanding rent while lowest outstanding rate was noted in Kigoma which stood at TZS 80,653,000.

Long outstanding rent was caused by inadequate internal control for revenues collection such as untimely preparation and signing of lease contracts; inadequate follow up to tenants; failure by some of the tenants who paid the rent to submit payment details for receipting; and the tendency by some tenants to pay the rent directly to the head office without notifying the regional offices.

Inadequate control of revenues collection may lead to financial loss which may consequently affect collection of the expected revenues and the liquidity of the Fund as further explained in section 4.5.2 of this chapter.

Furthermore, NSSF showed that, for the Kisasa Plot in Dodoma the Fund got the Title Deed No. 10639 DLR. For the Bugarika, Kisesa and Kiseke plots, reconciliations were done with the invaders through conducting the meeting between them and Assistant Commissioner for Lands- Coast Region. These initiatives were made at the time when this audit was being finalized.

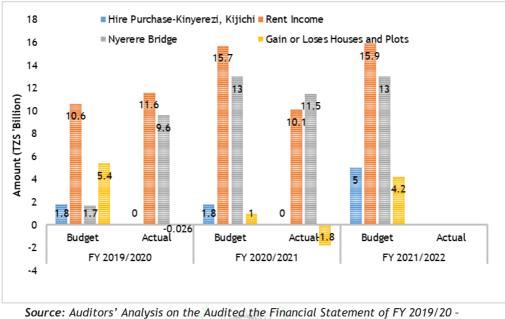
# 4.5.2 NSSF's Investment Properties Did Not Generate Intended Revenues

Section 9(1) of the Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure that any investment different from the Treasury instruments to have return which is over and above return on Treasury bills and Treasury bonds at the time of investing, depending on *the* maturity.

Review of Performance Reports and Financial Statements for the period under review indicated that, there was unsatisfactory performance on the collection of revenues from the invested properties. It was also indicated that, the sales of houses and plots projects had unsatisfactory collections as they generated loses to the Fund.

On the other hand, revenues collection from Nyerere Bridge was relatively better surpassing the projected revenues during the year 2019/2020 as presented in **Figure 4.5**.





**Figure 4.5** above shows an increasing trend in budgeted revenues and collections for the Nyerere Bridge Budget. The houses and plots had the decreased budget from TZS 5.4 billion to TZS 4.2 billion for the period

under review and made losses of TZS 1.84 billion in the year 2020/21.

2021/22

The unsatisfactory performance on revenues collections was mainly caused by inadequate internal controls for revenues collection and inadequate planning for investment properties as indicated in **Section 4.5.1** and **4.3** of this chapter respectively.

# 4.5.3 Inadequate Monitoring and Supervision for the Investment Properties

Section 5 (2) (i), Part II of the Social Security Schemes Investment Guidelines, 2015 requires the Board of Trustees of every scheme to ensure at a minimum, the investment policies include procedures for monitoring and evaluation of investments.

Likewise, Article 130, paragraph (p) on page 181 of the CCM Election Manifesto, has highlighted on the need to strengthen supervision and monitoring of investments made by social security schemes to make investments made by the social security schemes beneficial to members.

In line to these stipulations, the Fund was supposed to identify its growth through optimising returns from the investments as among its priority areas in the financial year 2022/23. Similarly, Section 2.8.3 of NSSF's Annual Plan 2020/21 requires NSSF to prepare annual plans and develop monitoring and evaluation mechanism of the Fund's performance.

Through review of Annual Plans from the financial years 2018/19 to 2021/22 it was established that monitoring and evaluation was done through tracking of implementation status to ensure that successful progress was met. Among the activities that were planned was to conduct of monitoring of projects such as site visits and inspections by consultant/internal estate officer.

Through review of availed Monitoring and Supervision Reports of 2020/21 and 2021/22 for property investment under NSSF, it was noted that, NSSF commenced to monitor and supervise maintenance and ongoing projects in the financial year 2020/21. This implies that, the monitoring and supervision activities was inadequately conducted before this period.

Furthermore, the audit noted that, NSSF relied on Property Managers who were supposed to prepare report of each investment and submit at regional level. However, the audit noted that NSSF lacked mechanism to track the status and conditions of property investments under their jurisdiction; also, there were inadequate documentations of Property Managers Reports which caused failure/delays to submit those reports to NSSF when there was a need.

For instance, NSSF lacked database and information of their investments properties. This was an indication that there was inadequate monitoring of invested properties under their jurisdiction. As a result of inadequate monitoring, NSSF lacked clear picture on which property (ies) met its yield point and fully recovered investment capital.

# 4.5.4 NSSF did not Adequately Dispose Investment Properties

Section 25 (4) of Social Security (Regulatory Authority) Act, 2008 requires the scheme manager or custodian to invest moneys in any viable venture and financial instruments as they may consider appropriate.

Efforts were made by NSSF to dispose/sell buildings and plots under its jurisdictions. However, through review of Disposal Report of the financial year 2016/17 to 2021/22 for the houses and plots held for sale, the audit noted that, house and plots generated loses as they had been sold at prices below the acquisition costs as shown in **Figure 4.6**.



Figure 4.6: Analysis of Profit Generated from Sales of Plots and House

Source: Auditor's Analysis on the Financial Statement of (2017-2021)

From the **Figure 4.6** above, it can be seen that, in the financial year 2016/17 both plots and houses generated profit, but, in the financial year 2018/19 and 2020/21 profit was generated from plots only. The Table further shows that, there was loss generated from sell of houses in the financial year 2019/2020 and 2020/21 which was TZS 0.27 billion and TZS 2.2 billion respectively. In the financial year 2017/18 both plots and houses encountered loss of TZS 0.42 billion and TZS 0.11 billion respectively.

The cause for losses made on sales, based on the interview conducted with NSSF officials was high land acquisition and construction costs incurred as

well the maintenance cost incurred to maintain plots and houses to make them marketable. The ineffective disposal of investment properties led to loss of the Investment funds and failure to meet the intended investment targets.

# 4.5.5 Failure to Ensure that Invested Properties are Managed by Independent Managers

Section 13 of the Social Security Schemes Investment Guidelines, 2015, requires NSSF and PSSSF to ensure all investment properties are managed by independent property managers, and development or construction of properties is undertaken by independent third parties registered by relevant authorities.

Through review of Property Managers Files and List of Property Investments of 2021/22 it was noted that, 8 out of 46 investments properties (equivalent to 17%) were not managed by independent Property Managers.

The lack of Independent Property Managers to manage property Investments was due to negligence of NSSF to adhere to the given requirement despite being well informed about it.

Absence of Property Managers in all investment buildings implies that, NSSF was not updated on the conditions of the buildings because managers would have a role of submitting progress reports to NSSF in every quarter.

## 4.5.6 Inadequate Investment Review and Valuation

Section 21 of the Social Security Schemes Investment Guidelines, 2015 and R.E 2021, requires the schemes to undertake valuation of their real properties by using professional Valuers registered by the National Council of Professional Surveyors at least every three years. According to Fund Financial Policy, section 10.16 provide that the accounting of investment properties shall be determined annually by Management and by an independent external Valuer after every three years.

Furthermore, according to notes of the financial statements for PSSSF (note (l)) and the summary of accounting policies in compliance to the

reporting standard IAS 40 of the Investment Property), PSSSF is supposed to report the fair value of investment properties that reflects the current market prices at the reporting date of the financial year.

The Investment Review and Valuation Reports for the year 2017/18 - 2021/22, indicated that the valuation by external independent audit was performed only twice, for the past five years. The valuation was conducted in the financial years 2017/18 and 2020/21. Similarly, review of Internal Valuation Report, revealed that, the reports were not signed by registered Valuer. However, Valuation Reports for the period between the financial year 2010/11 and 2016/17 were not availed to auditors for assessment.

The inadequate conduct of valuation was caused by the failure to budget for valuation activities. It was noted from interview with NSSF officials that NSSF wanted to minimize the operation costs on invested properties by suspending assets valuation activities in each financial year.

This would lead to under or over valuing presentation in financial statement because the prevailing market prices were not reflected. This resulted to wrong calculation of return on investment.

# CHAPTER FIVE

## MONITORING, EVALUATION AND INSPECTION BY PMO-LYED

## 5.1 Introduction

This chapter presents findings on the extent to which the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability (PMO-LYED) have implemented the monitoring and evaluation activities of the investment properties managed by NSSF and PSSSF.

Section 5. (1)(a), (c) and (f) of Social Security Act (Miscellaneous amendments No. 6 of 2019) requires the Ministry to supervise the performance of all schemes, to conduct inspection and examination, and monitor and review regularity of the performance of social security sector. Also, Section 40 (1) of the Social Security Regulation Act 2008 as in (Miscellaneous Amendments No. 6 of 2019) requires the Division twice a year to inspect or cause an inspection or an examination of scheme to be conducted.

On the other hand, BoT is required to ensure guidelines and policies which will guide investment activities in place and ensure that the activities are effectively enforced. Based on that, PMO-LYED was required to conduct monitoring and evaluation through supervision, inspection, examination and review of the performance of property investment activities implemented by PSSSF and NSSF.

However, the audit noted weaknesses related to the supervision, inspection, examination and review of the performance of property investment activities. Also, there was inadequate follow up of the recommendations issued as a result of M&E conducted. These are further detailed below:

## 5.2 Inadequate Implementation of Monitoring Activities for the Investment Properties

Review of Strategic Plans, Action Plans and Implementation Reports for the period under audit reviews indicated that, PMO-LYED planned for the monitoring of the invested properties for both PSSSF and NSSF. However, did not adequately implement the planned activities as shown in Table 5.1 and Table 5.2 below;

Financial	Activity to be	No. of	PSSSF	NSSF
Year	Implemented	Planned	Actual No.	Actual No. of
		Activity	of	Implementatio
			Implementa	n
			tion	
2019/2020	Supervision	2	0	0
	Inspection and	2	1	1
	Examination			
	Review	2	0	2
2020/2021	Supervision	2	0	0
	Inspection and	2	1	0
	Examination			
	Review	2	0	0
2021/2022	Supervision	2	0	0
	Inspection and 🥠	2	0	on progress
	Examination			
	Review	2	5 1	0

 Table 5. 1: Status of the Planning and Implementation of the Monitoring and Evaluation Activities by PMO-LYED

Source: Social Security Act, 2019 and follow up implementation status (2020-2022)

**Table 5.1** shows that, for the financial year 2019/20 PMO-LYED managed to conduct inspection and examination to both PSSSF and NSSF. For the financial year 2020/21 inspection and examination was conducted to PSSSF only. In the Financial Year 2021/2022 no inspection and examination activities were conducted. The table also shows that, review was conducted only once to PSSSF in the financial year 2021/22. Furthermore, PMO-LYED did not conduct supervision as required for the period under review from the financial year 2019/20 to 2021/22.

The reasons provided was that, PMO-LYED started the functions and roles of monitoring PSSSF and NSSF in the financial year 2019/2020 following the amendment of Social Security Act (Miscellaneous amendments No. 6 of 2019) which placed the functions and roles of the defunct Social Security Regulatory Authority (SSRA) to the Ministry. Similarly, the Division of the Social Security of PMO-LYED was officially formed in September, 2019 and during that year the Division performed monitoring and evaluation as indicated in **Table 5.1**.

Moreover, meanwhile functions and roles were placed under the Division, they were not accompanied by finance and human resources, a condition that caused the implementation of tasks associated with the transferred functions and roles to be a challenge.

Inadequate implementation of the planned monitoring and evaluation to the investment properties led to non-compliance with the laid guidelines, investment policies and regulations which may have caused Funds to be invested in economically unviable investments such as Dege ECO Village Project and Kijichi affordable houses under NSSF and low- cost houses project under PSSSF as explained in **Section 4.2.1** of this Audit Report

# 5.3 Funds set for Monitoring, Supervision and Inspection of Investments made by Social Security Funds

Section 4.5.6 of the Accounting Procedure Manual 2018 developed by the Ministry of Finance and planning, requires the Ministry to plan and budget activities in line with socio-economic policies as approved by the Cabinet that are to be translated into workable plans and programmes and show how they are implemented through budget preparation processes.

Review of Action Plans and Budget for the period under audit reviews for PMO-LYED indicated that, PMO-LYED budgeted funds to facilitate implementation of activities under Social Security Division which includes monitoring activities. **Table 5.2** shows the status of budgeted and released funds.

Table 5. 2: Allocated Budget and Released Funds and Expenditures forSocial Security Division

	Monitoring,	supervision		
Final year	Budget (TZS) 000	Fund allocated (TZS) 000	Budget balance (TZS) 000	% of fund received to budget
2019/20	0	0	0	0
2020/21	301,269,395	301,223,922	45,474	99.9
2021/22	491,263	470,768	20,495	95.8

Source: Itemized reports of the Financial Year 2020/21 to 2021/22

**Tables 5.2** indicated that, for the financial years 2020/21 and 2021/22 PMO-LYED received more than 95% of the budgeted funds. **Table 5.2** further shows that, for the financial year 2019/20 there were no data for budget was available for the Division of Social Security because PMO-LYED started monitoring role in July, 2019 after disbanding of SSRA.

PMO-LYED responded that, during the financial year 2020/2021, received a total of TZS 301,269,395,516 whereby TZS 300 billion was transferred to PSSSF as Government loan repayment. This was evidenced through review of exchequer notification with TZS 1,000,000,000 which was allocated specifically for the Division establishment. The Division had only TZS 269,395,516 as its budget for the staff salaries, entitlement and implementations of functions and roles of the defunct SSRA.

Despite receiving the funds for the financial years 2020/21 and 2021/22 the Division of Social Security in the PMO-LYED did not adequately implement the planned activities as explained in **Section 5.2** above.

# 5.4 Inadequate Follow up of the Recommendations issued during Monitoring of Investment Properties

As it was explained in **Section 5.2** that, PMO- LYED managed to conduct one inspection and examination to NSSF for the period under review. The inspection indicated number of issues which required improvement through the given recommendations. The review of Implementation Reports for the financial year 2019/20 to 2021/22, revealed that, PMO-LYED did not carry out follow ups on the recommendations that were issued to NSSF during the inspection to ensure NSSF adequately implemented the given recommendations.

The audit noted that recommendations that were given to NSSF focused to address issues on: discrepancies of the produced financial data in reporting, exclusion of accrual amounts, engaging independent property managers and lack of pricing policy for properties.

Failure to make follow ups on the given recommendations means that PMO-LYED was not informed if the proposed improvements were taking place as required.

This resulted into non-implementation of the issued recommendations, posing the risk of adverse impacts on management of property investments. For instance, review of revenue collection reports, property manager's progressive reports, investment performance reports and visit conducted to sampled regions indicated existence of some of the issues which were recommended for the improvement. Among the noted weaknesses included: discrepancies of property investment reports on returns from property investments and cost of investments, insufficient number of independent Property Managers and lack of pricing policy for investment properties.

According to interviews with the PMO-LYED Officials the failure to conduct follow up for the issued recommendation was caused by shortage of staff at the Social Security Division as explained in **Section 5.1** above.

# CHAPTER SIX

## AUDIT CONCLUSION

## 6.1 Introduction

This chapter presents conclusion of the audit. The Chapter is divided into two main parts namely overall conclusion and specific conclusions. The conclusions are based on the audit objectives and audit findings presented this report.

## 6.2 Overall Conclusion

Based on the audit findings, the Team acknowledges the efforts made by PMO-LYED through PSSSF and NSSF towards improvement of property investments management. However, more interventions are still needed to ensure effective management of property investments.

Despite the noted efforts, the audit found a number of weaknesses which led to the conclusion that the PMO-LYED through PSSSF and NSSF has not adequately managed execution of property investment activities to ensure attainment of the Funds' main goal which is to strengthen economic and social distress that would otherwise be caused by the stoppages or substantial reduction of earnings. This conclusion was made due to existence of non-performing and loss generating property investments for both PSSSF and NSSF.

The weaknesses noted were mainly caused by inadequate planning for property investments as the investments were done with inadequate feasibility studies, thus lacking assurance on the commercial viability, financial viability, social economic desirability and safety considerations; Inadequate maintenance to the invested properties were also noted. Specifically, the audit noted that the planned maintenance works were not timely carried out leading to existing of poorly maintained buildings. This further contributed to inadequate management of the property investments.

Failure to effectively operate the property investments led to inadequate collection of revenues from the invested properties. On the other hand,

ineffective monitoring by the PMO-LYED which was revealed in the lack of sufficient supervision, inspection and examination to the Social Security Funds, adversely affected management of property investments. This was generally, noted to be the major factor which contributed to the inadequate management of property investments.

# 6.3 Specific Audit Conclusions

The following are specific audit conclusions:

# 6.3.1 The Need for Planning Prior to Investment

For the period under review, both PSSSF and NSSF failed to adequately plan for the investment properties. This is because the implemented investments under PSSSF were executed with inadequate feasibility studies. This implies that, both PSSSF and NSSF did not have assurance that, the invested properties would result into commercial profitability, financial viability, social economic desirability and adhere to safety considerations.

Both PSSSF and NSSF complied with the requirements that each property investment operates a service charge account kept in credit by collecting service charges from the tenants and utilize the same for meeting operational expenses such as services, repairs and maintenance. However, both PSSSF and NSSF failed to establish mechanisms that would ensure adequate collection of the service charges.

This is because they both under collected the service charges while the operation cost for investment properties were noted to be higher particularly for PSSSF. These were noted to be caused by inadequate collection of service charges; decline of rate of occupancy and outstanding service charges receivable to investment properties.

# 6.3.2 Prioritization of Maintenance of the Investment Properties

In order to enhance longevity of the invested properties, repair and maintenance on regular basis is recommended. This is because property depreciation rate is significantly reduced if the property is well maintained and timely repaired. Despite efforts made by both PSSSF and NSSF to maintain some of the buildings, it is concluded that, both Funds did not prioritize the maintenance of the invested properties. Both PSSSF and NSSF had inadequate planning and budgeting for maintenance activities. This resulted to accumulation of maintenance works and untimely completion of the maintenance works which went up to two years as it was the case for projects under PSSSF.

Planned maintenance activities were not timely carried out to prevent predictable failure of building facilities and ensure continuous optimal performance as was the case with the NSSF Water Front House. NSSF had set up funds for carrying out the works but could not provide reasons on failure to conduct maintenance.

Furthermore, PSSSF was not well informed on the extent to which maintenance was required and conducted. Specifically, it was noted that, PSSSF lacked a specified Work Order Form which could describe the reported problem, date and time of the inspection and the action taken to correct the problem with date and time of completion. This showed that maintenance records were not well kept by property managers and there was inadequate enforcement efforts from PSSSF.

Similarly, NSSF did not prioritise inspection of the buildings prior to execution of maintenance works. Inspection was important because it that could facilitate establishment of maintenance and repair requirements.

Inadequate maintenance resulted in more dilapidation of the buildings whereby buildings were found to be in a poor condition. Also, it resulted in low revenues due to decline of tenants' occupancy rate as most of the buildings were not occupied by 100%.

## 6.3.3. Inadequate Property Investment Operations

Both PSSSF and NSSF did not operate property investments in line with the Social Security Investment Guidelines of 2015, to realize safe and high yield investment opportunities. In short, the Funds did not ensure adequate operations of the invested properties. This is because both of

the Funds did not direct the investment of properties in safe and high yielding investment opportunities as the Guidelines stipulate.

For instance, the audit revealed presence of various deficiencies in the systems for revenues collection from the invested properties for both Funds which include; lack of consistent reconciliations for the service charge accounts; inadequate review and signing of contracts; inadequate follow ups of the defaulters and inadequate monitoring of tenancy agreements before their expiration.

All these resulted to outstanding rent which also affected the collected revenues. For instance, audit indicated that, for the period under review there was inadequate revenues collection in property investments as compared to revenues collected from other investments. The average revenues collected from property investments operated by PSSSF was 18% while revenues collected from money market was 67% making the difference of 49%.

This is similarly the case for some of the properties invested by NSSF, for instance Kinyerezi and Kijichi projects. These Project did not earn any revenues from the financial year 2019/20 to 2020/21. It was also indicated that, the sales of houses and plots project generated losses to the Funds.

# 6.3.4 Investment Properties Were Not Adequately Monitored

Despite PMO-LYED's efforts to inspect and examine PSSSF's and NSSF's performances, it is concluded that PMO-LYED did not adequately monitor activities related to property investments.

This is because PMO-LYED did not adequately conduct supervision, inspection, examination and review of performance for both PSSSF and NSSF. For instance, for the period under review, PMO-LYED jointly with BOT, conducted only one inspection and examination and one review which were conducted at NSSF in the financial year 2019/20.

Inadequate implementation of planned monitoring and evaluation of the property investments led to violation of the laid guidelines, investment policies and regulations which consequently caused investment of the Funds to non-viable economic projects.

PMO-LYED also did not effectively conduct follow-ups on the recommendations emanated from monitoring conducted jointly with BOT. This implies that, PMO-LYED was not informed if the improvements for the noted weakness were implemented as required or not. Failure to implement the issued recommendations as required impacted adversely the management of property investments.



## CHAPTER SEVEN

#### AUDIT RECOMMENDATIONS

#### 7.1 Introduction

The audit findings and conclusions pointed-out some weaknesses in the management of property investments. The weaknesses were noted in the planning for invested properties, maintenance of the invested properties, operations of the invested properties and monitoring the performance of the property investments.

Therefore, this chapter provides audit recommendations to the PMO-LYED, PSSSF and NSSF which can help to address the challenges and improve the management of property investments through PSSSF and NSSF.

The National Audit Office believes that based on the principles of Economy, Efficiency and Effectiveness, these audit recommendations need to be fully implemented to ensure improvements in the management of property investments.

#### 7.2 Audit Recommendations to the Audited Entities

#### 7.2.1 Planning for the Property Investment

The Management of PSSSF and NSSF are urged to:

- 1. Conduct and review Feasibility Studies for the property investments prior to execution of any property investment in order to establish investments baseline in respect to pay back period, rate of returns and return on investments;
- 2. Strengthen the funding mechanisms in place to ensure that the expenditure for property investment does not exceed the collected service charges; and
- 3. Prepare and implement Property Investment Asset Disposal Plans; the Plan should include the initial investment cost, market value,

gain and loss in order to realise Return on Investments for each property under their area of jurisdiction.

## 7.2.2 Execution of Maintenance for the Property Investment

The Management of PSSSF and NSSF are urged to:

1. Prepare and implement Maintenance Plan for the Property Investment. The Maintenance Plan should include short and longterm plan of maintenance of each invested property.

## 7.2.3 Operations for the Property Investment

The Management of PSSSF and NSSF are urged to:

- 1. Strengthen and Upgrade Real Estate Management System for effective administration and management of all Investment Properties. The System should capture all necessary information of property investment but not limited to: initial investment cost, year of acquisition/construction, year of occupancy, lettable space, occupied space, payback period, rate on return, return on investment per each property, number of tenants, collected service charges, number of defaulters, outstanding rents, name of property manager, payments to Property Managers, Property Managers Contracts and all necessary information for easy management of the invested properties;
- Strengthen revenues collection system(s) for effective collection of revenues from rent/property investment. The system should also be automated to smoothen issuance of invoices to tenants and enable prompt tenants alert on payment dates in order to improve return on property investments; and
- 3. Prepares strategies to improve performance on occupancy rates in respect to real estate properties in order to have sufficient return from them.

## 7.2.4 Monitoring of the Performance of Implemented Property Investment

The Management of the Prime Minister's Office - Labour, Youth, Employment and Persons with Disability is urged to:

- 1. Strengthen its monitoring systems to ensure investment properties are regularly supervised, inspected and reviewed; and facilitate provision of feedback to implementers and making follow-ups on the implementation of the recommended remedial actions; and
- 2. Assess and enhance the capacity of its staff under the Social Security Division to effectively monitor the performance of properties invested by PSSSF and NSSF.



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# APPENDICES



## Appendix 1 (a): Responses from the Prime Minister's Office - Labour, Youth and People with Disability

This part provides the responses from the Prime Minister's Office - Labour, Youth, Employment and Person with Disability, an audited entity. The responses are divided into two i.e., general and specific comments for each of the issued audit recommendations:

No	Recommendation	Commont (a)	Action(a) to be	Timeline
NO	Recommendation	Comment (s)	Action(s) to be	Timetine
		A 14.	taken	
1.	Strengthen its monitoring systems to ensure that the invested properties are regularly supervised, inspected and reviewed; and provision of feedback to implementers is done regularly, and follow-ups on the implementation of the recommended remedial actions are done accordingly.	Recommendation Noted i) The PMO-LYED and BOT will continue to closely monitor and evaluate investment	<ul> <li>PMO-LYED will intensify follow-up for the remaining implementati on status of the recommended actions.</li> <li>Pension Schemes will be continued reminded to submit the implementati on status as per requirement</li> </ul>	June 2024
2.	Assess and enhance	Audit	During the next	June, 2024

# Specific Responses

No	Recommendation	Comment (s)	Action(s) to be taken	Timeline
	the capacity of its staff under the Social Security Division to effectively monitor the performance of properties invested by PSSSF and NSSF	Noted. The PMO-LYED Office has been	to increase the number of staff from 10 to 14 by re-categorizing staff within the Ministry as well as hiring from other Government	

# Appendix 1 (b): Responses from the Public Services Social Security Fund

This part provides responses from the Public Service Social Security Fund. The responses are divided into two parts i.e general and specific comments for each of the issued audit recommendations.

#### A: Overall responses

The Fund has taken note of audit recommendations and is committed to implement corrective actions as detailed below.

No	Recommendation	Comment (s)	Action(s) to be	Timeline
			taken	
1	Conduct and review Feasibility Studies for the property investments prior to execution of any property investments in order to establish investments baseline in relation to the payback period, rate of returns and returns on investments,	<ul> <li>All real estate projects were developed by former Funds prior to establishmen t of PSSSF.</li> <li>All projects implemente d by former Funds were executed after undertaking feasibility studies/proj ect proposal as per Investment Policies of respective Funds.</li> <li>Subsequent to merging,</li> </ul>	The Fund shall conduct feasibility studies for all new investment properties prior to execution as recommended by auditors.	By 30th Jun 2023

## B: Specific Responses

		the Findler		[
		the Fund has not		
		implemente		
		d any real		
		estate		
		project.		
2	Strengthen the funding	Management has	Management shall	Managem
	mechanisms in place	taken note of	implement the	ent has
	to ensure expenditures	the audit	following measures:	taken
	for property	recommendation	1.	note of
	investment do not		trengthen	the audit
	exceed the collected		supervision of	recomme
	service charges.		property managers	ndation
			to enforce timely	
			collection of	
			service charge	
			from tenants as	
			per lease	
		AUD/2	agreements	
		5	2.	
		S July 2	mprove occupancy	
		22 (-) 2	rate in the	
			buildings to	
		22 55	enhance service	
		NAOT	charge revenue in	
		viv.	respective	
			buildings	
			3.	
			o undertake	
			market survey of	
			service charge	
			rates to align with	
			market rates and	
			existing costs of	
			various services.	
			4.	
			o manage	
			contracts of	
			service providers	
			to ensure value for	
			money for services	
			provided.	

3	Prepare and implement plans/strategies to ensure that all houses and plots, under low cost housing projects generate revenues and collected revenues from property investments are spent in viable investments.	Management has taken note of the audit recommendation	Management has started to implement various strategies to ensure houses and plots under low cost housing project are sold as follows: 1. Review of selling prices to align with market rates and existing condition	By 30th Jun 2024
		AOT	of the houses 2. Entering into partnerships with commercial banks for provision of mortgage loans to customers who are interested to buy the houses under mortgage arrangement 3. Engaging Municipal Councils to assist in selling houses/plots 4. dvertisements in mainstream and social media to attract buyers.	
4	PrepareandimplementMaintenancePlanMaintenancePlanforthePropertyInvestments.TheMaintenancePlanshouldincludeshortandlong-termplansofmaintenanceof	Management has taken note of the audit recommendation	The Fund shall prepare and implement Maintenance Plan for the Fund's Investment Properties	By 30th Jun 2023

	investment property.			
5	Strengthen and Upgrade Real Estate Management System for effective administration and management of all Investments Properties. The System should capture all necessary information of property investment but not limited to: initial investment costs, year acquisition/constructio n, year of occupancy, lettable space, occupied space, payback period, rate on return, return on investment per each property, number of tenants, collected service charges, number of defaulters, outstanding rents, name of property manager, payment to Property Managers, Property Managers Contracts and all necessary information for easy management of invested properties.	Management has taken note of the audit recommendation	<ul> <li>To upgrade Real Estate Management System to produce all important reports required for management of investment properties as recommended in the report.</li> <li>Data clean up to improve accuracy of the reports</li> </ul>	By 31st Dec, 2023
6	Strengthen revenue collection system(s) for effective collection of revenues from rent/property investment. The system should also be automated to issue	Management has taken note of the audit recommendation	Management shall implement the following measures: 1. Strengthen the Real Estate Management System for prompt	By 31st Dec, 2023

		1		I
	invoices to tenants and		billing and	
	prompt tenants alert		tenants' alerts	
	on payment dates in		2.	
	order to improve		Strengthen	
	return on property		supervision of	
	investments.		property managers	30th Jun
			to ensure	2024
			enforcement of	
			lease agreements	
			3.	
			To undertake legal	
			action against rent	
			defaulters and	
			enforce recovery	
			J	
-	Droporos stratarias ta	Managamenthe	rent.	20th lur
7	Prepares strategies to	Management has	Management has	30th Jun
	improve performance	taken note of	already started to	2024
	on occupancy rates in	the audit	undertake various	
	respect to real estate	recommendation	measures to improve	
	properties in order to	· - un	the occupancy rate	
	have sufficient return	1 A LA	as follows:	
	from real estate	Reasons for low	1.	
	investments.	occupancy rate	Undertaking	
		of some of the	regular rent	
		Fund's	reviews to align	
		commercial	with market	
		properties is	competition	
		mainly as a	2.	
		result of	Carrying out	
		following:	maintenance in	
		•	various buildings	
		Government	to make them	
		institutions	more attractive to	
		surrendered	tenants,	
		most of their	3.	
		office spaces	All Property	
		following	Managers have	
		decision by	been given targets	
		the	in which they are	
		Government	required to meet	
		to move to	at a given time;	
		Dodoma,	4.	
		Dodoma,	4.	

increasing competition from new properties in nearby locations, ome of the properties such as Quality Plaza had low occupancy rate due to the ongoing maintenance; and • • • • • • • • • • • • • • • • • • •		
competition from new properties in nearby locations, • • • • • • • • • • • • • • • • • • •		review of property
from new properties in nearby locations, • • • • • • • • • • • • • • • • • • •	-	5
properties in nearby locations, • • • • • • • • • • • • • • • • • • •	competition	-
nearby locations, may lead into contract termination; and ome of the properties such as Quality Plaza had low occupancy rate due to the ongoing maintenance; and ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in		-
locations, contract termination; and 5. Increased marketing efforts to promote the properties. Quality Plaza had low occupancy rate due to the ongoing maintenance; and ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	properties in	50% rent collection
<ul> <li>termination; and</li> <li>ome of the properties such as Quality Plaza had low occupancy rate due to the ongoing maintenance; and</li> <li>ncertainties that could not be anticipated at the time of development. For example,</li> <li>PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in</li> </ul>	nearby	may lead into
ome of the properties such as Quality Plaza had low occupancy rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	locations,	contract
properties such as Quality Plaza had low occupancy rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	•	termination; and
such as Such as Quality Plaza had low occupancy rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	ome of the	5.
Quality Plaza had low occupancy rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	properties	Increased
had low properties. occupancy rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in		marketing efforts
had low properties. occupancy rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	Quality Plaza	to promote the
rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	had low	properties.
rate due to the ongoing maintenance; and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	occupancy	
maintenance; and ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in		
and • ncertainties that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	the ongoing	
<ul> <li>ncertainties         that could not             be anticipated             at the time of             development.             For example,             PSSSF Mtwara             Plaza was             constructed at             the time of oil             and gas             exploration             boom in     </li> </ul>	maintenance;	
that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	and	
that could not be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	<ul> <li>AUD/s</li> </ul>	
be anticipated at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	ncertainties	
at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	that could not	
at the time of development. For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	be anticipated	
For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in		
For example, PSSSF Mtwara Plaza was constructed at the time of oil and gas exploration boom in	development.	
Plaza was constructed at the time of oil and gas exploration boom in		
constructed at the time of oil and gas exploration boom in	PSSSF Mtwara	
the time of oil and gas exploration boom in	Plaza was	
and gas exploration boom in	constructed at	
exploration boom in	the time of oil	
exploration boom in	and gas	
	exploration	
	boom in	
Mtwara.	Mtwara.	

# Appendix 1 (c): Responses from the National Social Security Fund

This part provides responses from the National Social Security Fund. The responses are divided into two parts i.e general and specific comments for each of the issued audit recommendations.

#### A: Overall responses

The audit assignment has been of great importance to the execution of management of our investment properties currently and in the future. Moreover, the management has noted all observations and recommendations and is committed to implement them in the timeline started under specific responses in Part B of this Appendix 1 (b).

#### **B:** Specific Responses

No	Recommendation	Comment (s)	Action(s) to be	Timeline
			taken	
1.	Conduct and review Feasibility Studies for the property investments prior to execution of any property investments in order to establish investments baseline in relation to the payback period, rate of returns and returns on investments.	<ul> <li>i. Currently, the Fund is in process of completing construction of the mentioned projects for Mwanza Tourist Hotel, Mzizima Tower, Dungu Satellite Village project and Toangoma, Affordable Housing at Mtoni Kijichi phase III expected to be completed by June, 2024.</li> <li>ii. The Fund shall conduct review of the feasibility studies of the</li> </ul>	<ul> <li>i. o conduct review of feasibility studies including the appraisal of investment projects at Mwanza Tourist Hotel, Mzizima Towers, Dungu Satellite Village project and Toangoma Affordable Housing at Mtoni Kijichi phase III.</li> <li>ii. o ensure feasibility study is</li> </ul>	30 <sup>th</sup> June, 204

No	Recommendation	Comment (s)	Action(s) to be taken	Timeline
		mentioned projects after establishing final project costs.	conducted before the commencement of any investment project.	
2.	Strengthen the funding mechanisms in place to ensure expenditures for property investment do not exceed the collected service charges.	<ul> <li>i. The Fund shall continue to strengthen mechanisms to maintain the operational cost of the investment properties covered under service charges.</li> <li>ii. The Fund shall also strengthen mechanisms to ensure Property Managers timely submit expenditure reports for service charges. The Fund shall further insure Property Managers collect service charges timely.</li> </ul>	<ul> <li>i. Review of service charges from time to to time to reflect actual operating costs of running the buildings.</li> <li>ii. Submission of annual budgets of service charges by Property Managers for review and approval as well as monitoring to ensure that they operate within the approved budget.</li> <li>iii. Handover all building operational costs to Property Managers to be paid under service charges.</li> </ul>	Annually 30 <sup>th</sup> June, 2023

No	Recommendation	Comment (s)	Timeline	
			Action(s) to be taken	
3.	Strengthen and implement Investment Properties Asset Disposal Plans; the Plan should include the initial investment cost, market value, gain and loss in order to realise Return on Investments for each property under their area of jurisdiction.	The Fund shall improve assets disposal by considering cost of acquisition, market value to realise gain and avoid losses.	Ensure all necessary information including initial investment costs and market value are in place before the disposal of investment property assets.	Whenever disposal of properties is executed.
4.	Strengthen and implement Maintenance Plan for the Property Investment. The Maintenance Plan should include short and long- term plan of maintenance of each investment property.	The Fund shall ensure the current short-term maintenance and renovation plan is improved to cover also the long-term renovation plan.	To prepare comprehensive maintenance and renovation plan.	31 <sup>st</sup> December , 2023
5.	StrengthenandUpgradeRealEstateManagementSystemforeffectiveadministrationandmanagementof all InvestmentProperties.TheSystemshould capture allnecessary	The Fund shall improve Estate Management System to incorporate all necessary information including those recommended by the Auditor.	Updating Real Estate Property Management System.	30 <sup>th</sup> June, 2024

No	Recommendation	Comment (s)	Action(s) to be taken	Timeline
	information of property investment but not limited to: initial investment cost, year acquisition/const ruction, year of occupancy, lettable space, occupied space, payback period, rate on return, return on investment per each property, number of tenants, collected service charges, number of defaulters, outstanding rents, name of property manager, payment to Property Managers, Property Managers, Property Managers, information for easy management of invested properties.	AOT		
6.	Strengthen revenue collection system(s) for effective	The Fund shall improve Property Management System to automate billing	Automate billing through automatic messages sending to tenants.	30 <sup>th</sup> Septembe r, 2023

No	Recommendation	Comment (s)	Action(s) to be taken	Timeline
	collection of revenues from rent/property investments. The system should also be automated to issue invoices to tenants and prompt tenants alert on payment dates in order to improve return on property investments.	through auto sending of bills to tenants through messages and emails showing the amount due and control number to tenants' phones.		



# Appendix 2a: Selection of Regions Visited during the Audit

This part provides a list of selected regions that were visited during the audit.

S/N	Region	PSSSF		NSSF				Ranking	
		Building(s)	Plot(s)	Bridge	Building(s)	Plot(s)	Bridge	Total	
1.	Arusha	2	6	0	3	10	0	21	5
2.	Dar-es- salaam	7	9	0	8	1374	1	1399	2
3.	Dodoma	2	4	0	1	8	0	15	7
4.	Geita	0	0	0	0	5	0	5	12
5.	Iringa`	0	0	0	1	6	0	7	10
6.	Kagera	0	0	0	NY E	5	0	6	11
7.	Katavi	0	0	0	0	2	0	2	15
8.	Kigoma	0	0	0	JU <sub>1</sub>	4	0	5	12
9.	Kilimanjaro	0	0	0	2	3	0	5	12
10.	Lindi	0	1	0	0	305	0	306	4
11.	Manyara	0	0	0	0	4	0	4	13
12.	Mara	0	0	0	0	3	0	3	14
13.	Mbeya	0	2	0	1	6	0	9	8
14.	Morogoro	1	0	0	1	7	0	9	8
15.	Mtwara	1	6	0	1	10	0	18	6
16.	Mwanza	1	4	0	1	413	0	419	3

S/N	Region	P	SSSF		NSSF				Ranking
		Building(s)	Plot(s)	Bridge	Building(s)	Plot(s)	Bridge	Total	
17.	Njombe	0	0	0	1	5	0	6	11
18.	Pwani	0	3	0	0	1500	0	1503	1
19.	Rukwa	0	0	0	0	3	0	3	14
20.	Ruvuma	0	0	0	1	3	0	4	13
21.	Shinyanga	0 0		0	2	5	0	7	10
22.	Simiyu	0 0		0	0	2	0	2	15
23.	Singida	0	0	0	0	2	0	2	15
24.	Songwe	0	0	0	No -	1	0	2	15
25.	Tabora	0	0	0	1	4	0	5	12
26.	Tanga	0	1	0	1	6	0	8	9
Total		14	36	0	28	3696	1	3775	

Appendix 2(b) i:	Availability	of Buildings	and Plots in	Selected Region
	,			- J

Region		ilding stment	Laı Invest			ridge stment	Selection		
	NSSF	PSSSF	NSSF	PSSS F	NSSF	PSSSF			
Arusha	$\int$ $\int$ ,		1	5	Х	х	Selected		
Dar-es- salaam	Γ Γ		<i>Г Г</i>		ſ	x	Selected		
Lindi	Γ	х	Γ	Л	Х	х	Not selected		
Mwanza	<i>Γ Γ</i>		Ţ	ſ	Х	х	Selected		
Pwani	1	X	5	х	Х	x	Not selected		

Sources: Auditors' Analysis and Investments data base

**Key:**  $\sqrt{}$  = Available

X= Not available

#### AUDD

## 2b: Selected Regions with Investments from Both PSSSF and NSSF

This part provides a list of selected regions that were visited during the audit which have both investments from PSSSF and NSSF.

Region	Commercial Building Investment		Residential	Building Investment	<b>Office Building</b>	Investment	Plot	Investment	Farm Investment		Bridge	Investment	Selection
	NSSF PSSSF NSSF PSSSF NSSF NSSF		NSSF	PSSSF	NSSF	PSSSF	NSSF	PSSSF					
Dar-es- salaam	ſ	ſ	ſ	ſ	Ţ	ſ	ſ	Ţ			Ţ	х	Selected
Arusha	usha / / / /		ſ		Γ Γ					Х	Selected		
Dodoma	ſ	ſ	ſ	ſ	Γ		ſ	J X x		X x		Selected	
Mwanza	ſ	ſ	Γ		ſ		ſ	Γ	ſ		Х	Х	Selected

### Appendix 3: Various Documents that were Reviewed during the Audit

This part provides the list of documents which were reviewed during the audit from PMO-LYED, PSSSF and NSSF.

Name of Document	Reason
Annual Budgets	To get information on set targets and how the
	budget was controlled
Feasibility Study Reports	To establish an assessment on the viability of
	the projects
Annual Performance	To assess the performance of the organisation.
Reports	
Cash books	To get information on payments of rents and
	confirm if they have been received in cashbook.
Financial statement	To review the disclosure of investment property
	and check if all properties have been disclosed.
Management Meeting	To get information on various board decisions
Minutes	made regarding revenue.
Board Meeting Minutes	To get information on various management
	decisions made regarding revenue.
Service Delivery Charter	To get information on the specific service
	delivery standards set for rental customers.
Investment policy	To understand the investment criteria.
Researches and customers	To understand behaviour and types of customers
surveys	for real estates.
Requirements of complaint	To understand specific controls on management
management system	of complaints for real estate.
Financial Regulations	To understand internal control.
Internal Audit reports	To understand the performance of internal
	controls.
Action Plan	To understand the implementation activities.
Strategic planning	To understand the operations, strategies and
	the organisation milestones.
Fixed Asset register	To understand all types assets used to generate
	income
Monitoring and Supervision	To get information on the monitoring and
of Properties Reports	supervision activities
Building Maintenance	To get information on the activities and
Schedule Plan	schedule for building maintenance
Estate Management Manual	To understand how the estates are managed.
Review new rent and	To review and understand the rental charges.
Service Charges for Real	

Name of Document	Reason
estate	
Actuarial Reports	To get information on the evaluation of funds
Condition Survey Report	
List of sold Houses and	To ascertain return on the initial Investment
(Land Bank) Plots	Cost versus Current selling price and assess the
	status of report
List of Property Managers	To verify their status, compliances with
	investment guidelines and their capacity
Property Managers	To review their performances as per terms and
Contracts	conditions laid in entered contracts
Real Estate Marketing	To ascertain whether funds had plan to ensure
Strategy	invested monies had realistic return by
	marketing their properties and increase service
	delivery
Return on Investment of	To ascertain whether the invested properties
Each Property	had specified payback period and rate of return
	on Investment (ROI)
Itemised Reports for	To analyse and extend of budgets, fund release
Revenue and Expenditure	and expenditure specifically for property
	investment

Source: Literature Review and Auditor's Analysis (2022)



# Appendix 4: List of official interviewed from PMO-LYED, NSSF and PSSSF

This part provides the list of persons who were interviewed from the PMO-LYED, PSSSF and NSSF and reasons for being interviewed

Organisation	Interviewee	Reason								
PMO-LYED	Director of Social	To get information on the extent of								
	Protection	inspections, oversee and monitoring of								
		Social Funds/schemes								
	Assistant Director of	To get information on the extent of								
	Social Protection	inspections, oversee and monitoring of								
		Social Funds/schemes								
	Director of Planning	Ministry Budget Preparations, Monitoring								
	and Policy	and Evolutions of Social Protection								
		Schemes								
NSSF and	Financial Manager	Effectiveness of internal controls								
PSSSF	Chief Internal	Audits and evaluation reports								
	Auditor	Deformence of the entity (c)								
	Operational	Performance of the entity (s)								
	Director									
	Marketing Manager	Preparation and implementation of								
		strategies for real estate management								
		and contribution to quality service for members and tenants.								
		members and tenants.								
	Research and	Conduct researches and customers								
	development	surveys								
	Manager									
	Investment manager	Investment management								
	Planning Officers.	Budgeting of scheme operation.								
	Real Estate	Management of Real Estate investments								
	manager									
	Collection agents	Effective management of collections.								
	Contribution	Management of contributions								
	Manager									
	Human resource	Management of human resources in								
	manager	revenue section								
	Inspection	Monitoring compliance of employers in								
	Registration and	payment of contributions as required by								
	compliance Manager	NSSF compliance manual.								
	Project Manager	Project management								

Organisation	Interviewee	Reason						
	Planning,	Investments monitoring and evaluation						
	monitoring and							
	evaluation							
	Regional managers	Regional management of scheme (real						
		estate)						
	Legal Director.	Management of legal aspects.						

Source: Organisation Structure and Auditor's Analysis (2022)



#### Appendix 5: Real Estate Investment Processes

This part provides the Real estate investment processes right from the identification of the investment to its implementation and commissioning

Stage	Task/Activity	Deliverable
Identification	<ul> <li>Internal Opportunity:</li> <li>Conduct an opportunity study that will produce a report featuring the following details;</li> <li>description of the proposed project</li> <li>site identification</li> <li>marketability of the proposed project</li> <li>observations</li> <li>recommendations</li> </ul>	Opportunity study report
Appraisal	<ul> <li>A. Preliminary Appraisal:</li> <li>Background of the proposed project</li> <li>Preliminary technical and cost estimates</li> <li>Preliminary market assessment</li> <li>Preliminary financial assessment</li> <li>B. Detailed Appraisal</li> <li>Technical Analysis: <ul> <li>Assess suitability of location</li> <li>Examine proposed design</li> <li>Assess appropriateness of technology</li> <li>Check regulatory compliance</li> <li>Establish cost estimates</li> </ul> </li> <li>Market Analysis: <ul> <li>Establish prevailing prices</li> <li>Conduct demand and supply analysis</li> <li>Establish demand - supply gap</li> <li>Determine competition and market share levels</li> <li>Project business growth probability</li> <li>Make projection on future market conditions</li> </ul> </li> <li>Financial Analysis: <ul> <li>Assess projected cash flows</li> <li>Establish financial profitability of the</li> </ul> </li> </ul>	Preliminary Feasibility Study Report Feasibility Study Report

Stage	Task/Activity	Deliverable
	<ul> <li>project</li> <li>Run sensitivity analysis</li> <li>Establish expected financial profitability to the Fund</li> <li>Compare project returns to those of alternative investment(s)</li> </ul>	
	Risk Assessment:	
	ess risk factors associated with the project	
	sess effectiveness mitigation measures	
Approval	• Seek Management approval for	Management
	investment	Memo
	Seek Board approval	
		Board Memo
Implementation	Disbursement of funds	Progress
	Civil works	reports
Monitoring	Site meeting and inspection •	Progress
	• Preparation of project financing report	Report Project
	nvestment Manual of 2016 and PSSSF's Investment P	Financing Report in place

Source: NSSF Investment Manual of 2016 and PSSSF's Investment Policy (2021)

Appendix 6: Analysis of Aging of the Buildings under NSSF

This part provides information on the aging of buildings under PSSSF

			Invest	Investment Project Database	Ibase			
S/N	Project Name	Investment Category	Cost of Investment	Inception Date	Age of buildin	Project Life	Paybac k	Annual Returns - TZS
		0	in Billion TZ		g as of 2021	(Years)	Period	1
-	PSSSF Twin Towers	Commercial	123.54	2013	∞	50		778,704,000.00
2	Golden Jubilee Towers	Commercial	74.71	Jul-05	10	50		14,678,135,064.00
m	PSSSF Quality Plaza	Commercial	36	1996	25	50		991,819,377.24
4	Kambarage Tower	Commercial	37.02	2018	3	50		3,180,585,129.91
5	Millenium towers - Phase (I)	Commercial	19.22	2004	17	50		100,512,788.22
9	Millenium towers - Phase (II)	Commercial	70.07	2015	9	50		143,284,614.03
7	PSSSF Victoria House	Commercial	15.12	2013	æ	50		1,217,362,069.76
∞	PSSSF Jakaranda House	Commercial	3.83	2012	6	50		22,429,700.00
6	PSSSF Samora House	Commercial	5.31	1996	25	50		626,319,316.16
10	PSSSF Tower&Parking Arcade	Commercial	31.3	1998	23	50		778,702,800.00
11	PSSSF House, Dodoma	Commercial	44.41	2015	6	50		1,988,907,590.96

	Annual Returns -	TZS			5,670,977,836.36	1,213,678,414.96		276,000,000.00		276,000,000.00		165,600,000.00		110,400,000.00		48,000,000.00		276,000,000.00			27,600,000.00		86,400,000.00		110,400,000.00		36,000,000.00
	Paybac	¥	Period																								
	Project	Life	(Years)		50	50	0	50		50		40		40		40		40			40		40		40		40
abase	Age of	buildin	g as of	2021	5	S		16		14	3	2021		24	1	2021		4			10		26		26		26
Investment Project Database	Inception Date				2016	2016	1000	2005		2007	0	アノラン		1997	2	VINT	AAAA	2017			2011		1995		1995		1995
Invest	Cost of	Investment	in Billion TZ		29.27	8.09		20.41		3.16		0.72		0.61		1.13		5.18			0.14		0.56		0.4		0.36
	Investment	Category			Commercial	Commercial		Commercial		Commercial		Residential		Residential		Residential		Residential			Residential		Residential		Residential		Residential
	Project Name				PSSSF Plaza Arusha	PSSSF Plaza	Mtwara	PSSSF Plaza	אשמחצמ <del>ע</del> יסום Crest Hotel	GOold Crest Hotel	Arusha	PSSSF Kenyatta 6	(Oysterbay)	PSSSF Mawenzi 311	(Masaki)	PSSSF Kijitonyama	Maissonate	PSSSF Haile	Selassie	Apartments	PSSSF Mikocheni	Twin House	PSSSF Msasani	Investment	60 Mahenge	Residential unit	Tumbawe
	S/N				12	13	ļ	14		15		16		17		18		19			20		21		22		23

			Inves	Investment Project Database	base			
S/N	Project Name	Investment Category	Cost of Investment	Inception Date	Age of buildin	Project Life	Paybac k	Annual Returns - TZS
			in Billion TZ		g as of 2021	(Years)	Period	
	Residential unit							
24	Masaki Apartments	Residential	6	2011	10	40		232,800,000.00
25	Ex-PSPF Mikocheni	Residential	10	2010	11	40		172,800,000.00
	Apartments							
26	Kaloleni Flats	Residential	2.7	2011	10	40		79,985,600.00
27	Chamaguha Houses	Residential	0.2	2010	1-	40		12,000,000.00
28	PSSSF Oloirien	Residential	13.29	1998	23	40		457,928,328.97
	Estate			S and the	3			
29	PSSSF Kaloleni	Residential	2.53	1998	23	40		1,690,276,558.87
	Estate							
30	PSSSF Ligula	Residential	0.16	2010	11	40		4,800,000.00
	<b>Residential Houses</b>			2 Pr	5			
31	PSSSF Dodoma	Residential	1.7	2009	12	40		139,200,000.00
	<b>Residential Houses</b>			and a				
32	PSSSF	Commercial	232.39	2020	-	50		
	SAMONUJUMA							
	COMPLEX							

Appendix 7: Analysis of Noted Defects

This part provides the list of the noted defects on the audited property investments (buildings) that were

Region         Building and Location         One facts         Defects           Dar         Bvilding and Location         0         Match	implemente	implemented and managed by the NSSF.								
Image: constraint of the constraint	Region	Building and Location			Defec	ts				
Es       Plot Nos 61 Ex-Ladwa Bangalows No 2 Off       Yes       Yes<			Walls	nO stnis9 bnA sllsW				Mater System/	toilet	Broken doors and windows
Plot 1027 Buzwagi Street, Msasani Peni sulaYesYesYesYesYesArea, DSMPLOT 79 Block T Temeke Uwanja wa TaifaYesYesYesYesYesR Kateta HouseNSFF Water Front TowerYESYESYESYESYESJulius Nyerere Pension TowerYESYESYESYESYESJulius Nyerere PensionYESYESYESYESYESJoege eco VillagePlot No826, Mwanalugali at KibahaYesYesYesYesPlot No826, Mwanalugali at KibahaYesYesYesYesYesYesPlot No826, Mwanalugali at KibahaYesYesYesYesYes			Ye	S	Yes	Yes				
PLOT 79 Block T Temeke Uwanja wa Taifa       Yes       Yes       Yes       Yes       Yes         (Ex Kateta House       NSSF Water Front Tower       YES       YES       YES       YES       YES         Julius Nyerere Pension Tower ( Akiba House)       YES       YES       YES       YES       YES       YES         Julius Nyerere Pension Tower ( Akiba House)       YES       YES       YES       YES       YES       YES         NSSF Tabata Flats Phase II       YES       YES       YES       YES       YES       YES       YES         NSSF Tabata Flats Phase II       YES       YES       YES       YES       YES       YES       YES         NSSF Tabata Flats Phase II       YES       YES       YES       YES       YES       YES       YES         Dege eco Village       YES		Plot 1027 Buzwagi Street, Msasani Peni sula Area, DSM	T	S	Yes	Yes	Yes	Yes		
NSF Water Front Tower       YES         Jultus Nyerere Pension Tower (Akiba House)       YES       YES       YES       YES       YES       YES       YES         NSSF Tabata Flats Phase II       YES       YES       YES       YES       YES       YES         NSSF Tabata Flats Phase II       YES       YES       YES       YES       YES       YES         Kijjichi Low Housing       HOU Nosing       HO       YES       YES       YES       YES       YES         Dege eco Village       YES       YES       YES       YES       YES       YES       YES       YES         Plot 184 Block C Awanalugali Area at Kibaha       YES			王	S	Yes	Yes	×	Yes		
Jultus Nyerere Pension Tower ( Akiba House)YESYESYESYESNSSF Tabata Flats Phase IIYesYesYesKijichi Low Housing </td <th></th> <td>NSSF Water Front Tower</td> <td></td> <td>S</td> <td>YES</td> <td>YES</td> <td>YES</td> <td></td> <td></td> <td></td>		NSSF Water Front Tower		S	YES	YES	YES			
NSSF Tabata Flats Phase II       Yes         Kijjtchi Low Housing       Yes         Dege eco Village       Yes         Dege eco Village       Yes         Plot 184 Block C Mwanalugali Area at Kibaha       Yes         Plot No       826, Mwanalugali at Kibaha         Plot No       826, Mwanalugali at Kibaha         Raintained for so long       Yes         Farm 113       Mapinga Bagamoyo area site         Ves       Yes         Ves       Yes         Yes       Yes		Julius Nyerere Pension Tower (Akiba House)	YE	S	YES			YES		Yes
Kijichi Low HousingKijichi Low HousingDege eco VillagePlot Rock C Mwanalugali Area at KibahaYesYesYesPlot 184 Block C Mwanalugali at KibahaYesYesYesYesPlot No826, Mwanalugali at Kibaha(NotYesYesYesYesFarm 113Mapinga Bagamoyo area siteYesYesYesYesYesbuildingYesYesYesYesYesYes		NSSF Tabata Flats Phase II			Yes					
Dege eco Village       Yes       Yes <th></th> <td>Kijichi Low Housing</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>		Kijichi Low Housing								
Plot 184 Block C Mwanalugali Area at KibahaYesYesYesYesYesPlot No 826, Mwanalugali at Kibaha (NotYesYesYesYesYesmaintained for so longEarm 113 Mapinga Bagamoyo area siteYesYesYesYesbuildingNuildingYesYesYesYesYes		Dege eco Village			Yes					
at Kibaha (Not Yes Yes Yes Yes Yes Noyo area site Yes Yes Yes Yes Yes Yes Yes Yes Yes Ye	Pwani	Plot 184 Block C Mwanalugali Area at Kibaha		Si	Yes	Yes	Yes			
Bagamoyo area site Yes Yes Yes Yes Yes Yes Yes				Si	Yes	Yes	Yes			
Yes Yes Yes		Bagamoyo area		S	Yes	Yes	Yes			
Yes Yes Yes										
				S	Yes	Yes	Yes			

Region	Building and Location			Defects	cts				
Arusha	Plot 241 Oloirien Area CM's House	Yes	Yes	Yes	Yes	Yes			
	Head Master's Residential House								
	Former Mukidoma School, Njiro area								
	Plot No 39 Block FF Old Moshi Road Sakina			Yes			Yes		
	area								
Mwanza									
Kilimanjaro	Plot 39 Block B Building in Moshi								
Dodoma	NSSF Flats Hombolo Street	The	-4IQn						
	NSSF Rest House Mlimwa C	0	6.00						
	Block 78 Chinangali East	A ST	111						
Morogoro	Plot 256£257 Kingalu Area Morogoro	2							
	Plot Nos 42&42 Block DDD Kilosa DM's House	THE .	- Martin						
	Plot 140 Block G Kibaoni Ifakara DM's House	22	22						
TABORA	Plot 96 Block A	- A	1.10						
Source: Site	Source: Site Verification, Properties Valuation Report of 202, Property Managers Reports 2021/2022 and Estate Properties Comprehensive	2, Prope	ty Managers	Reports 2	021/202	2 and 1	Estate Properti	es Compreher	sive

Reports of 2019/2020-2021/20

Controller and Auditor General

Appendix 8 (a): Analysis of Information Obtained in Feasibility Study Reports

This part provides the analysis of information obtained from the feasibility studies conducted when initiating the HOUND POPE 4 . • • -

Feasibility study i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical	of Consultant wh		red	Investment projects implemented by NSSF. In Prepared Basic Details Found in Basi	ADDF. Basic details missing in	Remarks	Status
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical	the Feasibility Study Property	Feasibility Study		Feasibility study	Feasibility study		
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical							
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical	Mwanza i. K&M Architects Ltd,	i. K&M Architects Ltd,		i. Market assessment		The feasibility study	Accepted
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical	City i. Cost Data Consult Ltd,	ii. Cost Data Consult Ltd,		ii. Estimated Project Cost		was realistic and was	
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical	Commerci ji. Tan- Consult Ltd,	.=		Financing plan		prepared professional	
i. Financing plan i. Economic and social justification iii. In design aspect no any geotechnical	al v. Electriplan and ii		÷	iii. Financial analysis		consultants	
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical	Complex V. Inter-global Financial iv		.≥	iv. Economic and Social			
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical	LTD Service Ltd.	Service Ltd.		justification	110		
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical				Environmental Aspect	E		
i. Financing plan ii. Economic and social justification iii. In design aspect no any geotechnical		<u>``</u>	>	Design aspect			
<ul> <li>Financing plan</li> <li>Financing plan</li> <li>Economic and</li> <li>social</li> <li>justification</li> <li>in design</li> <li>aspect no any</li> <li>geotechnical</li> </ul>	vi.	vi.	۲i.	Recommendations			
<ul> <li>Financing plan</li> <li>Financing plan</li> <li>Economic and</li> <li>social</li> <li>justification</li> <li>in design</li> <li>aspect no any</li> <li>geotechnical</li> </ul>	vii.	vii.	vii.				
<ul> <li>Financing plan</li> <li>Financing plan</li> <li>Economic and</li> <li>social</li> <li>justification</li> <li>ini. In design</li> <li>aspect no any</li> <li>geotechnical</li> </ul>				of 12.68			
<ul> <li>i. Financing plan</li> <li>i. Economic and</li> <li>ii. Economic and</li> <li>social</li> <li>justification</li> <li>in design</li> <li>aspect no any</li> <li>ect geotechnical</li> </ul>	viii.	viii.	viii.	viii. Payback Period of 9.15			
i. Financing plan i. Economic and social justification il ii. In design ect geotechnical				years			
et assessment i. Financing plan mated Project ii. Economic and social cial analysis justification mic and Social iii. In design ication aspect no any mental Aspect geotechnical	tx.	ix.	ix.	Net Present Value of			
i. Financing plan : ii. Economic and social justification al iii. In design aspect no any ect geotechnical				11.44%			
mated Project ii. Economic and social analysis justification omic and Social iii. In design ication aspect no any onmental Aspect	2 Dodoma No identified consultant i.	No identified consultant i.	. <b></b> '	Market assessment	. Financing plan	This is project	Not
social social social social social analysis justification justification justification in design section any aspect no any onmental Aspect geotechnical social socia	Complex who prepared report.					conceptual report not	accepted
ii.				Cost	social	Feasibility study	
it.			. <b></b>	Financial analysis	justification		
al Aspect	ii.	ii.	≡.				
				justification	aspect no any		
		111	Ξ		geotechnical		

**Controller and Auditor General** 

Status		accepted	Not accepted
Remarks		bort not ly	This is project conceptual report not a Feasibility study
Basic details missing in Feasibility study	investigation	<ul> <li>i. No design aspect</li> <li>(where did they get cost estimate without any design)</li> <li>ii. No Environmental assessment</li> <li>iii. No economic and Social</li> <li>justification</li> </ul>	i. Cost estimates ii. Design iii. Environmental assessment iv. Economic and social
Basic Details Found in Feasibility study	<ul> <li>iv. Design aspect</li> <li>v. Recommendations</li> <li>vi. Internal Rate of Return of 12.68</li> <li>vii. Payback Period of</li> <li>9.15 years</li> <li>viii. Net Present Value</li> <li>of 11.44%</li> </ul>	ject of 28% od of alue	<ul> <li>Market survey</li> <li>Financial analysis</li> <li>of the project</li> <li>Recommendation</li> <li>iv. Internal Rate of</li> <li>Return of 7.6%</li> </ul>
Consultant who Prepared Feasibility Study	<u>, v. </u>	No identified consultant who prepared report.	No identified consultant who prepared report.
Name of the Property		OFFICE BUILDING AT PLOT NO. 37 ALONG NEW BAGAMOY ROAD	Commerci al Property on Plot No 3 Comprised
s z		m	4

νz	Name of the Property	Consultant who Prepared Feasibility Study	Basic Details Found in Feasibility study		Basic d Fea	Basic details missing in Feasibility study	Remarks	Status
	in C.T.No.24 119 along Sam Najoma Road-Dar es Salaam		<ul> <li>v. Payback Period of 13.6 years</li> <li>vi. Net Present Value of 19,571,337 US\$</li> </ul>	eriod of s :nt Value ,337 US\$	>	justification Financing plan		
ы	Commerci al Property on Plot No 15 Corridor Area, Arusha	No identified consultant who prepared report.		rvey scription Analysis ate of 6.02% eriod of it Value US\$ eturn on t 6.3%		Cost estimates Design Environmental assessment Economic and social justification Financing plan	This is project conceptual report not Feasibility study	Not accepted
9	Commerci al Property on Plot No.130 (Vigaeni) in Mtwara Region	No identified consultant who prepared the report.	i. Financial Analysis ii. Market survey	Analysis rvey		Cost estimates Preliminary Design Environmental assessment Economic and social justification	This is project conceptual report not Feasibility study	Not accepted

Status		Not accepted	Not accepted
Remarks		This is project conceptual report not Feasibility study	This is project conceptual report not Feasibility study
Basic details missing in Feasibility study	v. Financing plan	<ul> <li>i. Cost estimates</li> <li>ii. Preliminary</li> <li>Design</li> <li>iii. Environmental</li> <li>assessment</li> <li>iv. Economic and</li> <li>social</li> <li>justification</li> <li>v. Financing plan</li> </ul>	<ul> <li>T. Cost estimates</li> <li>Design</li> <li>Design</li> <li>Environmental</li> <li>assessment</li> <li>iv. Economic and</li> <li>social justification</li> <li>v. Financing plan</li> </ul>
Basic Details Found in Feasibility study		i. Market survey ii. Financial analysis of the project	<ul> <li>i. Estimated cost of the Project</li> <li>ii. Financing plan</li> <li>iii. Market Survey</li> <li>iv. financial analysis.</li> </ul>
Consultant who Prepared Feasibility Study		No identified consultant who prepared report.	No identified consultant who prepared report.
Name of the Property		Developm ent of plot No.464, Haile Selasie Road	Developm ent of Office Building at Plot No. 37 along New Bagamoyo Road (Victoria House)
s n		2	Ø

	Feasibility	Study			No					No						No					No	
	Annual	Return	(ROI)		Unknown					Unknown						Unknown					Unknown	
	Payback	Period	(Years)		Unknown					Unknown						Unknown					Unknown	
	Project	Life	(Years)		Unknown					Unknown						Unknown					Unknown	
by NSSF	Current	Expected	Completion	Date	June 2021.	Under	negotiation	for	extension.	Was June	2018. Under	negotiation	for	extension.		Was June	2018. Under	negotiation	for	extension.	Was 31st	January
y conducted	Initial	Expected	Completion	Date	March 2017		IN W	S. marine		January	2015	V	NAO			September	2016				28th	October
sibility Stud	Inception	Date			March	2014				July 2013						April 2014					1st	November
This Part provides information of Feasibility Study conducted by NSSF	Cost of Investment				TZS	247,566,771,725.58				TZS	156,045,661,481.61					TZS	170,678,582,397.79				TZS	91,703,974,542.03
Part provide		Name			Mzizima	Towers	project			Affordable	Housing	project at	Mtoni	Kijichi	Phase III	Satellite	Village	project at	Dungu &	Toangoma	Mwanza	Tourist
This	S/N				1.					2.						з.					4.	

Appendix 8 (b): Status of Feasibility Studies Conducted to NSSF Investment Projects

**Controller and Auditor General** 

NameDateExpectedExpectedLifePeriodReturnStudyHotelFrojectCompletionCompletionCompletion(Years)(RO))StudyFrojectProject201320162021. Under(Years)(RO)NoFrojectTS201320162021. Under(Years)(RO)NoFrojectTS201320162013. UnderNoNoFroject21,390,051,317.4020172020extension.UnknownUnknownNoNerereBridge &TS201720202020NoNoNoNoNerereFeryKibadaTZ2003,545,217.712003July 2011.0Ompleted.UnknownUnknownNoKibadaTZSi003,546,217.712008July 2011.0Ompleted.UnknownUnknownNoKibichiFeryAffordableTZ2003,546,217.712008July 2011.0Ompleted.UnknownNoKibichiTS2008July 2011.0Completed.UnknownUnknownNoKibichiTZMarchDecemberCompleted.UnknownUnknownNoKibichiTSSi003,546,217.71DecemberCompleted.UnknownUnknownNoKibichiFranceTZDousDousDousMarchDousNoNoNoNoNoNichiNichiNichiNichiNich	S/N	Project	Cost of Investment	Inception	Initial	Current	Project	Payback	Annual	Feasibility
Indect     Completion     Completion     Completion     (Years)     (Years)     (RO)       Project     Project     201. Under     Date		Name		Date	Expected	Expected	Life	Period	Return	Study
HotelDetect201320162021. UnderMetectProjectProjectextension.extension.extension.2 KM RoadTZS26 <sup>th</sup> April31 <sup>st</sup> Augustcompleted.UnknownUnknownproject2 1,390,051,317.4020172020Romecting21,390,051,317.4020172020Nyerere8ridge &2002020NyerereBridge &1000000UnknownUnknownNorder2003.546,217.712008July 2011.00Completed.UnknownUnknownAffordableTZS2003.546,217.712008July 2011.00Completed.UnknownUnknownRominRooding5,003,546,217.712008July 2011.00Completed.UnknownUnknownAffordableTZSAffordableTZS2008July 2011.00MenoinKijichiPhousing17,379,670,981.1020112013MenoinUnknownUnknownAffordableTZSMarchDecemberCompleted.UnknownUnknownUnknownRominKijichiKijichiMarch20132013MenoinMenoinMenoinKijichiFibadaKijichiKijichiMarchDecemberCompleted.UnknownUnknownKijichiKijichiKijichiKijichiMarch20132013MenoinUnknownKijichiKijichiKijichiKijichiKijichiMarch2013Menoin					Completion Date	Completion Date	(Years)	(Years)	(ROI)	
ProjectProjectnegotiationnegotiation2 KM RoadTZS26th April31st Augustcompleted.UnknownUnknownUnknownproject21,390,051,317.4020172020extension.UnknownUnknownUnknownproject21,390,051,317.402017202020172020NetereBridge ftFerry-KibadaMrnownUnknownUnknownNoad.TZS2008July 2011.0Completed.UnknownUnknownAffordableTZS2008July 2011.0Completed.UnknownUnknownMtoninKijichiFerry-MarchDecemberCompleted.UnknownUnknownAffordableTZS2008July 2011.0Completed.UnknownUnknownUnknownAffordableTZSMarchDecemberCompleted.UnknownUnknownUnknownKijichiFTSMarch20112013KijichiMrnownUnknownUnknownKijichiKijichiKijichiKuoniKinownUnknownUnknownUnknownKijichiKuoniKijichiKuoniKinownUnknownUnknownUnknownKijichiKuoniKuoniKuoniKuoniUnknownUnknownUnknown		Hotel		2013	2016	2021. Under				
Image: Signed and string bridge de termion.     Image: Signed and string bridge de terminic transmission.     Image: Signed and stringe		Project				negotiation				
2 KM Road     TZS     26 <sup>th</sup> April     31 <sup>st</sup> August     completed.     Unknown     Unknown     Nnknown       2 KM Road     TZS     26 <sup>th</sup> April     31 <sup>st</sup> August     Completed.     Unknown     Unknown     Unknown       Nyerere     21,390,051,317.40     2017     2020     2020     Project     Unknown     Unknown       Nyerere     Bridge &     Ferry-     Kibada     Volution     Volution     Volution       Noad.     TZS     2003,546,217.71     2008     July 2011 O     Completed.     Unknown     Unknown     Unknown       Noad.     TZS     2003,546,217.71     2008     July 2011 O     Completed.     Unknown     Unknown     Unknown       Kijchi     TZS     Dolo3,546,217.71     2008     July 2011 O     Completed.     Unknown     Unknown       Housing     17,379,670,981.10     2013     Doleated.     Unknown     Unknown     Unknown       Mtoni     Kijchi     TZS     March     December     Completed.     Unknown     Unknown       Kijchi     Kijchi     Komi     Dolometed.     Unknown     Unknown     Unknown						for				
2 KM Road       TZS       26 <sup>th</sup> April       31 <sup>st</sup> August       Completed.       Unknown       Unknown       Unknown       Unknown         project       21,390,051,317.40       2017       2020       2017       2020         Nyerere       Bridge &       Ferry-       Kibada       Project       Unknown       Unknown       Unknown         Nyerere       Bridge &       Ferry-       Kibada       Project       Unknown       Unknown       Unknown         Noerie       Noerie       July 2011.0       Completed.       Unknown       Unknown       Unknown         Affordable       TZS       2008       July 2011.0       Completed.       Unknown       Unknown         Mtoni       Kijichi       Phase I       Zon       July 2011.0       Zon       Mtonin         Kijichi       Phase I       TZS       2008       July 2011.0       Zon       Mtonin       Unknown       Unknown       Unknown         Kijichi       Phase I       TZS       Zon       July 2011.0       Zon       Mtonin       Unknown       Unknown       Unknown         Kijichi       Phase I       Zon       July 2013.0       Zon       July 2013.0       Zon       Zon       Zon       Z						extension.				
project21,390,051,317.4020172020NyerereNyerereNyerereNyerereBridge &Ferry-Ferry-KibadaFerry-KibadaJuly 2011,0AffordableTZSAffordableTZSS,003,546,217.71July 2011,0Completed.UnknownMtoniKijichiProject atMarchAffordableTZSAffordableTZSS,003,546,217.71Project atMtoniKijichiProject atMarchAffordableTZSAffordableTZSAffordableTZSAffordableTZSMtoniKijichiPhase IDecemberAffordableTZSMtoniKijichiKijichiProject atMtoniKijichiKoniKomKijichiKijichiKoniKomKijichiKomKoniKomKijichiKomKoniKomKijichiKomKoniKomKijichiKomKijichiKomKijichiKomKijichiKomKomKomKijichiKomKijichiKomKomKomKomKomKomKomKomKomKomKomKomKomKomKomKomKomKomKom	5.	2 KM Road	TZS	26 <sup>th</sup> April	31 <sup>st</sup> August	Completed.	Unknown	Unknown	Unknown	No
connecting Nyerere Bridge & Ferry- Kibada       connecting Nyerere       n       n       n       n       n         Road.       Ferry- Kibada       Ferry- Kibada       2008       July 2011       D       n       Nnknown       Nnknown         Affordable       TZS       2008       July 2011       Completed.       Unknown       Nnknown       Nnknown         Affordable       TZS       2008       July 2011       Completed.       Unknown       Nnknown         Mtoni       Mtoni       Kijichi       P       P       P       P       P         Affordable       TZS       March       December       Completed.       Unknown       Nnknown       Nnknown         Kijichi       Phasel       TZ       2011       2013       2013       P<		project	21,390,051,317.40	2017	2020					
Nyerere Bridge & Ferry- KibadaNyerere Bridge & Ferry- KibadaNyerere Bridge & Ferry- KibadaNyerere Bridge & Ferry- KibadaNyerere Bridge & Ferry- KibadaNyerere Bridge & Ferry- Minown Minown MinownNyerere Minown Unknown UnknownNyerere Unknown Unknown Unknown Unknown 		connecting			IN T					
Bridge & Ferry- KibadaBridge & Ferry- KibadaBridge & Ferry- KibadaBridge & Ferry- KibadaBridge & Ferry- KibadaBridge & Ferry- KibadaBridge & KibadaBridge & KibadaBrid		Nyerere			10	0				
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KibadaKibadaRoad.Zod.AffordableTZSAffordableTZSAffordableTZSHousing5,003,546,217.71Housing5,003,546,217.71Project at MtoniMtoniKijichiPhaselPhaselAffordableTZSAffordableTZSAffordableTZSHousing17,379,670,981.10Project at MtoniUnknownMtoniMtoninMtoniMtoninMtoniTZSMtoniUnknownMtoniTZSMtoniUnknown		Ferry-			-	CT V				
Road.Road.AffordableTZSAffordableTZSHousing5,003,546,217.71Housing5,003,546,217.71Project at MtoniMtoniKijichiPhase IAffordableAffordableTZSAffordableTZSAffordableTZSProject at MtoniMtoni17,379,670,981.10Project at MtoniMtoniNnknownMtoniNnknownMtoni17,379,670,981.10Project at MtoniMtoniKijichiMtoniNnknown <tr< td=""><td></td><td>Kibada</td><td></td><td></td><td>Ne.</td><td>A A A A A A A A A A A A A A A A A A A</td><td></td><td></td><td></td><td></td></tr<>		Kibada			Ne.	A A A A A A A A A A A A A A A A A A A				
AffordableTZS2008July 2011 Completed.UnknownUnknownUnknownHousing5,003,546,217.71Pousing5,003,546,217.71Pousing <td></td> <td>Road.</td> <td></td> <td></td> <td>N</td> <td>~</td> <td></td> <td></td> <td></td> <td></td>		Road.			N	~				
Housing5,003,546,217.71Housing5,003,546,217.71project at MtoniMtoniMtoniMtoniKijichiMtoniKijichiKijichiAffordableTZSMarchDecemberCompleted.Housing17,379,670,981.1020112013Project at MtoniMtoniMtoniUnknownMtoniKijichiKijichiMtoni	6.	Affordable	TZS	2008	July 2011	Completed.	Unknown	Unknown	Unknown	No
project at Mtoni Mtoniproject at Mtoniproject atproject atproject atproject atproject atprovine <td></td> <td>Housing</td> <td>5,003,546,217.71</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>		Housing	5,003,546,217.71							
MtoniMtoniKijichiKijichiPhase IPhase IPhase ITZSAffordableTZSMousing17,379,670,981.10Project at2011MtoniLnknownMtoniKijichi		project at								
KijichiKijichiPhase IPhase IPhase ITZSAffordableTZSMousing17,379,670,981.10Project at2011MtoniWhowiMtoniKijichi		Mtoni								
Phase IPhase IMarchDecemberCompleted.UnknownUnknownAffordableTZSMarchDecemberCompleted.UnknownUnknownUnknownHousing17,379,670,981.10201120132013MrownMrownMrownMrownMtoniMtoniKijichiKijichiKijichiKijichiKijichiKijichiKijichi		Kijichi								
AffordableTZSMarchDecemberCompleted.UnknownNknownNknownHousing17,379,670,981.102011201320132013Antoniproject at MtoniMtoniMtoniKijichiAntoniAntoniAntoni		Phase I								
17,379,670,981.10 2011	7.	Affordable	TZS	March	December	Completed.	Unknown	Unknown	Unknown	No
project at Mtoni Kijichi		Housing	17,379,670,981.10	2011	2013					
Kijichi		project at								
Kijichi		Mtoni								
		Kijichi								

Feasibility Study		oN		°N
Annual Return (ROI)	-	Unknown		Пикпоwn
Payback Period (Years)	-	Unknown		Unknown
Project Life (Years)	-	Unknown		Unknown
Current Expected Completion Date	-	Completed		Not Completed with works suspended by SSRA in March 2016 - Terminated on 12 <sup>th</sup> on 12 <sup>th</sup>
Initial Expected Completion Date		19 <sup>th</sup> April 2016		31 <sup>st</sup> December 2017
Inception Date	0000	2009		6 <sup>th</sup> January 2014
Cost of Investment		TZS 328,908,134,229.52		USD 653,436,675.00
S/N Project Name	Phase II	Kigamboni (Nyerere)	Bridge project	Dege Eco Village Project
S/N	c	×.		.6

Appendix 9: Detailed Collection of Service Charges, Outstanding Service Charges and Expenditure

This part provides the details on the Collection of Service Charges, Outstanding Service Charges and Expenditure from property investments managed by the National Social Security Funds.

Name of Property	Location	Financial Year	Collected Service Charge (TZS)	Outstanding Service charge and Arrears (TZS)	Expenditures (TZS)
NSSF Mafao House Shinyanga	Shinyanga	July-Sept, 2020	1,608,000.00	3,198,000.00	NA
NSSF Akiba Commercial House	Dodoma	July-Sept, 2022	16,218,794	75,049,644.40	12,042,969.20
NSSF Mafao House Kagera	Bukoba	July-Sept, 2020	1,248,000.00	7,164,960.00	МА
NSSF Mafao House Mwanza	Mwanza	July-Sept, 2020	2,012,385.56	13,836,470.01	NA
NSSF Mafao House Ilala	Dar es Salaam	Aug-sept, 2020 🔨	5,636,060.00	8,859,680.00	2,099,226.00
NSSF Kagera Commercial Complex	Bukoba	Oct-Dec, 2020	1,784,160.00	5,625,060.00	1,513,602.31
NSSF Mafao House Kahama	Kahama	Oct-Dec, 2020	18,767,345.40	42,512,400.00	11,907,056.02
NSSF Mafao Ilala House	Dar es Salaam	Oct-Dec, 2020	75,288,720.00	443,680.00	5,018,700.00
NSSF Social Security House	Dar es Salaam	Oct-Dec, 2020	11,682,926.40	10,227,785.60	10,017,310.65
NSSF Water Front House	Dar es Salaam	Oct-Dec, 2020	2,440,800.00	9,735,000.00	11,143,801.80

**Controller and Auditor General** 

Name of Property	Location	Financial Year	Collected Service Charge (TZS)	Outstanding Service charge and Arrears (TZS)	Expenditures (TZS)
NSSF Mafao House Mwanza	Mwanza	Oct-Dec, 2020	10,570,602.00	23,879,432.00	NA
NSSF Mafao House Mwanza	Mwanza	Jan-March, 2021	32,110,818.00	60,358,062.56	NA
NSSF Mafao House Kahama	Kahama	Jan-March, 2021	12,531,600.00	5,740,145.40	12,240,251.13
NSSF Mafao House Shinyanga	Shinyanga	Jan-March, 2021	18,589,486.00	5,178,640.00	5,045,768.09
NSSF Mafao House Mwanza	Mwanza	Apr-June, 2021	42,003,344.00	41,803,292.36	NA
NSSF Mafao House Shinyanga	Shinyanga	Apr-June, 2021	24,947,120.00	3,607,126.00	2,904,443.60
NSSF Kagera Mafao House	Bukoba	Apr-June, 2021	4,535,280.00	945,820.00	ЧĂ
NSSF Kagera Mafao House	Bukoba	Apr-June, 2022 🔨 🔨	9,491,280.00	3,411,965.00	NA
NSSF Mafao House Mwanza	Mwanza	Apr-June, 2022	31,832,332.00	10,520,788.36	NA
NSSF Mafao House- Kahama	Kahama	Apr-June, 2022	16,315,300.00	23,205,220.00	13,224,632.40
NSSF Mafao House Shinyanga	Shinyanga	Apr-June, 2022	13,771,680.00	1,888,462.00	2,596,414.25
			353,386,033.36	357,191,633.69	89,754,175.45
Cource: Dronarty Managars reports 2010/20 -2021/22	Managers renorts	2010/20 - 2021/22			

Source: Property Managers reports 2019/20 -2021/22